



EXAMINATION AND ANALYSIS ABOUT THE EFFECT OF RURAL DEVELOPMENT PROGRAM 2007-2013 ON DEVELOPMENT OF RURAL AREAS /BY WAY OF EXAMPLE OF REGION STARA ZAGORA/

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ABSTRACT

The objectives of the present elaboration are to be research and analyze the effect of Measure 311 and Measure 312 of Rural Development Areas Program /RDAP/ and to be valuate the effect of the program upon development of rural areas by way of example of Region Stara Zagora. At the territory of region Stara Zagora for the period 2007-2010 16 projects are accepted on measure 311 “ Diversity into non-agricultural activities” and 62 projects on measure 312 “Support for the creation and development of micro- firms”. Thanks to these two measures are created opportunities for economic development of rural areas. The investments are decreasing unemployment and stimulating the economic activity. Although, the positive effect of the program, there are some failings like too big threshold of personal share in investments, which restrict the number of potential candidates. The methods which are used are observation, statistical analysis, research and analysis of documentation, expert valuation and many others.

Key words: rural areas, development, perspectives

INTRODUCTION

On the territory of Region Stara Zagora are situated 11 municipalities, which are having summary population at the end of 2010-347 414 people. The national definition defines rural areas in which no settlement has a population over 30 000 people. That definition has been used under SAPARD program and will also be applied in the Rural Development program 2007-2013 for territorially based interventions.

According to this definition 231 out of total 264 municipalities in Bulgaria are classified as rural. Rural areas represent 81% of the territory and 42% of the population (**Figure 1**).

According to this definition 9 out of total 11 municipalities in the Region Stara Zagora are classified as rural. Municipality Stara Zagora and Kazanlak are defined as urban territories.

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Measures 311 “Diversification into non-agricultural activities” and 312 “Support for the creation and development of micro-firms”, can be applied on the territory of 9 municipalities from the region, which are: Bratya Daskalovi, Galabovo, Gurkovo, Maglizh, Nikolaevo, Pavel banya, Opan, Radnevo and Chirpan.

The main objective of the present elaboration is to be examining and analyzing effects of measures 311 and 312 of Rural Development Program/RDP/ for development of rural areas, to be revealing the influence’s problems and to be making suggestions for measuring them up.

The objectives can be achieved by using these basic tasks:

- Revealing the nature of RDP and Measures 311 and 312;
- Analyzing influence’s problems of the measures at the territory of Region Stara Zagora;
- Making suggestions for measuring up with the problems and to be increase the effect of their influence.

The methods, which are used: researching of the documents; observing and analyzing of the achievement results; retrospective analysis; logical analysis; a monographic method, an induction and deduction and many others.

The research is span the period 2007-2011. The informational base of the research and analysis are national and regional statistical examinations, examinations and publications of different authors, own examinations.

Rural Development Program 2007-2013 and enforcing of Measure 311 and Measure 312

RDP 2007-2013 is a part of Common Agriculture Policy/CAP/ of the European union /EU/. CAP is an indivisible part of contracts, which have created the European community. CAP is based on three fundamental principles: free trade at the territory of the Community, based on common prices, benefits for the European production at the Community markets and also common financial responsibility. The objectives of the European CAP: to be delivering an acceptable standard of life for farmers, to be delivering qualitative foods for consumers by reasonable prices, to keeping the European patrimony in rural areas and to be contributing for keeping the environment. The main instruments of CAP are direct payments and market support for growers (1-st pillar of CAP) and the rural development policy (2-nd pillar of CAP).

The Rural Development Program 2007-2013 is prepared and correspondence with priorities of strategic terms of reference of the Community and National strategic plan for rural development areas in Bulgaria 2007-2013. RDP is conformable with all priorities of the Community. The distribution of the resources between key fields of rural development areas is based on identification needs of agri-food sector, environment and the population in the rural areas in Bulgaria. The program is also conformable to possibilities, given by other instruments of the Community for support for increase of environment and quality of life in rural areas. The program is analyzing in details the real condition of Bulgarian agriculture, its national peculiarities and problems. As results of a program enforcing are realized different projects in different areas of agricultural production and for the period 2007-2011 on a national level, have been contracted projects for over 938 million euro.

