

REPUBLIC OF BULGARIA

**NATIONAL STRATEGY PLAN
FOR RURAL DEVELOPMENT
(2007 –2013)**

March, 2006

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Abbreviations

GDP	Gross domestic product
GVA	Gross value added
GP	Gross produce
AWU	Annual working unit
FAWF	Forest areas for wood-felling
UAA	Utilized agricultural areas
EFTA	European free trade association
EU	European Union
EAFRD	European agricultural fund for rural development
EFF	European fishery fund
IPGR	Institute for plant genetic resources
BA	Biodiversity act
MAF	Ministry of agriculture and forestry
LAG	Local action group
MoEW	Ministry of Environment and Waters
SME	Small and medium-size enterprises
MF	Ministry of Finance
NAAS	National Agriculture Advisory Service
NAEP	National agriculture programme
NVS	National veterinary service
NGO	Non-governmental organization
NARDP	National agriculture and rural development plan /under SAPARD Programme/
NPRD	National plan for regional development
NSI	National Statistics Institute
NSRF	National Strategy Reference Framework
OECD	Organization for economic cooperation and development
PO	Producer organization
CAP	Common agricultural policy
LERIT	Land estates, registers and information technologies
LLVT	Life-long vocational training
UNDP	United Nations Development Programme
RDP	Rural Development Programme
RD	Rural Development
SAPARD	Special Accession Programme for Agriculture and Rural Development

I. ASSESSMENT OF THE SOCIO-ECONOMIC AND ENVIRONMENTAL SITUATION AND THE POTENTIAL FOR DEVELOPMENT

1.1. Economic situation in agriculture, forestry and the food- processing industry

Importance of agriculture, forestry and food-processing industry in the economy of Bulgaria

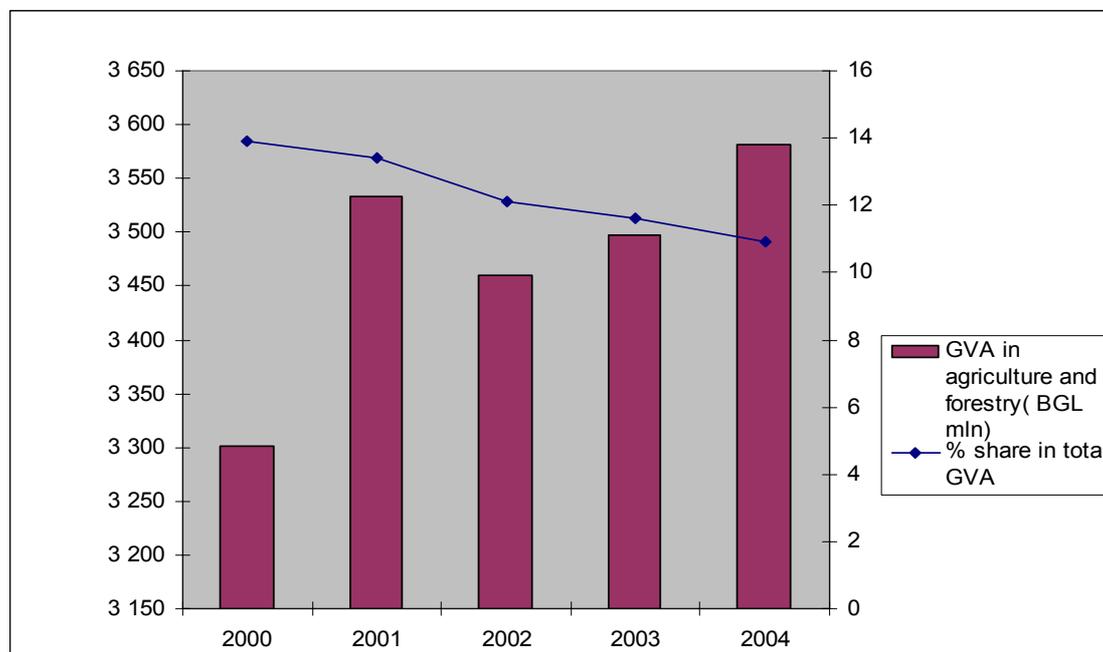
Agriculture is very important sector for the rural areas as long as it provides temporary or permanent employment to 1,348,100 people; the overall employment in agriculture is equal to 791,560 annual working units (AWU)¹. Agriculture is additional activity for approximately 369,000 people².

NSI data indicate that 806,966 people were employed in agriculture and forestry (including hunting) in 2004; this corresponded to 24.9% of total employed in the country. The processing industry producing foods, beverages and tobacco products generated employment for additional 3.6% of the employed. These figures indicate that agriculture, the processing industry and forestry provide significant share of the employment in the overall country economy.

The relative share of the agrarian sector in the total income generated by the Bulgarian economy in the past years decreased from 18.8% in 1998 to 10.9% in the 2004. The fall of agriculture's share in the gross value added (GVA) is due to the slow and shaky growth in the sector – a consequence of the slow restructuring of the sector (cf Attachment 1, Table 1) and the faster development of the national economy.

GVA per employed in agriculture, forestry and hunting in 2004 was approximately EUR 2 260 in comparison to the country average of EUR 5 204 per employed.

Figure 1. Share of agriculture and forestry in Gross Value Added



Source: Main macro-economic indicators, NSI; Statistical yearbook 2005

¹ AWU is equal to a full-day worker employment per annum. In Bulgaria this calculates in 1,856 man-hours of working time.

² According to data from the agricultural census in 2003 carried out by the Agristatistics directorate at MAF.

The general foreign trade balance of Bulgaria was negative in 2004; however, **the balance for trading agricultural produce was positive – at EUR 198,908,000 and this indicates that Bulgarian agriculture has export potential.**

Utilization of Lands

Agriculture remains an economic activity associated with high-risk levels; this coupled with its low profitability - partly because of the small size of holdings - puts obstacles to the sustainable development of the sector.

The data from the agricultural census in 2003 indicate that the total UAA of the holdings studied for the census equaled to 2,904,480 ha; 92.1% of it were arable lands, 3.7% were pastures and meadows, and 3.5% were plantations with perennials.

The greater number of holdings (96.8% of all) cultivate up to 5 ha of lands; their areas, however, account for only 15% of total UAA in Bulgaria. 2.4% of the holdings cultivate between 5 and 50 ha of lands and occupy 6.6% of total UAA. Merely 0.8% of the holdings manage more than 50 ha, but they take care for the majority of the UAA – 78.5%. The average size of UAA per holding is 4.4. ha

The holdings rent 79% of their agricultural land; only 21% is their own land. 52% of the farmers – physical persons, cultivate only their own land, while 93% of the legal entities [sole entrepreneurs, firms; cooperatives] cultivate primarily rented land.

The fragmentation of land-plots resulting from the completed land restitution process puts obstacles for to a modern and effective agriculture in Bulgaria. The desire to increase the competitiveness of Bulgarian agriculture call for measures targeting the consolidation of the holdings' lands.

Major agricultural sectors

The data for the branches in agriculture from year 2004 indicated that plant production has bigger share (51.8%) in the value-structure of the Gross produce of the sector, and animal breeding – 31.4%. **Cereals, vegetables and technical crops contributed the most to the value of the Gross produce in Plant production sub-sector. In animal breeding the production of milk had the biggest contribution to the value of the Gross produce. The above products were the most significant contributors to the formation of the GVA in agriculture.**

Foreign trade with agricultural produce and products thereof

In the period 2002-2004 the exports of agricultural produce increased more than two times, and the imports – approximately two times; this resulted in 23% increase in the trade balance (cf. Table 2 Attachment 1). 40% of the exports were for the European Markets, and almost half of the imports originated from the EU. The positive trade balance, however, is because of the country's customs protection and low consumer purchasing power rather than the competitiveness of the Bulgarian producers. Alarming is the fact that the structure of Bulgarian agricultural exports is dominated by raw materials and by-products, while the imported products are mostly processed products with high added value. **Investments at the holding-level are necessary** to allow for adding value to the agricultural products; this will improve the structure of the Bulgarian exports and the incomes of the farmers.

Data from the Agency "Customs" for year 2004 indicate that the share of agricultural produce and processed products thereof accounted for 10.7% of all exports. Biggest agricultural exports were recorded for cereals (**wheat, maize, barley**): 14%, **tobacco**: 13.58%, **oil-bearing seeds** (mainly sunflower): 11.11%, **meat**: 8.09%, **foods from vegetables and fruits**: 6.13%, **milk and its products**: 6.05%, **vegetables**: 4.60%, **wine**: 3.9%, and **fruits**: 3.52%.

Leading Bulgarian export items to the EU are: tobacco (mainly Oriental varieties), lambs, sunflower seeds, geese liver and honey.

The sectors with export potential are the sectors that influence the success of Bulgarian agriculture. They need support for modernization and improvement of their competitiveness.

Structure of the agricultural holdings

The census of agricultural holdings in Bulgaria conducted in 2003 was the first statistical survey that could provide full information on their structure.

The average size of the holdings in Bulgaria is 1.6 economic units. **92.4% of all farms are of size up to 2 economic units³** and the average size of the UAA used by them is 0.69 ha; yet these farms contribute up to 33.8% of the country's gross standard margin⁴. These are primarily self-subsistent farms which market only a fraction of their produce. Most of them have mixed production patterns. The conservation of the biodiversity is an important function of these farms.

7.2% of the farms have size of between 2 and 100 economic units and are classified as middle-sized; they account for 31.2% of the country's gross standard margin; barely 0.8% may be classified as large with their size exceeding 100 economic units; however, they account for 35% of the country's gross standard margin. Possible target group for the 'semi-subsistence measure' could be the **holdings of size between 2-4 economic units**. Part of the semi-subsistence holdings which specialize in their activity have potential for development and may become market oriented if supported. However, their market position also depends on the success in overcoming their unwillingness to cooperate. If united in producer groups such farmers may be able to find more attractive markets for their produce.

Albeit their small number, the middle-size holdings are important for achieving competitiveness of the Bulgarian agriculture.

The low level of farm specialization is a serious structural problem for Bulgarian agriculture. It leads to low efficiency, low level of adoption of new technologies and low competitiveness. More than half of farms in Bulgaria are mixed (Table 3, Attachment 1). About 95% of the mixed farms are small – of size below 2 economic units.

Production Assets

The investment costs associated with acquisition and improvement of production assets reached EUR 7889.5 million, and only 2.1% of them were made in agriculture.

Part of the equipment and the buildings are obsolete as they can not meet the EU standards. The harmonization of the national legislation with the European acquis and the alignment to the Community standards in the area of hygiene, environment protection and animal welfare – particularly in the sectors milk and meat production – are very costly for the Bulgarian producer. **According to expert estimates EUR 35 million are 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 **investments of at least EUR 30 million.**

Significant investment must be made also in manure-storing points and in purification installations especially in the nitrate vulnerable zones. Such investments will be hard to accomplish without targeted aid. Barely 528 of the present holdings have special site for safe disposal of manure.

