



**The World Bank**  
**ECSSD - Environmentally and Socially Sustainable Development**  
**Europe and Central Asia Region**

**BULGARIA:**

**SURVEY ON RURAL DEVELOPMENT NEEDS**

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**The World Bank**  
**April 2004**



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### Abbreviations and Acronyms

MAF	Ministry of Agriculture and Forestry
NGO	Non Government Organization
EU	European Union
EU Phare	EU Financing Programme for Associated Countries
FAO	Food and Agriculture Organization
SFA	State Fund Agriculture
ISPA	Instrument for Structural Policies for Pre-Accession
MoEW	Ministry of Environment and Water
MRDPW	Ministry of Regional Development and Public Works
NSI	National Statistical Institute
BGN	Bulgarian lev
SAPARD	Special Accession Program for Agriculture and Rural Development
NHDR	National Human Development Report

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**BULGARIA**

**SURVEY ON RURAL DEVELOPMENT NEEDS**

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## EXECUTIVE SUMMARY

### I. Background

1. Rural areas have a special significance for Bulgaria. They occupy 81% of the country's territory and are home to 42% of the population. Agriculture is naturally the main source of employment in rural areas, accounting for 25% of the employed in the country.<sup>1</sup> In the past the Bulgarian agrifood sector was quite competitive and frequently rural inhabitants had an even higher standard of living than some urban dwellers. However during the past decade agrifood output has fallen, while the living conditions in rural areas have deteriorated. Currently the GDP per capita in rural areas is two times lower than in towns, while the level of unemployment is two times higher (at 25.6%).

2. Against this background, after having completed two structural adjustment operations in support of reforms, the World Bank was asked by the government to prepare several investment projects. It was therefore decided to conduct a rural survey and establish what are the needs and priorities as perceived by rural inhabitants. Furthermore a broader survey of this type had not been carried out by the Bank since 1999 and an update of the situation was needed.<sup>2</sup> Hence the value of this survey is two-fold: as a vehicle for effective dialogue with the government on rural development and a basis for future interventions in the sector; and to provide an update and snapshot of life in rural areas after the completion of major reforms.

3. Though not statistically representative, the survey covers the variety of geographic, demographic and socio-economic conditions encountered in the country. The survey has two sources of information: quantitative (through interviews in 14 municipalities and 56 villages of 490 households, 71 entrepreneurs and 70 group interviews), and qualitative (case studies in 9 villages). Statistical information at the local level is combined with individual interviews. Key findings and recommendations were discussed and validated during a workshop in Sofia on March 11, 2004 with major stakeholders and rural municipality administrations. The work of the surveyors was guided by an experts' council comprising representatives of MAF, NGOs and academics. The survey data were collected and processed by a local research company and individual researchers, and further analyzed by FAO experts who prepared the draft reports. The present report provides a synthesis of the findings in Volume I, and an in-depth analysis of the survey results in Volume II.

4. The aim of the present survey is to show the human, social and economic dimension of life in rural areas and to determine what rural inhabitants and stakeholders consider as the main constraints to development, what are their most important priorities and needs. The survey provides an insight into rural livelihoods, and captures the current gaps in the delivery of rural services and infrastructure. The survey findings form the basis for the formulation of strategies for development, and recommendations for future interventions.

### II. A strategic framework: linking interventions to employment and incomes

5. This survey was undertaken 15 years after the start of reforms that profoundly affected the development of the country, and rural livelihoods. Though all major reforms have been completed, the response on the supply side continues to be lacking and rural poverty persists. Apart from a limited number of success stories, the once thriving Bulgarian countryside, and strong agricultural sector, are still beleaguered by a number of difficulties. There is a pressing need to improve life in rural areas and the competitiveness of the rural economy, especially in view of EU accession, planned for 2007. The potential of the rural areas is still there, but it needs to be brought out and revived.

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<sup>1</sup> This percentage includes also semi-subsistence farming.

<sup>2</sup> Survey of farmers, agribusinesses and machinery owners in Bulgaria. Anna Georgieva. 1999.