The program is structured in four axes and the report is accepting by analyzing of axis 3, in particular Measure 311 and Measure 312. Priority 3 of the Community “*Construction of local capacity for work load and economic diversification*” is integrated in purposes of National strategic plan and it’s in pawn in RDP, by measures of axis 3, in which are distributed 31% of Community contribution. Increasing quality and approach to basic services for the population and also the infrastructure in rural areas are particularly important for detaining population and revealing of conditions for business development. For this objective is provided sizable investment support for increasing of physical infrastructure and fittings, which are needed for providing services for rural population. The development of enterprises and the creation of possibilities for employment in rural areas are encouraging by support for investments into non-agricultural activities by agricultural farms and rural population and also for activities for development of village tourism. The employment among women is needed to be marked that most of the newly created jobs are connected with activities of axis 3, in particular with Measure 311 “*Diversification into non-agricultural activities*” and Measure 312 “*Support for the creation and development of micro-firms*”. For the both of two measures the participation of women is really important (for example activities for village tourism). Because of that it is important to be given adequate priorities for companies, which are managed of women.

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

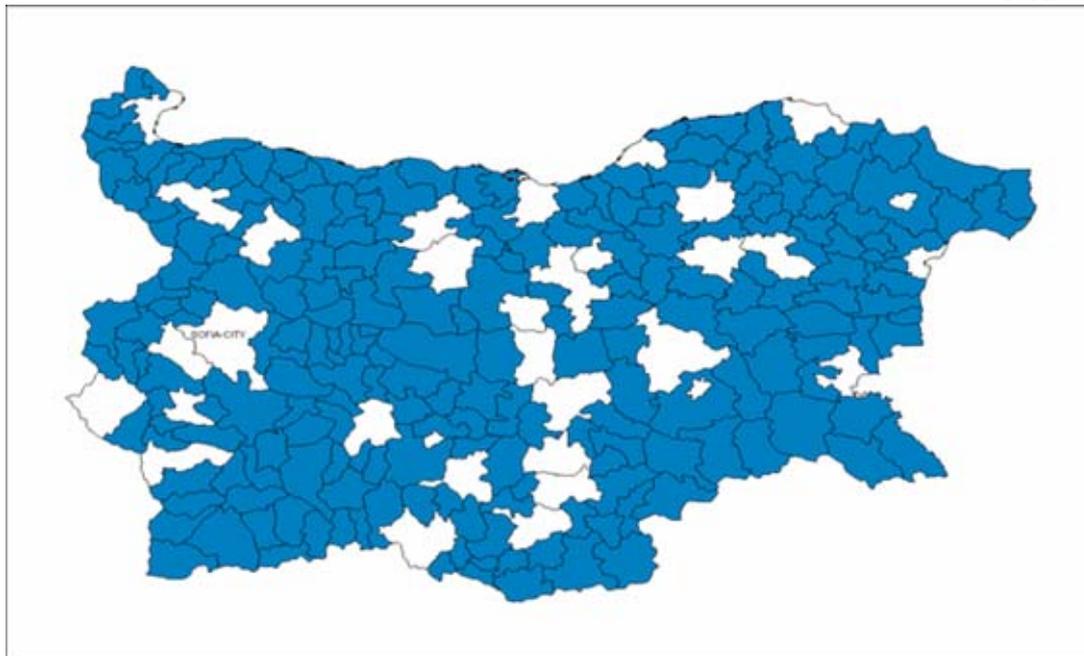


Figure 1. Rural areas (231 in blue) and Urban areas (33 in white)

Measure 311 “Diversity into non-agricultural activities”

The process of restructuring of the Bulgarian farming sector, which is characterised by a large number of low-productive small farms, may be facilitated by creating incentives to farmers to diversify into non-agricultural activities. The support for investments of agricultural producers into non-agricultural activities will facilitate their entrance, or expansion in sectors having potential for market growth. This will bring additional income to farmers and will redirect labour from agriculture to more productive jobs, easing the underemployment problem

The support for development of non-agricultural activities of agricultural producers will also create employment opportunities for the non-farming population and may contribute to slowing the outward migration from rural areas. The rural areas will also benefit from additional and better quality services for the rural population.

Objectives of the measure are:

- To promote diversification into non-agricultural activities by the farming sector;
- To promote job and income creation in rural areas;
- To promote integrated rural tourism development.

The measure will provide grant aid to agricultural producers for investments in development of non-agricultural activities. The measure will be implemented in 231 rural municipalities. Investments in tourism development in settlements and resorts of developed mass tourism will not be supported.

The indicative list of areas of diversification is as follows:

- Rural tourism development:
- Local crafts
- Development of social services for the rural population
 - Child care, care for the elderly, etc.;
- Processing and marketing of agricultural products, which are not supported under measure 123 and where the final product is not in Annex I;
- Establishment /renovation and development of workshops for maintenance and repair of machinery
- Production and sale of renewable energy:
 - solar, wind, water, geothermal energy, etc. except bio-fuel production;
 - bio-energy in case of processing of raw materials coming from the own agricultural holding.