³ One economic unit equals 1 200 euro

⁴ A sum of the standard variations of the farms, included in the census of 2003

Organic agriculture is among the priorities of the Governmental Programme, but the **transition from conventional to organic production is associated with significant investments**. More details on developing the Bulgarian organic agriculture and the markets for organic produce are presented in Attachment 1.

Quality of the Workforce

One of the major problems in the sector is the age-structure of the farmers. Barely 5% of holdings' owners are less than 35 years of age vs. 66% who are older than 55 years of age.

The low educational attainments and qualifications and the inadequate managerial and business skills of the producers (cf. Table 4, Attachment 1) are problems which impede the successful development of Bulgarian agriculture. Merely 2% of the farmers have secondary education in agriculture and only 1% have tertiary degree in agriculture from college, university or doctoral specialization. The training of young farmers and of organic producers is especially important. As long as organic agriculture is declared as a Bulgarian priority, it calls for the provision of appropriate prerequisites to achieve this – through education and training.

Food Processing Industry

The food processing industry is the main market for the agricultural products, and its development is of key significance for agriculture and rural development.

According to 2003 data by the National Statistics Institute, the food and drink production sector consisted of 6 439 enterprises, of which 4 752 (74%) were micro enterprises, 1 287 (20%) were small enterprises, 345 (5%) were medium sized and only 55 (1%) were large enterprises. The structure of the enterprises in the sector is presented in Table 5, Attachment 1.

The food processing industry has a significant market share in the country. The volume of sales of the food industry (excluding tobacco products) in 2003 (NSI data) accounted for 15% of the total volume of sales in the country, which put the industry in a leading position in this regard as well. The best-performing sectors with higher sales and best answers to the domestic demand were "drinks and beverage production including wine", "meat", "milk", "fruits and vegetables" and "milling industry". The growth in the sales of the food-processing enterprises in 2003 (30% increase compared to 2000 sales, and 21% compared to 2002 data) indicates strong growth potential of the domestic market in the future. The biggest relative increase in the period 2000-2003 was recorded for the canning of fruits and vegetables (105%).

According to data from an empirical study carried out in 2001⁵ in 204 enterprises in the processing industry, the assets in 54% of them were worn-out and outdated, 34% had acceptable assets and 12% had modern production assets.

Regarding the raw materials – the enterprises processing animal produce– milk and meat have the biggest problems; this is due to the small size of the holdings and hence to the worse quality of the raw materials. Bulgaria has a transition period for the raw milk till 31.12.2009 to achieve full compliance to the EU requirements. This brings difficulties and problems for the milk-processing enterprises in the 2007-2009 period because they will have to process 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). Additional investments will be necessary for them so that the processing of the two milk-types can be separated in their enterprises.

⁵ Vladimirov, Zh., Katzarski, I., Harizanova, O., Malamova, N., Badjakov, M., Todorov, T., "The processing enterprise of Bulgaria; competitiveness in the conditions of institutional change (sociological analysis), C. "Prijm trade" OOD, 2002.

The fruits and wine grape produced locally are insufficient for the country. The development of the corresponding processing sectors requires that priority support is extended to these agriculture sectors which provide the necessary raw materials.

According to the empirical study of 2001 in 204 processing enterprises, the major problems regarding the raw materials were: bad quality, insufficient quantities and assortment, high prices, seasonal deficits or surpluses, problems with the delivery, i.e. low degree of vertical integration. The existing enterprises need support for their modernization and technological modernization to overcome the low degree of equipment compliance to the EU requirements (Attachment 1, Table 6).

The food processing industry needs significant investments so that the enterprises become fully competitive after the accession to the EU. The support should be targeted to the sectors with best export potential and to those important for the local market.

The industry needs to invest in order to reach compliance with the EU sanitary, veterinary and hygiene requirements set in the acquis. At the same time it needs investments to improve the quality and safety of products. Investments are required to renovate the waste water treatment facilities of the enterprises and cooling equipment in the collection centers. Priority must be given to funding innovations and the production and marketing of new food stuffs that will diversify the assortment of output.

Forestry

Forests are perceived by the Bulgarian people as part of the national wealth and national identity. The total forest territory of Bulgaria is 4.004 million hectares and takes up 34% of the country's territory. Afforested areas cover 3.648 million ha; 65.9% of the forests have primarily wood-production purposes. The annual timber-growth is 3,300 m³.

Municipal and private forests are spread on 736,229 ha (20.2% of all forests). The structure of their ownership is as follows: forests privately owned by individuals or firms – 10.2%; municipality – 9.5%, religious entities – 0.5%. The structure of forests' ownership is uneven throughout the country. The private forests are taking small areas, mostly below 1 hectare.

Non-state forests provide additional incomes and timber to their owners.

The forest owners continue to face difficulties in their access to investments and advice, which indicates insufficient support in this area. The municipalities are just beginning to set up specialized units to manage municipal forests.

Significant investments however, are necessary for fulfilling some of the activities like the forest-management wood-felling, improvement of the forest infrastructure and the access to advice by the forest owners.

The analysis of the economic situation in agriculture, forestry and food processing industry reveals the following **general weaknesses**:

- Fragmentation in the production units leading to a huge number of semi-subsistence farms;
- Low labor productivity;
- Worn-out assets and backward technologies leading to low labor efficiency and weak economic results. Part of the buildings and equipment are obsolete as they do not comply with the new standards;
- Low level of education, inadequate qualifications, business and managerial skills of the people employed in the sector.
- General unwillingness for cooperation among the small farmers;
- Lack of own or hard access to borrowed capital;

- Aging population involved with agriculture.

The **strengths** of Bulgarian agriculture, processing industry and forestry guiding the future support include:

- Favorable soil and climatic conditions for production of various products;
- Rich traditions in the production of various primary products-inputs and in processed foods;
- Functioning system of research, training and consultancy units.
- Good image of the Bulgarian agricultural products and food stuffs in the Central and Eastern European countries;
- Availability of substantial production capacity in the industry;
- Proximity to main export markets.

1.2. Protection of the Environment and Land Management

Biodiversity

Bulgaria is among the European countries with richer biodiversity with 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. Bulgaria annually exports approximately 15 500 tons of herbs with clear prospects for growth in the exported quantities. Bulgarians traditionally grow local varieties in their gardens, which is a prerequisite for preserving significant diversity of old, primitive varieties (folks' selection), local populations and their forms. The Institute for Plant Genetic Resources in Sadovo has made big collections of 2916 cereal plants, 410 grain-leguminous and 2154 vegetable culture collected from various locations in the country. All of them were rated according to respective indicators (following classifications and methodologies) and need special care for their 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 inland water bodies. Bulgaria may claim specific attitude towards the later groups as they are quite distinctly unique. 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 which conditions prohibit the use of veterinary medications. Data 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 contradicting 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 is 866, and their total territory is 544394.9 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, 35 maintained reserves. The Nature and National parks have the biggest share of the protected areas territory:

44.95% and 27.62% respectively. The strictly protected areas including reserves, national parks and maintained reserves cover 2.66% of country's territory.

Many of the protected areas of Bulgaria are internationally significant. Two objects ("Pirin" National Park and "Sreburna" 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 bio-sphere reserves under the UNESCO's "Man and Bio-sphere" Programme. Four sites have been identified as important wetlands of international significance (the Ramsar Convention). High nature value farmlands are also common for Bulgaria. According to the definition by the European Agency on Environment, approximately 20 % of the agricultural lands of Bulgaria are lands of high nature value.

NATURA 2000 network

The sites falling within the pan European NATURA 2000 network should be 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 (abridged to 'The Directive on Habitats') and Directive 79/409/EEC on the preservation of wild birds (abridged to 'The Directive on Birds'). 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. According to the Act the locations are announced protected zones as part of the national eco-network.

By the present moment a study on appropriate protected zones for birds has been completed; the areas have been identified and the MoEW is expected to propose **114** potential NATURA 2000 sites, which meet the criteria for special protected areas (SPA). The total area of the locations cover 25 700 km² of land (22,8 % of Bulgarian territory) and **430 km²** aquatory. Forests spread on **47%** of this territory and agricultural lands occupy **41%** of the zones' surface.

Potential NATURA 2000 sites to be identified according to the Directive on Habitats are still in the identification process; until present their total territory sum up at 4,064,548 ha (including aquatory) this area corresponds to 36% of country surface plus 11 860 ha of aquatory.

Agricultural lands (CLC, level 1, class 2) occupy 25.9 % of the studied NATURA 2000 territory; their share in total agricultural lands of Bulgaria comes up at approximately 18%. The prevailing type of agricultural lands included in the NATURA 2000 territory are lands with significant portions of natural flora as well as pastures. The inclusion of lands with intensive agricultural production practices in the NATURA 2000 territory has been avoided.

The woodlands and the seminatural areas (CLC, level 1, class 3) prevail on the Network's territory – their share is 68.7 %. Their share in the network's territory corresponds to 58% of the total coverage of such areas in Bulgaria.

The proposed Network's territory envelops best the wetlands. The salty marshlands and peats and almost 90% of the seaside lagoons, all of which were identified through the CORINE project version 2000 are included in the proposed network.

Agricultural lands constitute the most significant type of habitat for the European birds. In Bulgaria, the agricultural lands are populated permanently or temporarily during the calendar year with 12 internationally endangered bird species (i.e. the Imperial Eagle, falcons, geese species) as well as with 78 bird species listed in Attachment 2 to the Biodiversity Act (respectively Attachment 1 to Birds Directive). The relative share of the Bulgarian agricultural lands falling in the network of the Important Bird Areas (future NATURA 2000 sites) is 41%.

The areas with permanent grass, most of which are seminatural, spread on approximately 36% of the utilized agricultural area in year 2005. The seminatural grassland are among the most valuable ecosystems of the agricultural landscape. They result from continual agricultural practices of the humankind for utilizing the grasslands for grazing or/and mowing. The seminatural habitats in Bulgaria experience different types of pressure which causes drop in their biodiversity::

- Many of the pastures with high nature value were left undergrazed or abandoned altogether due to the decreasing numbers of grazing animals; the decrease in the flocks and herds was caused by the low market prices for milk and meat. Parallel to that the meadows were no more mowed which resulted in the spreading of more aggressive grass, bush and tree species.
- The low efficiency in animal rearing based on grazing in seminatural grasslands makes many of the farmers in the plains to plough the grasslands and to turn them into arable lands, orchards and vineyards. This leads to an inevitable loss of plant biodiversity and to the extinction of certain vertebrate and invertebrate communes.
- Whenever the seminatural grasslands belong to a municipality and are situated close to the settlements, they are used as grazing lands by the farmers. This very often causes overgrazing of the area and consecutive soils erosion and the respective lands have their nature value diminished.