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6. The reforms of 1989 profoundly affected rural livelihoods and changed peoples' lives. Some adapted to the new conditions, found new opportunities and now prosper. We have in fact met with a number of successful businesses, including large tenant farms, family farms and rural entrepreneurs. The great majority of the population however, especially in less developed areas, met with tremendous hardships. In the past the everyday life of rural families was relatively secure with ensured employment and accessible health and education services. The dismantling of the collective system, the land restitution, together with the closing down of many industrial plants, led to massive unemployment, increased rural poverty and deterioration of rural services and infrastructure. Unemployment in the surveyed areas averages 39% (varying from 8 to 80%), indicating considerable regional disparities. Migration is considered not as a preferred choice, but as a necessity for the younger people who leave for the larger towns or abroad to find a job. Thus the population in some rural areas is declining and ageing, and there are severely depopulated villages with only a few people left. There is some degree of nostalgia for the past, and the secure existence it provided. Older people remember well "the good old times" and now, in the words of a village Muslim priest, "their disillusion is big and their souls are sick because they can no longer set and realize their personal goals and dreams." In fact, the survey found that 46% of the interviewed have no plans and wishes for the future. Some aim just to survive, others pin their hopes on providing a better education for their children, so they can leave and have a better life. For lack of other opportunities, 80% of the population is engaged in subsistence agriculture, while the secondary and tertiary sectors are almost absent in rural areas. Those who receive pensions (about US\$ 50 a month equivalent) are considered lucky and manage to help their grandchildren's study in college, while living off subsistence farming. Commercial farmers are much more optimistic, and half of those surveyed wish to expand their business. Though the regions show considerable disparities, overall the perception of general abandonment together with the lack of hope and perspective, predominate among the rural population. In fact reforms have not automatically led to an improvement in rural livelihoods to the expected extent. The need is felt for rural development programs including investment in key infrastructure and services, together with support to the development of agriculture and non-farm employment that would lead to real improvement of rural living standards.

7. Although there are overriding problems, common for all the interviewed, secondary concerns vary according to the type of household and type of locality. Three main types of households were covered by the survey:

- commercially oriented farming households (38% of the sample) who have slightly larger holdings (about 2.6 ha) and sell part of their produce;
- subsistence farms or non-farming households without regular income; and
- subsistence farms or non-farm households with regular income

8. The overriding concern of interviewed households is the lack of income-generating employment, indicated by 62% of all households and 90% of households without regular income. Subsistence farming is the main coping strategy for most rural households. Other coping strategies include transfers among members of an extended family, seasonal employment, migration and barter between households, and less frequently remittances from abroad. At the same time there are few bottom-up initiatives, following restricted concepts of solidarity and mutual trust among a general atmosphere of passiveness and lack of initiative.

9. Households without regular income, consider their children's education as the second most important problem, while providing a good education (including transportation and lodging) is difficult to afford. Households with a regular income view the high cost of health services and the bad condition of the road network as respectively their second and third most important concerns, and consider their situation insecure and their incomes low. Commercial farming households view marketing, access to credit, and the poor road conditions as their main concerns.

10. Infrastructure needs show considerable variations by locality, especially between municipality centers and surrounding villages, though there are also some variations by regions. While there is a good general coverage of roads, electricity, water supply, health services, street lightening, schools, and dwellings in

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municipal centers are typically equipped with sewerage systems, water supply, sometimes even central heating and solid waste collection systems, access to such infrastructure in villages is mostly lacking. The major gaps concern sewerage and waste removal systems, absent in 70% of villages. Additionally, while electricity and water coverage is good, power cuts and water rationing are quite frequent and prove a serious impediment to business, and inconvenience for the inhabitants. The road infrastructure is not properly maintained, and interviewed households are most dissatisfied with roads between settlements (61%) streets within settlements (65.2%), and roads to plots (50%). The irrigation network is generally collapsed due to lack of maintenance and no longer corresponds to the present farm structure. This proves to be a problem for households engaged in farming. The situation varies greatly by settlements with some more developed and enjoying good infrastructure coverage, and others which are underdeveloped and usually depopulated with highly unsatisfactory infrastructure.

11. The creation of income generating employment is by far the main preoccupation of the interviewed households and local administrations. This would require a diverse range of interventions with the mix varying according to local economic circumstances and beneficiary preferences. Three basic types of interventions emerge on the basis of the findings: support to the agriculture sector, development of non-farm employment and rehabilitation of rural infrastructure, which is important for all sectors.