The capacity of the installations under this measure should not exceed 1 MW.

Aid intensity

- 70% of the total eligible expenditure, subject to the limits and conditions imposed by the de minimis rules

(Commission Regulation (EC) No 1998/2006);

- The minimum total eligible expenditure per project will be EUR 5 000;
- The maximum total eligible expenditure per project will be EUR 400 000 and in

case of investments in renewable energy production - EUR 1 000 000;

The maximum grant aid per project will be EUR 200 000, and for road transport sector investments - EUR 100 000.

Table 1. Quantified targets for EU common indicators

| Type of indicator | Indicator | Target 2007-2013 |
|-------------------|---|------------------|
| Output | Number of beneficiaries | 4 505 |
| | Total volume of investments (in '000 EUR) | 219 110 |
| Result | Increase in non-agricultural gross value added in supported businesses (MEUR) | 25 |
| | Gross number of jobs created | 5 500 |
| Impact | Economic growth (NΔVA in MPPS) | 9 |
| | Employment creation (Net additional FTE jobs created) | 5 000 |
| Type of indicator | Indicator | Target 2007-2013 |
| Output | Number of new tourism actions supported | 1 500 |
| | Total volume of investments in tourism (in MEUR) | 126 |

Measure 312 “Support for the creation and development of micro-firms”

The rural economy in Bulgaria is dominated by micro-enterprises that have limited resources to finance growth and modernisation. Many of these businesses were created by unemployed persons or those threatened by unemployment, entering business with small start-up capital and little managerial experience. Lack of finance for initial investments resulted also in over-concentration of small businesses in a few sectors requiring small start-up capital (retail and repair services), but with limited potential for job creation. The micro-business sector has a low investment rate, which in turn limits its contribution to employment creation in rural areas.

Entrepreneurship in rural areas is also hindered by the high level of risk related to operation on small markets, lack of capital and insufficient access to business development and advice services. Micro companies in rural areas face additional territorial disadvantages related to the lower purchasing power of the local population and stagnating local rural economies.

The support for investments in new business start-ups and for development of established

micro-companies is an important tool for improving the competitiveness and job creation potential of rural micro-businesses. It will benefit rural areas by creating more and better quality jobs, any will help diversify the rural economy of Bulgaria which is currently highly dependent on agriculture. Objectives of the measure are:

- To promote growth and job creation in non-agricultural micro-companies in rural areas;
- To promote entrepreneurship in rural areas;
- To promote integrated rural tourism development.

The measure will provide grant aid for investments and marketing and management advice for new and existing micro-enterprises. It will support non-agricultural micro-enterprises for investing in establishment or development of non-agricultural activities. The measure will be implemented in 231 rural municipalities. Investments in tourism development in settlements and resorts of developed mass tourism will not be supported.

Beneficiaries are newly established or existing micro-enterprises operating in non-agricultural

sectors in rural municipalities. Micro enterprises are defined as enterprises which employ fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million and complying with all requirements of the Commission Recommendation 2003/361/EC on the definition of SME's.

Support will be given to investments and related external marketing and management services to develop business activity in non-agricultural sectors such as:

- *Processing industry* - furniture production, light engineering, etc.;
- *Renewable energy production*:
The capacity of the installations under this measure should not exceed 1 MW.
- *Services* – rural tourism initiatives by private enterprises, recreation and sports, setting-up or development of consultancy

and business services, social and health care, transport services.

Aid intensity

- • 70% of the total eligible expenditure, subject to the limits and conditions imposed by the de minimis rules (Commission Regulation (EC) No 1998/2006).
- • The minimum total eligible expenditure per project will be EUR 5 000;
- • The maximum total eligible expenditure per project will be EUR 400 000 and in case of investments in renewable energy production - EUR 1 000 000.

The maximum grant aid per project will be EUR 200 000, and in case of investments in road transport sector - EUR 100 000.