In general, the changes in the Bulgarian agriculture during the past 15 years led to a decrease in the use of chemicals and fertilizers, to fragmentation of the holdings and to restoration of some of the natural elements of the agricultural landscape; this had positive general effect on biodiversity. Parallel to that, abandonment of lands with resulting cessation of meadow-cutting also appeared and had negative influence on the biodiversity. Another negative trend is the transformation of high nature-value areas (like pastures, meadows) into arable lands and perennial plantations (vineyards, orchards). The inappropriate agricultural management practices and activities, the reckless collection and depletion of plants and animals leads to a loss of gene pool diversity and biodiversity. The threats to the coastal ecosystems include water pollution, reckless collection of rare and endangered species, 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 river banks and the respective extermination of plant and animal species and loss of complete natural habitats.

Water

Bulgaria is not rich in water resources. The surface water resources are 70% of total water resources, and the underground ones add up the remaining 30%. The rivers flow into two basins: Black Sea (receiving 57% of the flow; 42% coming through the Danube River) and Aegean Sea (receiving 43% of the flow). The Water framework directive 2000/60/ES is still not fully transposed in the national legislation for the waters and there is no plan yet developed for its implementation. Approximately 75% of the river-length is in condition meeting the normative indicators for good water quality.

Major problems regarding the quality of the waters is the pollution of settlements, and the farms which fail to meet the requirements, lack of safe-places for storing manure, the lack of sewer system in many settlements, etc. The agricultural census in 2003 indicated that only 528 holdings have safe manure-pile sites and 484,836 have only primitive dunghills; this calls for special measures to help the farmers in establishing the manure storage capacities.

Code for Good Agricultural Practices

The Minister of agriculture and forestry enforced the 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 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 forestry (ordinance published in State Gazette 87/24.10.2000). The Ordinance transposed Directive 91/676/EEC on protecting waters from contamination with nitrates with agricultural origin (referred to as the Nitrate Directive in short). The legislation provides instructions for the appropriate application of organic and mineral fertilizers (specifically on sloping terrains), and their appropriate storage so that the possibility for contaminating the surface and underground waters can be avoided.

The implementation of the good agricultural practices is compulsory for the farmers' holdings placed in protected sanitary zones around 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 source of drinking water.

The 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 first Bulgarian Programme for restricting and eliminating the pollution in sensitive zones is in the process of elaboration. It will be finalized and enforced in 2006 and its update is foreseen in four-year period.

Soils

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

More than 60% of the country is afflicted in various degrees by erosion processes, and in the southernmost parts, the foothills of Balkan mountain and Loudogorie, and in the mountain areas the areas prone to erosion reach 70%. The support to activities related to the use of agricultural lands in less favored areas, and the adherence to the good agriculture and environmental conditions in these regions will diminish the abandoning of the lands there, and will lead to decrease in the erosion processes.

The distribution of erosion risk and the water-caused erosion losses shows that afflicted areas are mostly having losses of over 5 t/ha and are with 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.

The overall analysis of the biodiversity, the soils and waters of Bulgaria indicates the following main threats:

- Loss of biodiversity because of:
 - ceasing the meadow-cutting activities
 - transformation of pastures, grazelands and meadows into arable lands and perennial plantations;
 - reckless collection and depletion/extermination of plant and animal species;
 - change in the water regimes, engineers works on the river banks /for coastal habitats/
- Contamination of water bodies by agricultural activities
 - lack of safe manure storage capacities;
 - lack of sewerage systems in many of the settlements;
 - intensive and monoculture agriculture in vulnerable/sensitive zones
- Loss of soil fertility resulting from:
 - water, wind and irrigation erosion

- monoculture production patterns, lack of plant-culture turnover;
- salinization of soils
- acidification of soils
- intensification of the production methods

1.3. Socioeconomic situation in the rural areas of Bulgaria

Territory, geographic location, landscape and administrative division of Bulgaria

The territory of Bulgaria covers an area of 110 910 square km, of which 110 550 square km land and 360 square km - water territory. The country is located in the northeastern part of the Balkan Peninsula, bordering Romania to the north, Serbia and Montenegro, and Macedonia to the west, Greece and Turkey to the south, and the Black Sea to the east. The land surface borders add up to 1 181 km in total length.

Bulgaria has a primarily mountainous landscape.

Bulgaria is divided into 6 planning regions (NUTS II regions) and 28 administrative regions, corresponding to the NUTS III level of classification. The next tier of administrative units comprises the municipalities (their number is 264) which correspond to the level of local administrative unit 1 (LAU 1).

The smallest administrative units according to Bulgarian legislation are the municipalities. Each municipality includes one or more adjacent settlements and neighborhoods. The settlements are classified into towns and villages. The total number of settlements in Bulgaria is 5 333, of which 246 towns and 5 087 villages.

European legislation and practice do not provide common definition for a rural area in the EU context. Each member-state uses its national definition for the scope of the rural areas. For the purposes of the comparative analysis within the EU and for the Strategic Community Guidelines for the period 2007-2013, the definition of the Organization for Economic Cooperation and Development (OECD) is used. According to it, rural area is a territory at the level of NUTS III with population density lower than 150 people per square km. Based on that definition 76.5% of the territory and 58.4% of the population of Bulgaria are identified as predominantly rural. Data according to the OECD definition and a comparison with the definition for rural areas used in the NARDP 2000-2006 under SAPARD are provided in Attachment 4.

According to the rural area definition used for the purposes of the National agriculture and rural development plan 2000-2006 (municipalities which biggest town is with population less than 30,000 people and population density of less than 150 people per square kilometer), 231 of all 264 municipalities in Bulgaria were classified as rural areas. The territory of the rural areas under this definition encompassed 83.7% of Bulgaria's territory and 41.9% of the population. The total number of settlements in rural areas is 4157, which indicates that a significant portion of the settlements in Bulgaria (about 20% - and primarily villages) does not classify as rural area under the current definition. As a consequence, in the course of SAPARD implementation the issue of re-defining rural areas was raised. The main argument for changing the criteria for defining rural areas is that there are many villages from municipalities not classified as rural and excluded from support, while they have the same characteristics as other areas defined not only as rural but also as less developed rural regions. The redefinition of the rural areas in Bulgaria must be thoroughly considered, discussed and included into the Program for rural development in the period 2007-2013.

The demographic problems – i.e. negative population growth, aging population and internal migration are common for the entire country but they are much more visible in the rural areas. All studies accomplished in the last years prove ongoing aggravation of the problems.

The population density in the rural areas is two times less than the average for the country (35.5 people /km² vs. 70.3 people /km² respectively).

The major reason for the decrease in population is the decrease in the number of young people which brings lower birthrate in the rural areas. In 2003 the net average population growth per 1,000 people for the country was negative- minus 5.7‰; it was quite unequal for the villages and the towns – minus 12.2‰ and minus 2.9‰ respectively.

In the last years the coefficient on dependent aging population is increasing thus indicating clear trend for ageing population in the rural areas. The age structure in these areas is getting worse – the share of the old people (above 65 years of age) is steadily increasing while the population of the young people (below 15) decreases with time. The share of the elderly (above active age) in the rural areas is significantly higher than in the urban areas (27.5% in the rural areas vs. 20.8% in the urban areas). The prevailing part of the Bulgarian population under active age lives in the rural areas (38.5% according to the data by NSI) and the share of the population in active age of the rural areas is significantly less than the same share in the urban areas (56% vs. 64.3% respectively), and less than the average figure for the whole country (60.8%).

GDP per capita in the rural areas is significantly lower than in the urban areas (the value of this indicator for the rural areas is 34% lower than the average for the country, and more than two times lower than the GDP per capita in the urban areas). The reason for this fact is the relatively low value added in agriculture – a sector which is strongly dominating the rural economy. The high rate of agricultural employment in the rural areas is not sufficient for dealing with the problems in these areas, including the unemployment, as the major part of the holdings are self-subsistent and do not generate jobs. Employment outside agriculture is still rare in the rural areas, but it presents a real employment alternative for the greater part of the households in the rural areas. The continuing modernization of the agricultural sector will lead to a decrease in the number of workplaces and will force the search for sources for alternative incomes outside agriculture. The diversification of economic activities will allow the creation of new jobs and new income sources for the people in the rural areas, including the people who are partially employed in agricultural activities; thus the quality of life will be improved.

Despite the general trend of decreasing unemployment in Bulgaria during the last several years, the unemployment coefficient in the rural areas continues to be significantly higher than the average coefficient's value for the country (the data by the Agency on Employment indicates that the unemployment rate of the rural areas was 20.27% in year 2003, while the average unemployment rate for the whole country was 14.0% for the same period).

Data from the last several years indicate that the districts and the municipalities of the rural areas, where employment in agriculture was higher, had high unemployment rates; opposite was the case with the areas where the share of the people employed in services and/or other non-agriculture activities was higher – they had lower unemployment rates in the villages.

With regards to education and vocational qualifications of the workforce in the rural areas, the situation hasn't changed significantly in the period 2000-2004: barely 3% of the population in the rural areas has higher education, while in the towns the corresponding share was 12%; the share of people with secondary education in the rural areas was 37% vs. 60% in the towns. The low level of education and qualifications of the rural population not only brings dim prospects for developing modern and effective agriculture but diminishes the chances for startup businesses outside agriculture. The share of permanently unemployed in the rural areas is increasing due to the lack of qualifications and the low level of education. The quality of the workforce is insufficient to meet the challenges inherent to the knowledge-based economy and the globalization process.

The development of rural areas has important broader territorial and overall economic aspects in addition to the narrower sector development issues. The provision of healthy and favorable environment, as well as the preservation of the rich rural and cultural-historic heritage are especially important to secure the rural areas' vitality.

Good level of technical infrastructure may contribute to the improvement of the quality of life in the rural areas, may create favorable conditions for their revival, and may serve as a prerequisite for attracting investors and entrepreneurs in the rural areas.

The needs for particular types of infrastructure in the rural areas differ significantly in accordance with the particular settlement type and size; the gaps between the municipal centers and the villages are quite pronounced, notwithstanding the fact that there are regional exceptions. The municipal centers usually have well developed street infrastructure, streetlight systems, water provision and sewerage systems, working mechanisms for the collection of solid waste and even central heating in several locations; in contrast, the access to such infrastructure and services is not possible in the villages.

The major problems of the settlements in the rural areas are associated with the systems for sewerage treatment and waste collection – they are missing in 70% of the villages. Despite there is a well developed electricity power network which covers almost the whole territory of the country (with little exceptions), electricity power supply breakdowns and water access restrictions are not uncommon especially in the rural areas; this combined with the lack of sewerage collection and treatment installations in big number of the settlements brings serious impediments to the business, discomfort and inconveniences for the local people. The increasing usage of water aggravates the water deficits and will turn into a major social, economic and ecological problem for the country. The Republic of Bulgaria is among the five European countries with lowest water resources – the other four are Poland, The Czech Republic, Belgium and Cyprus. The water provision infrastructure of the country serves 98% of total population. The well developed system, however, is not indicative for the actual infrastructure needs, as the greater number of the systems (more than 88%) uses the outdated technologies from 1960-1980's when was their construction period. The systems have grown old and physically worn-out; they frequently experience breakdowns, have low operation efficiency and frequently cause large water losses because of accidental leakages. These factors cause constant deterioration in the condition of the water provision networks and installations. The existing sewerage system is assessed as unsatisfactory as it is much less developed than the water provision networks. The sewerage network integrated in the settlements' streets is barely 7,718 km long; together with the external collectors it reaches the total of 9,150 km. Only 400 km of the entire sewerage system are located in and serve villages. The number of the settlements with built sewerage infrastructure is 272 – 167 of them are towns and 105 are villages. These figures indicate that 70.5% of all towns have a sewerage system vs. only 2.1 % of the villages. Compared to the total street length in towns and villages, the existing sewerage network matches 48.5% of the total street-length of the towns and only 0.6% of total village street-length.

An organized collection for households' solid wastes serves 80% of Bulgaria's total population; however, only 33% of the village population has access to such service vs. 99% of the population in the towns; this makes obvious the need to support organized collection of wastes and their appropriate disposal for the rural areas.

Regarding roads, the situation greatly varies for the particular settlements – some enjoy well developed infrastructure, others where development is slow and are usually abandoned by the people have unsatisfactory road networks. The Rural Development Needs Survey which was conducted by the World Bank in 2004 indicates that the road infrastructure is not maintained well and that the interviewed rural households express greatest discontent with the municipality roads connecting settlements (61% discontent), the condition of the settlements' streets (65.2%) and the roads to the agricultural fields (50%). The general condition of the municipal road network is

unsatisfactory which was caused by the chronic lack of funds for road repair and modernization. The roads inside or outside the settlements do not meet the modern standards, are not properly maintained, and the prevailing part of their surface is worn-out or destroyed. The existing municipal road system (third class, fourth class and inner roads) needs rehabilitation.

There exists an apparent deficit in the provision of basic services for the population and businesses in the rural areas (information and business services, social services, etc.)

The summary from the SWOT analysis of the rural areas brings forth the following major problems:

- unfavorable demographic structure;
- local economies highly dependent on agriculture;
- inability of the local communes to self-organize and participate in the management of the EU funds;
- worn-out and/or missing basic infrastructure – for provision of water, for sewerage treatment, roads in and between settlements, for collection, treatment and disposal of waste.

The strengths of the rural areas may be summarized as follows:

- presence of rich, diverse and preserved nature;
- presence of settlement network including well developed electricity supply, communication and living infrastructure;
- presence of major road infrastructure with secured access to the relatively smaller settlements in the rural areas;
- big number of preserved vital rural communes with rich historical and cultural traditions.

These advantages and problems of the rural areas should be adequately addressed by the rural development policy aspects dealing with the improvement in the quality of life and the creation of more favorable economic environment in the rural areas.

Rural Development based on the local initiative

Bulgaria has acquired significant experience in mobilizing the local communities which was through international donors funding programmes. The programmes differ in their goals and procedures but in general significantly contributed to the mobilization. The major benefit from the programmes was that the communities got involved in the entire project cycle, i.e. they accomplished projects selected by themselves. The practical results from their realization made them attractive for the local people. Detailed information on the efforts to mobilize local communities are given in Attachment 1.

The conclusions and recommendations of the mid-term evaluation of MAF-UNDP “Sustainable rural development” project were focused on: the necessity to provide training to all LAGs’ members; further improvement of the cooperation among the stakeholders to improve the results from operations; the necessity of ongoing and long-term-directed efforts at the local level in order to change the local attitude and practices in managing the local natural resources; the need for the LAGs to participate in national and international inter-municipal network, the latter being especially important for making possible the process of sharing common problems and good local practices.

II. RURAL DEVELOPMENT STRATEGY OF BULGARIA FOR THE PERIOD 2007-2013.

2.1. Goals

Based on the Community Strategic Guidelines for rural development in the period 2007-2013, aiming to realize the major EU priorities associated with creation of jobs, growth and sustainability (Lisbon, Goeteborg), in order to guarantee complementarity with the other EU policies (Cohesion, protection of the environment, and especially coordination with the Structural Funds and the management of natural resources in the rural areas of Bulgaria), taking into consideration the common socio-economic conditions in the rural areas of Bulgaria, the following goals of the National Strategic Rural Development Plan have been set for the period 2007 – 2013:

- 1. Developing competitive agriculture and forestry and based on innovations food - processing sector.**
- 2. Protecting the natural resources and the environment of the rural areas.**
- 3. Promoting the creation of jobs and improving the quality of life in the rural areas.**

The implementation of the Strategic Plan should also contribute to the achievement of the strategic goals of the National Strategy Reference Framework, as follows:

Achieving and keeping high economic growth through dynamic knowledge-based economy in accordance with the principles of sustainable development.

Increasing the human potential and achieving the necessary level of employment, incomes and social integration which ensure high quality of life.

All three goals of the National Strategic Plan are aiming at the improvement of the economic and social conditions in the rural areas and complement each other. Their orientation towards improving the competitiveness of the agricultural structures and their market efficiency, the creation of jobs and the achievement of higher quality of life is evident.

The first goal for the seven–year period is the development of competitive agriculture and forestry and based on innovations food-processing sector. The living and working conditions in the rural areas will continue to depend throughout the next period on the development of competitive agriculture and forestry. Agriculture still provides for the prevailing number of jobs; it is the prevailing economic sector in the rural areas. At the same time the GDP per capita in the rural areas is significantly lower than in the urban areas due to the low value added in the sector.

The investments in agricultural holdings is among the priority areas for Bulgaria as great efforts are needed to help holdings meet the demanding hygiene, veterinary and ecological requirements of the European legislation as well as to develop production activities which add value to the primary agricultural products. The successful restructuring of the sector will predetermine its competitiveness. **The achievement of good balance in directing the support to medium size and bigger holdings vs. vs. semi-subsistence holdings is decisive for the success in restructuring the sector.** Extending the support to young farmers and their training guarantees the development of modern agriculture, based on knowledge and skills.

Bulgarian agriculture, forestry and food sector have the potential to produce processed goods of high quality, capable of meeting the rising the expectations of both the Bulgarian and European customer. The production of quality products will allow the transformation of Bulgarian agriculture into modern economic branch, adding significantly to the GDP growth per capita in the rural areas, and making it attractive to the young people.

The creation of innovative small and medium size enterprises in food production and in the sphere of marketing, together with the renewal of the physical production assets of the enterprises operating in the sector, will predetermine the market position of the branch. Promoting the process for cooperation among agricultural producers, processors, research institutes will create favorable conditions for the development of new products and the introduction of new technologies both in agriculture and the food industry.

The efforts to achieve the first objective – the modernization and restructuring of agriculture and food-processing industry and the investments in human potential – will contribute to the achievement of the EU priorities, namely of the Lisbon strategic objectives on employment and economic growth. As a result of the support economic growth shall be achieved in agriculture, as well as better conditions for the employed in the sector and even new jobs.

The second goal is targeting the preservation of natural resources and the improvement of the countryside. Better land management and protection of the environment will secure the implementation of the National Agrienvironmental Programme (NAEP) and the adherence to already undertaken international obligations: the Kyoto protocol, the biodiversity conventions, the fight against desertification and climatic changes.

The support for sustainable management of lands and forests, the conservation of the biodiversity and traditional agriculture, the NATURA 2000 sites will contribute to preserving the attractiveness of the rural areas, will create the preconditions for the development of other activities of the rural economy: tourism, crafts, leisure time activities and last but not least – the development of sustainable occupations for the population of the rural areas.

The major activities in the NAEP are associated with the conservation of the high nature value farmlands and with the protection and restoration of their biodiversity, the upkeep of the landscape and the low-intensity practices in growing orchards with local varieties, reduction in the pollution with nitrates of agricultural origin through the introduction of suitable rotations, preventing water erosion in the water basins, protection of endangered local breeds and development of organic production.

Organic production is among the country priorities set in the Programme of the Government of Bulgaria. This is a way of production, which aims at the preservation of the natural resources, and which is based on eco-friendly production methods.

In accordance with the European plan for the development of organic production, Bulgaria initiated the preparation of country Strategy and Action Plan for the Development of Organic Agriculture; both were adopted in the end of 2005. The documents set forth the following strategic goals:

- Developing of the internal market for organic produce;
- 8% of the UAA should be managed under the organic production methods by year 2013;
- An effective legislative framework supporting the development of organic agriculture must be in place by year 2007;
- Scientific research in the area of organic agriculture should be orientated towards actual practices; training and education systems as well as consultation capacity in organic agriculture must be available by year 2010;
- Effective system for control and certification of organic products should be established;

By 2010 the total area of all protected territories and protected zones within the National eco-network must cover at least 15% of Bulgaria's total territory. The compensations to producers which plots are within the NATURA 2000 network will be of high importance

for implementing the measures targeting the protection of the various habitats and the species in their management plans.

The support for activities associated with the utilization of agricultural lands in less favored areas (where conditions for agricultural activities are inferior compared to other areas) is another step in promoting different thinking with regards to the countryside and the landscape. The support for less favored areas and their mountainous parts is very important for Bulgaria in view of the fact that almost 60% of country's territory contains regions with degrading natural characteristics which impede the agricultural activities. The farmers' incomes are lower in these areas due to their natural handicaps. Therefore, compensating the farmers there is important for obviating the depopulation process in these areas. The support to the agricultural producers through compensatory payments for the less favored areas will lead to:

- More rational use, storage and sustainable development of the land and other natural resources;
- To compensate the farmers working in less favorable conditions so that their incomes become comparable to the farmers' incomes in other areas of the country;
- To stabilize the income levels for the rural population which will reduce the depopulation in such areas;
- Supporting the maintenance and keeping the attractiveness of the landscape.

The actions to achieve the second strategic goal, e.g. conservation of biodiversity, water protection, conservation and sustainable use of the land and natural resources will contribute for achieving the European sustainable development objective from Goeteborg.

The third strategic goal aims at the creation of jobs and the improvement in the quality of life in the rural areas.

The rural areas have significant resources which presents significant potential for development. Despite that in the past the rural areas provided some basic services to the rural population, at present, the services sector in the areas falls short of quality; which calls for support to the services sector so that further depopulation of the areas could be prevented.

The present demographic and socio-economic problems of the rural areas require integrated approach in dealing with them. **That is why the diversification of the economic activities presents an opportunity for improving the incomes and the living conditions in the rural areas, as well as the creation of workplaces.**

Through the information and communication technologies new opportunities for the business and the rural population emerge. The multitude of business niches – the establishment of computer clubs and information centers in the villages, the production of biofuels, the development of rural tourism – these are all ideas which should be supported to materialize in the rural areas. As a result from the use of these technologies, the jobs become much more flexible.