Table 2. Quantified targets for EU common indicators

| Type of indicator | Indicator | Target 2007-2013 |
|-------------------|--|------------------|
| Output | Number of micro-enterprises supported/created | 4 215 |
| | - newly created micro-enterprises | 1 610 |
| | - other micro-enterprises | 2 605 |
| | Total volume of investments (in '000 EUR) | 194 080 |
| Result | Increase in non-agricultural gross value added in supported businesses (in MEUR) | 20 |
| | Gross number of jobs created | 6 000 |
| Impact | Economic growth (NAVA in MPPS) | 7 |
| | Employment creation (Net additional FTE jobs created) | 5 500 |
| Type of indicator | Indicator | Target 2007-2013 |
| Output | Number of new tourism actions supported | 750 |
| | Total volume of investments in tourism (in MEUR) | 40 |

Analysis of the effect of Measure 311 and Measure 312- Rural Development Program 2007-2013

On the territory of Region Stara Zagora for the period 2007-2011 16 projects of Measure 311 “*Diversification into non-agricultural activities*” are accepted and also 62 projects of Measure 312 “*Support for the creation and development of micro-firms*”. The information in **Table 3** is showing information about the accepted projects.

The main reason about the lower activity in Measure 311 is a requirement the potential candidates to be registered as a growers by Decree 3/1999. The received projects of the measure are mainly about investments in village tourism and power stations.

Measure 312 is a way more popular. Projects, which are accepted on the territory of Region Stara Zagora are about investments in family hotels, SPA and balneological centres, a hairdresser's saloon, a dentist surgery and

many others. In some family hotels, there are investments in transportation around rural areas. Over 30 out of total 62 received projects of Measure 312 are about investments in power stations, which helping for diversification of power sources at rural areas. In both of two measures, almost all of the projects applied for maximum amount of support. These two measures have also a few problems of the absorption of amounts. The start of the program was belated. RDP supposed to be started on 01.01.2007, but because of the delay of accreditation of State fund "Agriculture"- Paying agency, the projects started to be receiving in the middle of 2007. In the middle of 2009 /approximately 2 years after the start of the program/ a series of problems were found about the processing of the projects. Over 11 000 projects were

delayed. The reasons about this problem are different: There were a really high number of received projects for a short time; There were a high number of problems in procedures of reception and processing the projects. By this moment in the Paying agency all of the projects are processed, but exactly the trust that was lost is difficult to be returned. On the second place is the problem with financing the projects. The investments are financed by 70%, which is really big amount, but about the realization of a project for 300 000 euro, there are 90 000 euro, which are needed for own share, and that would be a problem. There is also a negative effect of the World financial and economic crisis- the financing of the projects happened a way difficult now in comparison with a period 2007-2008.

Table 3. Accepted projects till 01.06.2011

The amount is in euro.

| MEASURE | Received applications | | | Contracts | | | Payments done | |
|---|-----------------------|------------------------|-------------------------------|-----------|-------------------------|-------------------------------|---------------|------------------------------------|
| | No | General outlays (euro) | General public outlays (euro) | No | Approved outlays (euro) | General public outlays (euro) | No | General public outlays-paid (euro) |
| 311 "Diversification into non-agricultural activities" | 274 | 73 670 356 | 47 639 503 | 82 | 20 138 863 | 13 976 055 | 8 | 491 263 |
| 312 "Support for the creation and development of micro-firms" | 144 3 | 341 051 365 | 220 827 741 | 315 | 69 646 756 | 46 832 306 | 54 | 3 984 672 |

*The information is in the national level.

The conclusions about the effect of Measure 311 and Measure 312

These two measures have a positive effect upon development of rural areas in Region Stara Zagora and on a national level. The diversity of investments into non-agricultural activities, increase the alternative employment in the areas with mostly agrarian production. Also, there are some investments /like investments in family hotels/, which are helping for the economic development, attracting tourists, which is provoking a

demand for a different kinds of products and services.

The problems which are represented up above can be solved and here are some different methods for their solving. The first step is to be increase the popularity of the program among potential candidates. This can be realized with contacts and by providing informational materials for the mayors of settlements and/or by television, radio and newspapers. The potential candidates should have reversed their trust in the program. The increasing of the

administrative capacity is also has an important role for allowing the problems. There are trainings, which are needed for the administration and systematical and periodical analysis about implementation of the program. They are need to be improved the circumstances for credits about the projects, which are approved.

These results are reached by this moment:

1. By the improving of the administrative capacity, optimization and reorganization of entire work of State fund "Agriculture"-Paying agency, there is no delayed projects.
2. By the entire 2011 will be implement informational seminars, where the potential candidates would have the opportunities to understand the procedures better. These seminars will be implemented at the entire country.
3. There is a contract between State fund "Agriculture"-Paying agency and the

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commercial banks about the refinancing of already contracted projects of RDP with 7% interest rate.

4. Different decrees and work procedures was changed and supplemented with one purpose- optimization of the work of the Paying agency.

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