Infrastructure is primarily property of the local authorities, and it has good general coverage; however, it is in a bad condition and outdated. The infrastructure needs differ with respect to the type and the size of the settlements, and the differences between the municipal centers and the surrounding villages are especially pronounced, despite the regional exceptions. **The municipal centers and most of the towns of the rural areas have relatively well developed streets and lighting, water provision and sewerage systems, systems for collection of solid household waste, and even central heating systems in some locations; the villages on the contrary have little access to such conveniences. The major problems with the basic technical**

infrastructure are related to the water provision systems and especially the sewerage utilities – the latter is not available in 70% of the villages. The municipal road infrastructure (inter-settlement) is also in a bad condition.

Many settlements in the rural areas do not have regulated waste depots and this leads to chaotic waste disposal usually in several locations. Very often the river beds passing through the settlements are turned into waste depots for solid household and farm wastes. The disposal of wastes on non-specified location brings threats for contaminating the particular soils, water and general environment; thus it becomes one of the gravest problems of the rural areas.

The severity of the problems presupposes the fact that the prevailing efforts in 2007-2013 will be directed to their overcoming; this is based on the impact which they have on the health and the prosperity of the population on one hand, and the fact that the overall business-environment situation depends to a large degree on the condition of the infrastructure (reliable water provision and sewerage system, stable electricity, good roads, organized waste collection and waste disposal services).

The activities for achieving the third strategic goal – diversifying and promoting employment by developing the services and providing better infrastructure in the rural areas as well as strengthening the capacity of the local partnerships will contribute to the achievement of the EU Lisbon priorities for creation of employment in these areas.

2.2. Vision for developing the Bulgarian agriculture and rural areas till 2013:

- The development of the Bulgarian agriculture will rely on young farmers with appropriate qualification
- Bulgarian agriculture will be based on competitive middle-sized agricultural holdings
- Support will be extended to agricultural holdings and their associations which close the production cycle while producing quality foods ready for consumption thus adding value to the primary agricultural products and becoming more profitable
- Improved quality of life in vibrant rural areas with strengthened and diversified economies, improved infrastructure and services
- Achievement of eco-friendly and adequate management of the natural resources in accordance with the principles of sustainability
- Full use of the human resources potential in agriculture and rural areas, improved skills and capacities of the local communes in elaborating and implementing their development strategies.

III. AID STRATEGY PER PRIORITY AXES AND INDICATORS

Based on the EU priorities for rural development in the period 2007-2013, the first of which is “Improving the competitiveness of agriculture and forestry”, the first goal of the National Strategic Plan is targeting primarily the Development of competitive agriculture, forestry and based on innovations food sector. Based on the analysis and the need for restructuring the Bulgarian agriculture and food processing sector, the budget for Axis 1 should have the highest financial weight and **therefore 40% of the** total rural development budget for the 2007-2013 is allocated to this priority axis.

The Bulgarian agriculture and food industry will be operating in the conditions of an increasingly competitive domestic market. The harmonization of the national legislation with the European acquis and the alignment to the Community standards in the area of hygiene, environment and animal welfare are very costly to the Bulgarian producer.

The funds for Axis I will be provided with priority /approximately 90% of the Axis I budget/ for modernization and restructuring of the enterprises including training and consultation services. Significant part of the funds will be targeted at modernizing the buildings and livestock premises in the holdings, as well as for the enterprises in the food processing industry. The target group for the aid will be the middle-sized farmers, the micro, small and medium-size processing units. Support will be provided to the specialized semi-subsistence holdings, which have the potential to increase their market access after the support. This support will be complemented with support for the provision of consultant services, training and support for uniting into producer groups, so that better market access is facilitated. Especially important is the support in the sectors: milk and tobacco.

Significant part of the investments will be directed at meeting the Community standards, especially in the construction of sites for manure and purification installations, especially in the nitrate-vulnerable zones. In sector “milk” the investment will be targeted at meeting the hygiene requirements. In sector “poultry” the stress will be placed on introducing the new European legislation related to the animal welfare for egg-laying hens.

Farmers and processing enterprises will be supported where the meeting of Community standards requires huge investments, which can hardly be secured without the support. The support will also be directed to sectors where Bulgaria has long traditions and export potential.

Adding value to agricultural products will be supported at the farm level. Farmers adding value to their products through closing the production cycle will have their holdings with higher economic viability.

The setup of farms by young farmers will be supported through a combination of measures – investments in modernizing the holdings, training. Increasing the competitiveness of the Bulgarian agriculture is impossible without consolidating the land plots.

Bulgaria has its traditions in producing foods already known on the European markets – the Bulgarian rose oil, the kutuk (type of yogurt), lukanka, but the successful future development of the processing sector and its abilities to compete with the dynamic food production sector in Europe depends on its preparedness to develop through innovations. Approximately 10% of the funds under Axis I will be targeted at innovations. In this vein the cooperation between science–agriculture–processing will be promoted. Subject to support with objective modernization and technological renovation will be sectors with significant share in the exports, and sectors important for the internal market – wine, fruits, vegetables, milk, honey, plant oils, forages, milling industry.

Forest managers have smaller role in Axis I and will be supported for investments in improving the economic value of the forests, the forest infrastructure and the wood-yield machinery.

Part of the Axis I funds will be directed at the training of the farmers. Especially important is the training to young farmers and the producers of bio-products. The investments in human potential are an inseparable part of the process for adaptation to the EU standards. The measures targeting the development of the human potential will be used in creating managerial skills in the managers of the agricultural holdings.

When we declare that bioproduction is among the Bulgarian priorities we must create the suitable prerequisites for this – through training and through support for investments. Producer organizations of bio-producers will also be subject to support.

Actions under Axis I will receive the biggest share of support as they comprise strategic measures aiming at the development of competitive agriculture and forestry.

The marketing of agricultural products and the increase in agricultural incomes depend to a great extent on the production of quality foods and competitive agriculture **and forestry and based on innovation food processing sector.**

The second goal is associated with the development of agricultural methods consistent with the protection and preservation of the environment, compensating the producers in the mountainous and other less favored areas for keeping the land in good condition, and preventing the depopulation in these areas. This goal is contributing to the achievement of the European strategic priority: “Improvement of the environment and the countryside”. It is foreseen that the budget for this Axis is 26%.

Axis 2 measures are not capable of solving all the problems associated with the preservation of landscape and the environment on their own. The strategy is based on balanced and integrated approach where the preservation of the landscape and environment is also priority for the measures under the other axes. To prevent nitrate pollution from agricultural origin, the development of organic production, the purchasing of necessary equipment for mowing and baling are necessary investments, which the farmers will be able to realize through the support under Axis 1. The elaboration of the NATURA 2000 management plans will be possible through the measures within Axis 3. Solving the major problems associated with the preservation and the 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 high-mountainous pastures and grasslands is the main purpose of the NAEP. One of the main programme activities is the conservation of the high nature value farmlands, which according to preliminary estimations (in conformity with the definition by European Environmental Agency) cover 20% of the agricultural lands of Bulgaria. The remaining NAEP activities are organic production, support to traditional livestock breeding, preservation of the soils and waters and protection of the landscape. It is planned that 40% of the funds allocated for Axis 2 are preserved for the activities in the NAEP.

The support for activities associated with the use of agricultural lands in less favored areas and the respect of the good agricultural and environmental conditions in these areas will lead to a decrease in the abandonment of these areas, diminishing the erosion and the preventing the general depopulation of these areas. It is planned that 35% of the Axis 2 budget is preserved for the support of the farmers in the less favored areas.

The compensations for the farmers whose lands are falling in the NATURA 2000 network will be of great significance for the implementation of the measures targeting

the conservation of different habitats and species, included in the respective management plans. It is planned that in the 2007-2010 period will be compensated the activities associated with the conservation of habitats and species, common for the important bird areas. Gradually they will be expanded to include also the activities targeting the conservation of the habitats defined in conformity with the Habitats Directive.

The support for sustainable management of forests is entirely targeted at protection of the environment and the preservation of the rural landscape. The envisaged measures will support the fight against both wind and water erosion, the desertification and for decreasing the unfavorable consequences from climate warming up. The Afforestation of the country will be improved and the source of renewable energy sources will be increased. The restoration of the production potential and the introduction of preventive measures for non-state forest owners will play major role in the protection against forest fires.

The third goal of the National Strategic Plan for Rural Development is aiming at the creation of jobs and improving the quality of life in the rural areas. This goal will contribute to the achievement of the third strategic priority of the Community, and namely **“improving the living conditions in the rural areas, and promoting the diversification of the rural economies”**. Axis 3 is second in terms of financial allocation as it covers measures for the implementation of integrated rural development plans in Bulgaria. The importance of this priority axis shall grow. Its financial allocation is planned at 30% of the overall envelope.

The strategy for achieving this goal is based on the strengths and weaknesses of the rural areas, as well as on their problems and advantages as identified in the analysis, and namely:

- The rural areas have resources outside the agrarian sector, which on their own present potential for their development: rich, diverse and preserved nature, multitude of vibrant rural communes, rich historical and cultural traditions; however, they need support for overcoming the lagging behind in their development, and to adapt to the changing socioeconomic conditions.
- The inefficient production and the low level of incomes in the sector predetermine the necessity to diversify the economic activities, to create conditions for full-time or flexible employment of the workforce. The creation of jobs in the rural areas outside agriculture will become more and more important in the future.
- The diversification of the rural economies through targeted support in key areas like supporting the emergence of micro and small-sized enterprises, the development of activities alternative to agricultural employment (tourism, local crafts and others) is a prerequisite for the creation of new employment opportunities and the provision of sources for alternative income.
- Rural development has not only sectoral aspects, but territorial and economic aspects as well. The provision of appropriate infrastructure or the renewal of the existing networks favors the overall access to the territories, the development of small and medium-size businesses, as well as other rural characteristics which may contribute to the economic growth of the rural communes and the attraction of investments.
- The districts and the municipalities in the rural areas, where the share of the locally employed in sectors other than agriculture is relatively higher, maintain lower overall unemployment in the villages
- Favorable conditions for the penetration of ICT and innovations in the rural areas must be ensured before the change to sustainable economic development

is possible, and the local economy becomes “a knowledge based economy”. Such penetration creates favorable conditions for economic growth and the attraction of investments in the rural areas

- The preservation of the historical and cultural heritage of the rural areas is important for the preservation of their real identity, and for cherishing them as source of dignity and self-confidence. This makes the revival and the protection of the rural heritage indivisible part of the rural development policy
- Encouraging the dialogue and the cooperation among the different stakeholders in rural development is an important step towards strong civil society and the establishment of working partnerships.

In the period till 2013 the aid provided for the achievement of the third goal will be distributed in the four possible areas:

- Diversification of the rural economy,
- Improving the quality of life in the rural areas,
- Vocational training and information actions for the economic actors operating in the scope of the Axis 3 measures
- Skills acquisition and animation with a view to preparing and implementing local development strategies

The support for achieving this goal is focused on:

- creation of diverse employment opportunities outside agriculture; supporting the startups of small and family businesses
- promoting the penetration of ICT in the rural areas
- encouraging the entrepreneurship vigor of the local people, and particularly women and young people
- setting up of a system for informing, training and initiating public-private partnership
- developing the opportunities for tourism and recreation, through the creation of information of centers, small-scale infrastructure offering access to natural sites
- improving infrastructure and basic services in the settlements
- conservation, revitalization and upgrade of the cultural heritage,
- rational and sustainable use of the natural resources.

The measures aiming at the renovation and development of the settlements and the measures for diversification into non-agricultural activities and improvement of services will have higher priority and higher financial weight (70%) in comparison to the measures targeted at improvement of the capacity to implement local development (30% of the funds under the Axis 3).

The implementation of the rural development policy after 2007 will be distinguished with the rising importance of the LEADER Approach as an instrument for decentralized governance and integrated rural development. In the pre-accession period, MAF initiated with the support from various donors several initiatives and projects all aiming at the creation of capacity for implementing the LEADER Approach. The funds allocated to *Axis 4* for support to the participation of local communities in rural development will add up to 2.5% of the overall envelope, with these funds being part of the budgets under the three preceding axes.

Achievement of the rural development policy goals will not be possible without the involvement and the actual participation of the people, without the creation of local capacity, without informing and training the local people to prepare and implement local development strategies. Encouraging the dialogue and the cooperation among the various local actors involved with rural development is an important step in strengthening the civil society and building working partnerships at local level.

That is why it is necessary in the future to support the efforts for building the capacity of the rural areas to:

- prepare local development strategies,
- constitute and strengthen Local Action Groups,
- implement the local development strategies,
- promote the cooperation among regions, as well as the international cooperation.

Throughout the first three year period it is particularly important for Bulgaria to focus on the activities related to skills acquisition and preparation of development strategies in parallel to the creation and strengthening of Local Action Groups. This should be done using the opportunities under skills acquisition and animation of the territories.

To develop the local capacity and improve the local self-governance Bulgaria will also start the implementation of local development strategies by existing LAGs.

Based on the limited local capacity at local level for creating the LAGs, their limited management skills for development strategies for rural areas and insufficient skills for networking and cooperation – especially outside the rural communities, greater support will be released for measures and activities associated with information training and skills acquisition at the local level – approximately 70% of the Axis budget. When defining the financial weight of the different activities and measures supported by this Axis, stress will be put on managing and on implementing the Local development strategies.

LAGs of Bulgaria will be active throughout all rural areas and therefore the local initiative priorities will be realized through measures and activities under Axis 3, through provision of easier access to support under the measures under Axis 1, and through measures under Axis 2 whenever sustainable forest and land management is pursued.

Technical Assistance will be allocated 4% of the funds.

Priority areas and indicators

The implementation of the strategic activities above will be integrated in four priority areas as follows:

1. *Investments in agriculture and forestry associated with their restructuring, improvement of the human potential, promotion of the bio-production and the innovations in processing and adding value to primary products*

The indicators to measure progress in the first priority will be:

- Labour productivity in agriculture: annual growth of 2.5%
- Efficiency in agriculture – GVA/GP; 43,7% in year 2003; 50% in year 2013
- New products developed (processes and technologies) – 50

2. *Protection of the environment and sustainable management of lands*

The indicators to measure progress in the second priority will be:

- 5% of UAA, included in the NATURA 2000 network and supported by year 2013;
- 8% of UAA shall be used for organic production

3. *Diversification of economic activities, creation of jobs and improving infrastructure and services in the rural areas.*

The indicators to measure progress in the third priority will be:

- Increase in the number of the farmers who have incomes from non-agricultural activities
- Development of the services sector
- Development of the basic technical and tourism-related infrastructure in the rural areas - 1 000 km. municipal roads;
- Access to Internet in the rural areas

4. *Investments in securing the participation of the local communities in rural development;*

The indicators to measure progress in the fourth priority will be:

- 10 % of the population, represented in LAGs

IV. INDICATIVE BUDGET OF THE RURAL DEVELOPMENT PROGRAMME

Bulgaria will apply its National Strategy Plan through a single Rural development programme elaborated at the national level. The indicative size of the funds by the EAFRD for the 2007-2013 period amount to EUR 2,309,300,000.

20% of the rural development funds for the first three years after accession 2007-2009, (20% of EUR 733 million without Bulgarian co-financing) will be allocated for the measure National complements to direct payments.

All EAFRD are reserved for the Convergence Objective as long as the whole territory of Bulgaria has been classified as territory for this Objective.

V. INTERNAL AND EXTERNAL CONSISTENCY OF THE PLAN, COMPLEMENTARITY WITH OTHER COMMUNITY FUNDING INSTRUMENTS

Coordination of the Plan with other European strategy documents and action plans

The National Strategy Plan will contribute to the realization of the European strategic priorities and for the implementation of the objectives of the seventh framework program for environmental protection and the European Action Plan for development of organic foods and organic agriculture, the European Action plan for Conservation of the biodiversity and the European action plan for conservation of the species.

The EC action plan for biomass will be realized through support for using biomass. The support will seek positive effects on using biomass on the rural areas, with opportunities to increase employment in forestry and agriculture, as well as the responsible and sustainable use of natural resources.

The measures envisaged for afforestation of agriculture and non-agriculture lands will contribute to the implementation of Kyoto Protocol decisions, and the Convention against desertification. The restoration of the production potential and the introduction of preventive measures is in accordance with the priorities of the Ministerial Conference on Forest Protection In Europe.

The support for training in the area of new information technologies for agricultural producers within Axis I and through the support for the establishment of computer clubs and information centers in the villages within the framework of Axis 3, the European priority for penetration of ICT in agriculture and rural areas will be realized.

Coordination among the priority areas

Within the first Axis the support to semi-subsistence farms will be complemented with the provision of consultant services, training and support for association in Producer organizations, thus securing better markets for their members. Preconditions for bioproduction will be secured through training and through investment support. Producer organisations in organic -production will also be subject to support.

The measure "Training" will be used for acquisition of basic knowledge for the eco-practices in land management. Trained farmers will be potential beneficiaries under the NAEP measures.

The support under Axis I for manure storing and the compensations under the 'Meeting Standards' measure will complement the activities under the Axis 2 targeting the problems associated with pollution of the waters. The support for investments for transition from conventional to organic production will increase the effects from the support for bio-producers within the Axis 2.

The elaboration of the management plans for the NATURE 2000 locations will be supported by the Axis 3 measures.

Through the support for agricultural producers in mountainous areas within the Axis 3, preconditions will be set for preserving the environment and its attractiveness- good agricultural and environmental conditions. The support will be complemented by support for diversification of the activities outside agriculture, i.e. rural tourism, craftsmanship.

Measures under the Axis 1 and 3 will be implemented also under the LEADER Axis.

Coordination with the aid available under the first pillar of the CAP

The Measure 'Setting up producer organizations' is linked with the Producers organizations which are supported under the First Pillar of CAP. To prevent overlapping of the support the producer organisations subject to support under the CAP First Pillar will not be supported by the rural development programme.

Coordination with the Structural Funds and the aid under the European Fishery Fund

The achieved agreement for preventing the financing overlapping between the Rural development programme, the Fishery Programme and the operational programmes under the Structural Funds is listed in Attachment 3.

Coordination Mechanism

The coordination at strategic level is of high importance for achieving complementarity among the different objectives and thus optimal impact on the socioeconomic development of the country.

A coordination mechanism has been set in Bulgaria in order to secure the appropriate distribution of the aid provided for by the EU Structural Funds, the EAFRD, the European Fishery Fund, the European Investment Bank and other financial instruments and institutions.

In order to secure coordination in the preparation for the strategic program documents a Coordination council for the NSRF was created with Council of Ministers' decision 71/2002; the Council is headed by the Minister of Finance. Council members are deputy ministers from all Ministries involved in the process.

The Council coordinates the activities for the prevention of measure overlapping among the different Ops and the Rural development programme.

VI. OBLIGATIONS TO SET UP A NATIONAL RURAL NETWORK AND FORESEEN BUDGET AMOUNT FOR ITS OPERATIONS

The process for initiating and establishment of the National Rural Network started in 2004 with a number of information seminars. The concept for setting up the National Rural Network was presented for the first time to the stakeholders at the National Conference held in November 2005. The concept foresees the participation of local NGOs, regional or national networks of not-for-profit organizations, local action groups, national and regional associations of the municipalities, NGOs working in the area of sustainable local development and in the rural areas, associations of businesses and branch organizations, environmental protection NGOs, municipal

authorities, representatives of the national, regional and local divisions and services of the Ministry of Agriculture and Forestry and the Ministry of Environment and Waters.

Major functions of the National Rural Development Network will be:

- 1. Provision of information to the network members – potential beneficiaries for the rural development measures**
- 2. Provision of training seminars and expert help for developing the capacities of the network members. Contribution to the creation and strengthening of the LAGs capacity**
- 3. Initiation and mediation of the dialogue between the representatives of various organizations and structures actively involved with rural development and the authorities at the national and local level**
- 4. Strengthening and expanding the network during the period for RDP operations; organization of studies for the purposes of the programme**
- 5. Actions for participation in the European Network for Rural Development**

The establishment and the functioning of the Network will be supported by a secretariat (operative unit). The secretariat should be appointed on the basis of competition for a public tender, and on criteria set in the Rural Development Programme for the 2007-2013 period.

The amount for financing the operations of the network will be up to 1.5% from the allocations for the 'Technical assistance' for the Rural Development Programme in the 2007-2013 period.

Table 1 GVA in agriculture

Indicators	2000	2001	2002	2003	2004
GDP – current prices in million BGN.	26 753	29 709	32 335	34 547	38 008
GDP real growth	5,4	4,1	4,9	4,3	5,6%
Including GVA – in million BGN.	23 697	26 356	28 526	30 089	32 942
GVA in agriculture and forestry - in million BGN.	3 301	3 533	3 460	3 498	3 581
Change in GVA (physical volume) for sector agriculture and forestry – (compared to the previous year)	- 10,3 %	0,4 %	6,1 %	-1,4%	+ 2,1%

Source: Main Macroeconomic Indicators, NSI, Statistical yearbook 2005

Table 2 Foreign trade with agriculture goods - 2000- 2004

(USD million)

Year	2000	2001	2002	2003	2004
Export - FOB	491,6	508,4	716,0	783,2	1 055,0
Import - CIF	352,3	408,1	476,0	598,0	808,0
<i>Balance</i>	<i>139,3</i>	<i>100,3</i>	<i>240,0</i>	<i>185,2</i>	<i>247,0</i>
Export – EU	164,0	195,0	317,6	394,4	484,1
Import – EU	144,0	165,4	196,7	335,4	415,0
<i>Balance</i>	<i>20,0</i>	<i>29,6</i>	<i>120,9</i>	<i>59,0</i>	<i>69,1</i>

Source: NSI

Table 3 Specialization of the agricultural holdings

Type of specialization	Number of holdings	%
Field crops	69 541	10.4%
Vegetables	21 827	3.3%
Perennials	32 965	5.0%
Ruminants	117 337	17.6%
Pigs, poultry, rabbit	53 877	8.1%
Mixed – plant production	69 528	10.4%

Mixed – animal rearing	191 588	28.8%
Mixed – plant production and animal rearing	106 641	16.0%
Non-classified	2 244	0.3%
Total	665 548	100.0%

Source: MAF, "Agrostatistics", 'Agricultural census in Bulgaria` 2003

Approximately 50% of the ruminant livestock is bred in farms specialized in livestock husbandry. The farms specialized in livestock husbandry are about 117,300 (18% of the total number of farms). Despite the big number these farms raise 44% of the cattle and buffalo herds, 36% of the sheep herds and less than 27% of the goats. The livestock farms have average size of less than 0.8 economic units and are among the smallest specialized farms in the country. The farms, specialized in field-production, produce 85% of total wheat, 82% of barley, 70% of maize and 92% of sunflower bulks. The agricultural land used by these farms is 31.2 ha on average. This group comprises 2/3 of the large farms.

96% of the farms, specialized in the cultivation of perennials, have average size of less than 2 economic units. The farms, specializing in the production of vegetables, make the smallest group – they account for 3.3% of all farms. Although they cultivate less than 1% of UAA, they produce 62% of the garden vegetables, 75% of the greenhouse vegetables, over 90% of the flowers and 99% of the mushrooms. Their average economic size is a bit bigger than that of farms specialized in perennials.

Regarding the specialization in particular production, the farms of individual persons specialize in livestock husbandry, while the farms of legal entities - companies or cooperatives or sole traders specialize in the production of crops.

Table 4. Distribution of holdings, per juridical form and manager's education.

Juridical form	Holdings Total		Of which holdings, which manager has		
			Practical experience in agriculture only	Secondary specialized education	Higher education or postgraduate qualification
	Number	%	% of holdings	% of holdings	% of holdings
Physical persons	658 594	98.96	98%	2%	0%
Sole trader	3 072	0.46	79%	12%	9%
Cooperatives	1 992	0.30	44%	22%	34%
Firms	1 518	0.23	55%	12%	34%
Associations	67	0.01	82%	9%	9%
Other	305	0.05	36%	7%	56%
Total	665 548	100%	98%	2%	1%

Source: MAF, "Agrostatistics", 'Agricultural census in Bulgaria` 2003

Table 5 Distribution of the enterprises in the food processing industry and in the essential oil processing industry with regards to their size by 31.12.2003r.

Sectors	Number of enterprises									
	micro		small		medium		big		Total	
	num	%	num	%	num	%	num	%	num	%
Total processing industry	19 962	71%	5 809	21%	1 957	7%	399	1%	28 127	100%
Total food industry	4 752	74%	1 287	20%	345	5%	55	1%	6 439	100%
Sugar	1	14,3%	1	14,3%	3	42,9%	2	28,6%	7	100%
Homogenized foods ready for consumption, including dietetic food for children	4	44,4%	5	55,6%	0	0,0%	0	0,0%	9	100%
Beer	4	28,6%	1	7,1%	2	14,3%	7	50,0%	14	100%
Spices and sauces	24	58,5%	12	29,3%	3	7,3%	2	4,9%	41	100%
Wine from grapes	37	39,8%	29	31,2%	22	23,7%	5	5,4%	93	100%
Plant and animal oil and lard	53	55,2%	27	28,1%	15	15,6%	1	1,0%	96	100%
Feeding stuff for animals (forages)	70	56,5%	44	35,5%	10	8,1%	0	0,0%	124	100%
Flour mill-products, farina, and farina products	168	60,2%	86	30,8%	25	9,0%	0	0,0%	279	100%
Canned fruit and vegetables	172	55,3%	87	28,0%	49	15,8%	3	1,0%	311	100%
Milk and milk products	292	63,8%	136	29,7%	26	5,7%	4	0,9%	458	100%

Sectors	Number of enterprises									
	micro		small		medium		big		Total	
	num	%	num	%	num	%	num	%	num	%
Production, processing and canning meat and meat products	376	57,8%	207	31,8%	61	9,4%	7	1,1%	651	100%
Bread, bread products, macaroni, noodles, couscous, other dough and pastry products	2 693	82,2%	487	14,9%	80	2,4%	15	0,5%	3 275	100%
Essential oils	25	78,1%	4	12,5%	3	9,4%	0	0,0%	32	100%

Source: NSI

Table 6 – Assessment of the technological situation in the enterprises from some of the Food processing sectors in year 2001 (% of enterprises)

Sector	Herbs and mushrooms	Fruits and vegetables	Other	Forages	Bread	Milling industry	Meat	Milk	Honey	Tobacco	Wine	Total
Modern	23,1%	6,9%	10%	12,5%	18,5%	0%	15,8%	25%	20%	0	5%	12,4%

Source: Vladimirov, Zh., Katzarski, I., Harizanova, O., Malamova, N., Badjakov, M., Todorov, T., "The processing enterprise of Bulgaria; competitiveness in the conditions of institutional change (sociological analysis), C. "Prijm trade" OOD, 2002.

BioProducts and Markets for them

The total area under organic production methods was 12 284.14 ha by the end of 2004 – this corresponded to 0.21 % of total agricultural areas. 11 771.47 ha of these have passed through the necessary transition period (0.2% of all agricultural lands), and 512.67 ha (0,008 %) are still in the transition period (before certification is possible).

The areas approved for the gathering of wild organic fruits and herbs spread on 27 881 ha in 2004. Greenhouse organic production is currently carried out in 12 hothouses with total area of 206 440 m² (206.44 ha); all premises have already passed the transition period.

The plant-growing holdings with organic production are 77 at present; 56 have produce which has been certified as biological, and the remaining 21 are still in the transition period. There are also 5 animal organic farms where a total of 722 animals are currently reared (cattle, sheep, goats).

Apiculture is another sector in agriculture where there is a strong potential for the development of bioproduction. 23 508 bee families reared in 258 apiaries are currently recognized as bio. Additional 375 bee families reared in 11 bee-gardens are in the transition period.

The organic production of seeds and seedlings is also gaining strength; there already are 4 holdings which produce certified planting materials for three particular cultures.

The interest of the Bulgarian producers for organic production is growing. Major obstacles to faster development of the sector remain the lack of investments and the specific machinery required, as well as the low development of the internal market for such products, which does not allow marketing of the produce of smaller organic producers.

At present the Bulgarian organic products are primarily for export. Good access to EU markets have the organic products from essential oil plants, herbs, spices, fruits, vegetables, honey – all these are traditionally grown in the country. The prognosis is that after the accession to the EU these markets will be expanded, together with increasing the assortment of the products which are traditionally grown in Bulgaria.

In October 2005 the Collegium at MAF adopted a Strategy and National Action Plan for developing Organic Agriculture.

Apart from keeping the present markets and expanding the access to other foreign markets a number of measures are already put in place primarily aiming at the development of the internal market for organic products which is practically non-existing at present. Important place in the National Action Plan is reserved for the measures targeting the expansion of the assortment of the organic products.

The Less favored areas of Bulgaria

The data from the LERIT directorate at MAF indicates that the agricultural lands of Bulgaria cover 6 489 321,7 ha. 4 831 522,2 ha (74.5%) of it are fields, orchards and other. The areas of grazelands and pastures is 1 102 661,5 ha (17,0%), and 555,138 ha are other agricultural territories.

The mountainous areas are defined in the Bulgarian legislation by means of the following normative acts:

1. Ordinance 14/1.04.2003 of the Minister of agriculture and forestry and the Minister of Regional development and public works for defining the settlements located in rural and mountainous areas.

The criteria for identifying the territories and municipalities as mountainous are:

- Mountainous areas comprise territories with altitude above 600 meters, and with depth of relief fragmentation more than 200 meters (lowest to highest point) per square kilometer; with fragmentation density of the relief above 2 км/sq. км and slope of the terrain above 12 degrees. Mountainous are the municipalities where more than half of their settlements territories are considered mountainous areas.

2. Regional development Act – SG 14/22.02.2004; there the “lagging behind mountainous areas” have been defined as follows:

-The territorial scope of the lagging behind mountainous area comprises municipalities where each municipality territory altitude is above 500 meters or below 500 meters, but with average density of relief fragmentation 150 meters (lowest per highest point) per square kilometer, with average for the territory density of relief fragmentation more than 1.5 km. per 1 square kilometer and average slope of the relief above 7 degrees.

A draft ordinance has been prepared to set criteria for the definition and scope of the less favored areas of Bulgaria; the ordinance sets the criteria for the mountainous LFAs and the other LFAs. The proposed draft criteria presently classify as less favored areas 55.4% of total Bulgarian territory and 42.4% of the agricultural lands.

Since January 2005 a pilot support scheme offering compensatory payments for less favored areas is applied throughout the territory of six Bulgarian municipalities: Batak, Vurshets, Kotel, Malko Turnovo, Chuprene and Boljarovo; five of the municipalities classified as mountainous LFA and one met the draft criteria for ‘other less favored areas’. The scheme is financed entirely with national funds by the State Fund Agriculture.

The pilot scheme activities planned for year 2005 have been successfully accomplished.

The total agricultural lands in the six municipalities comprise 122 666 hectares; the total of the lands which actually participated in the scheme was 7 865 ha, which accounted for 6.4% of the total agricultural lands included in the pilot scheme. The six municipalities had different participation in the scheme: Malko Turnovo had only 1.1% of its agricultural lands actually participating in the scheme, Chuprene – 2.7%, Vurshets – 4.6%, Batak – 2.3%, Kotel – 4.1% and Boljarovo – 12%.

The scheme will be applied in 2006 as well.

Work for mobilizing the local communities

In order to prepare Bulgaria for implementing the LEADER Initiative from the moment of EU accession, the MAF and the United Nations Development Programme launched a joint project – the Sustainable Rural Development project in February 2003.

The project aims at improving the capacity and the cooperation of the municipal administrations the farmers, the small and medium sized enterprises, the NGOs, professional associations and cooperatives, by means of creating 11 Local action groups /LAGs/, and, following the LEADER methodology, with the participation of the three sectors: non-governmental, local authorities and business.

Not only support for the establishment of the LAGs is envisaged but also support for the preparation of their local development strategies as well, their training, for strengthening their capacity, as well as financing their operations. 11 LAGs have been created and registered following the LEADER + model and criteria; all have developed their strategic plans for sustainable development of agriculture and forestry, tourism; a number of projects were financed under the development plans, both private and public ones.

The created LAGs cover 4.3% of the country territory and 1.6% of the population. Considering this and based on the past centralized approach for managing and financing the activities and policies in Bulgaria, targeted actions are necessary to prepare the local approach for management, stressing the need to change the perception and expectations of the people, building their skills for management of the resources, building and keeping partnership and cooperation among the various interests and community needs.

Baseline indicators for measuring impact

Priority Axis	Indicator	Measurement	Indicator value in 2004
Horizontal	Economic development	GDP/capita in BGN million (EC -25=.100)	4885
	Employment rate	Employed persons as a share of total population of the same age	
	Unemployment	% unemployed of total population	12.67 %
Axis I Competitiveness	Training and education in agriculture	% farmers with basic and full education attained	3%
	Age structure in agriculture	Farmers: < 35 years of age	5%
		>= 55 years of age	66%
	Labor productivity in agriculture	GVA/AWU – total and by sector	2 004 EURO
	Gross fixed capital formation in agriculture	GFCF in agriculture	MEUR 324
	Employment in agriculture	employed (AWU)	791 560
	Economic development in agriculture	GVA in agriculture	MEUR 1 586,5
	Labor productivity in food industry	GVA/employed in food industry	
	Economic development in food industry	GVA in food industry	
	Gross fixed capital formation in food industry	GFCF in food industry in BGN million	
	Employment in food industry		
	Labor productivity in forestry	GVA/capita in forestry	
	Gross fixed capital formation in forestry	GFCF in forestry	
Importance of semi-subsistence farms- % holdings	Number of farms < 1 ESU		

Priority Axis	Indicator	Measurement	Indicator value in 2004
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Axis II Environment	Nitrogen balance in kg/ha	-89.5	
	Concentration of nitrates in surface waters	1.7 mg/l	% decrease
	Concentration of nitrates in underground waters	22.79 mg/l (mean value)	% decrease
	Concentration of pesticides in surface waters	0.019 mg/l (mean value)	% decrease
	Concentration of pesticides in underground waters	0.011 mg/l (mean value)	% decrease
	Areas dedicated to bio-production	0.2%	8%
Axis III Rural Development	Farmers with incomes from non-agricultural activities	% of holders with other gainful activity	
	Employment in nonagricultural activities	Employment in secondary and tertiary sectors	
	Economic development of non-agricultural sectors	GVA in secondary and tertiary sectors	
	Tourism-related and basic infrastructure in the rural areas	Number of places for accommodation /hotels, campings, etc./	
	Self-employment development	Self-employed persons	
	Access to Internet in the rural areas	% population having subscribed to DSL Internet	
	Development of services sector	% GVA in services	
	Net migration	Net migration rate	
LEADER	Development of local action groups	Share of population covered by LAGs	

Baseline indicators for measuring context

Priority Axis	Indicator	Measurement	Indicator value in 2004	
Horizontal	Designation of rural areas	According to the OECD methodology		
		% of country territory		
	Importance of rural areas	% population in rural areas		
		% GVA in rural areas		
		% employment in rural areas		
	Population density	Population density in rural areas		
	Age structure	Importance of young people (5-14) %		
		Importance of middle-aged people (15-54 and 54-64) %		
		Share of aged people (>= 64) %		
	Structure of the economy	% GVA in primary sector		
		% GVA in secondary sector		
		% GVA in tertiary sector		
	Structure of employment	% employment in primary sector		
		% employment in secondary sector		
		% employment in tertiary sector		
	Long-term unemployment	% long-term unemployed		
	Land use	% agricultural area		
		% forestry area		
		% natural area		
		% built-up area		
AXIS 1 Competitiveness	Agricultural land use	% arable area	92,1%	
		% permanent grass	3,7%	
		% permanent crops	3,5%	
	Farm structure	Number of farms	665 550	
		UAA (ha)	2 904 480	
		Farm size (ha) average and distribution	4, 4 ha	
			<5ha - 96,8%	
			=5 и <50ha 2,4%	
	>= 50 ha - 0,8%			
	Farm size (ESU) average and distribution	average - 1, 6 econ units		
		< 2 econ units - 92,4%		
		= 2 up to 100 econ units - 7,2%		
		=>100 econ units - 0,4%		
	Employed (Average Work Unit)	791 560		
Forestry structure	Forest areas for wood supply (FAWS)	3 124 (000) xa		
	Ownership (% FAWS under eligible ownership)			
	Average size of private holding (ha of total forest areas)			
Forest productivity	Net annual volume increment	3.3 (000) m3		

Priority Axis	Indicator	Measurement	Indicator value in 2004
AXIS 2 Environment	Less favored areas	% UAA in mountainous LFAs	
		% UAA in other LFAs	
		% UAA in specific LFAs	
	Areas of extensive agriculture	% UAA of extensive agriculture	42%
		% UAA with low grazing (LU/ha)	23%
		% UAA under NATURA 2000	
	Water quality	% territory designated as Nitrate Vulnerable Zone	61%
	Water use	% actually irrigated UAA	1.4%
		% of UAA with installations for irrigation	2.3%

Complementarity and coordination among the activities financed by the ERDF, ESF, the Cohesion Fund, EAFRD and EFF

According to the Strategic Guidelines for rural development and the Cohesion Policy of the Community, it is necessary to ensure complementarity and coordination among the activities which will be financed by the Structural funds (namely: the European Regional Development Fund- ERDF; the European Social Fund – ESF; the Cohesion Fund) on one hand and the European Agriculture Fund for Rural Development (EAFRD) and the European Fishery Fund (EFF) on the other. Because of that guiding principles have been adopted at the national level, to put the demarcation line between the aid for rural development, the measures supporting the Fishery and Aquaculture, and the activities to be financed by the Structural Funds and the Cohesion Fund.

The guiding principle in supporting the **investments in infrastructure** will be the size of the type of the municipality/settlement where the respective intervention will be carried out. The investments in road infrastructure supported by the EAFRD will be for building and improving municipal roads and the streets in the rural settlements of the rural areas. The improvement of the municipal roads among the settlements of the rural areas will be supported by EAFRD, while the roads connecting town-village will be subject to support by the instruments of the Regional and Cohesion policies. Respectively, the support for high-ways, first class second class and third class roads of regional importance and connecting town centers and agglomeration areas with their surroundings will be supported by the Structural Funds and the Cohesion Fund of the EU.

The investments in **water provision infrastructure and sewer systems** supported by the EAFRD will be limited only to settlements with population equivalents below 2000 people. The settlements with population equivalents will have their water provision and sewer systems supported by the Structural instrument of the EU.

The EAFRD will support the construction of sites for the collection of animal corpses, incinerators, as well as other infrastructure appropriate **for collection/treatment of waste** of agricultural origin. Therefore the other-waste-depots and other waste-related infrastructure will be supported by the Structural Funds and the Cohesion Fund of the EU.

The rural development funds will support only registered agricultural producers for **investments in eco-infrastructure**: rehabilitation and construction of drainage installations, small infrastructure protecting against floods and banks erosion; the remaining beneficiary groups for such investments will be supported by the instruments of the cohesion policy.

The **investments in renewable energy sources** will be supported by EAFRD only when they are initiated by registered agricultural producers, micro-enterprises processing wood, and food processing enterprises which have up to 750 workers or annual turnover less than EUR 200 million and if they are processing products listed in **Annex 1 to European Community Treaty**, from the sectors eligible under the EAFRD and if they are made in municipalities/settlements belonging to the rural areas. The remaining groups of potential beneficiaries will be supported by the structural instruments of the cohesion policy.

The **investments in human capital** supported by the EAFRD will be targeted at agricultural and forestry producers and the workers in their enterprises, inclusive of representatives of the local communities which will be supported in elaborating and

implementing local development strategies. The investments in vocational training in the Fishery sector will be supported by the EFF. All other groups of potential beneficiaries (including from the food industry) for such support will be supported by the structural instruments of the EU.

The **investments in tourism** will be supported by the EAFRD only for rural tourism projects, where eligible beneficiaries will be physical persons on the territory of the rural areas of the Republic of Bulgaria. Fishing tourism will be supported by the EFF. The potential beneficiaries supported by the structural instruments of the EU Cohesion policy will be the State Agency for Tourism, the municipal administrations, SMEs in tourism, municipal associations, branch, local and regional organizations in the area of tourism. The support will be targeting the development of balneological, culture and eco-tourism, as well as the international promotion of the Bulgarian tourism.

The **investments in food production** will be supported by EAFRD only when they are initiated by food processing enterprises which have up to 750 workers or annual turnover less than EUR 200 million and if the investments are aiming at the processing and marketing of agricultural products listed in **Annex 1 to European Community Treaty**, from the sectors eligible under the RDP, excluding fishery products. The investments in processing and marketing fishery products will be supported by the EFF. The EAFRD aid will be also reaching micro-enterprises with primary processing of forest products. The remaining groups of SMEs will be potential beneficiaries of the aid under the Structural funds.

In order to **diversify the economy of the rural areas** and to promote the development of sectors outside agriculture the EAFRD funds will be limited to agricultural producers and members of their families if they are first of kin, to help them introduce non-agriculture activities and to diversify their economic activity. EAFRD will at the same time the creation and development of micro-enterprises where potential beneficiaries will be registered agricultural producers. All remaining groups of potential beneficiaries will be supported by the structural instruments of the EU.

The support for rural development will be reaching micro-enterprises providing **basic services for the population** and the business (including the penetration and access to ICT) in the rural areas of Bulgaria.

The OECD definition for rural areas concerns areas at NUTS III level with population density below 150 people per square km. The data for Bulgaria according to this definition are presented in Table 1. The districts of Bulgaria (NUTS III) are divided in three categories: predominantly rural, significantly rural and predominantly urban with respect to the share of population living in the rural municipalities.

Table 1: Territory and population in the rural areas according to the OECD definition

Territory per district type			Population per district type		
Predominantly rural	Significantly rural	Predominantly urban	Predominantly rural	Significantly rural	Predominantly urban
% of total country territory			% of total country population		
76.5	22.3	1.2	58.4	26.3	15.4

Source: Data prepared based on information from EUROSTAT- 2003

Table 2: Comparison of the rural population defined according to the two definitions

Definition	% of total territory	% of total country population
OECD	98.8	84.7
NARDP 2000-2006	83.7	41.9

Source: Data prepared based on information from NSI - 2003

The OECD definition for the rural areas uses only one criteria – the population density at administrative unit – district, while the definition in the NARDP adds also the size of the population living in the municipal center at the administrative level – municipality. Therefore the definition in NARDP may be easy for application, but it excludes from the rural areas a big number of villages, which are denied support under the rural development measures.

The discussions of the working group for the preparation of the draft National Strategy Plan, and the information meetings throughout the country were used to discuss with local authorities, NGOs and the NSI, various scenarios for criteria to be used in defining the rural areas, for the purposes of the rural development policy in the period 2007-2013. At present the definition for rural areas at NUTS III level gains most support – with the district centers being excluded from support as they are significantly urbanized territories. This definition will define more than 92% of country's territory as rural areas, and approximately 50% of the population as population living in rural areas.

The final definition for the Bulgarian rural areas will be placed and justified in the Rural Development Programme for the 2007-2013 period.