12. **Support to agriculture.** Agriculture and the related food processing industry have traditionally been strong and well-developed in Bulgaria. Over the past 15 years, the importance of the agrifood sector has declined with its share in GDP falling to 10% in 2003, while agricultural employment remains high at 25% (including semi-subsistence farms). Today, agriculture is characterized by a large number of subsistence farms and a high percentage of fallow land (40 to 70%) due to poor profitability. Improving the competitiveness of viable farms and the food industry is a key challenge for EU accession.

13. **Marketing of agricultural products** is the main concern of commercial farms, in particular for smaller farms. Farmers maintain that prices are low compared to production costs, do not reflect quality, and are unstable. The long chain of intermediaries raises marketing costs, and farmers complain of insufficient competition among traders which reduces their negotiating power. Vertically coordinated supply chains that link farmers directly to processors are emerging in few commodities, such as milk. Farmers often lack access to local markets and market information, and are forced to sell their produce along the road. Structural reforms have brought domestic prices in line with international prices for many commodities (grain, sunflower), although price differences remain for some products (e.g. beef, pork).

14. The need for an intervention in marketing system development is felt that would improve market access for smaller farms and increase market outreach and transparency. Corresponding measures could include capacity-building support for the development of farmer marketing groups, improved vertical coordination with agro-food processors and retailers (e.g., supermarket chains), standardization of exchange commodity contracts, improved contract enforcement; the development of price and market information systems; assistance with the introduction or dissemination of food safety standards, support for improved product quality and grading; investigating market prospects and promoting access to export markets.

15. **Access to credit.** The current credit system appears cumbersome to farmers, while the effect of EU and national programs for financing in rural areas is yet not strongly felt. The experience with credit is very limited in rural areas: 85% of the interviewed households never used loans; among subsistence farms, 91% never used loans. The few who applied but failed to obtain a loan quote the lack of collateral, excessive bank requirements and lengthy procedures, high expenses for filling the applications, and high interest rates as the main impediments for accessing credit. Banks often require collateral over 200%, and accept only city property as collateral. While there are no legal impediments to using agricultural land as collateral, banks are reluctant to accept it because of its low market value. In addition, banks are reluctant to lend to applicants with no credit history, absent or poor accounting records, and insecure markets for their produce. Presently all banks in Bulgaria are privatized, and competition among them is increasing along with the range of services they offer. Understandably though most banks are reluctant to lend to smaller producers due to the high risk and administrative cost. To the extent that rural credit is available,

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it goes to large-scale enterprises. However, the demand is high and 45% of respondents claim that they would need loans in future. The main purpose for taking a loan is for the development of agricultural activities (63% of the demand), while investing in other rural business is only mentioned by 5% of respondents.

16. The greatest perceived need for credit is among small commercial farms, which place credit as their third development priority. Many have very specific investment proposals and ideas. Yet small farms and SMEs have limited access to credits, subsidies or funding under the existing national and international pre-accession funds and programs. Small borrowers – both farms and non-farm businesses - should be targeted and given assistance in preparing good quality loan applications. Various potential investments were identified during the course of this survey, including start-up activities for which the individual regions have unexploited potential (e.g. eco-, rural, and cultural tourism, services sector, expanding crop and livestock production, alternative farming, etc.), purchase or leasing of farm equipment, on-farm investments to raise productivity or meet market standards etc. The viability of such proposals needs to be carefully evaluated, and this may require technical assistance to private bank and non-bank intermediaries in small loan appraisal, loan tracking, rural risk assessment; new technologies (PDAs, mobile banking) could be introduced that reduce the costs of delivering financial services in rural areas, or new financial products adapted to the needs of rural communities (e.g. leasing).

17. **Irrigation.** The irrigation schemes that operated in the past are no longer adapted to the present production structures and economic environment. The dismantling of state farms had a negative impact on irrigation facilities which suffered from intentional damage, lack of maintenance and theft. Irrigation reforms remain to be implemented: the state monopoly Irrigation Systems still operates, while a new Hydromeliorations Agency has been established; limited progress in establishing water users associations has been achieved. Irrigation is usually used for the high value added crops such as fruits and vegetables, whereas cereals, mainly grown in the North-East, are rain-fed. The area under effective irrigation has dropped dramatically to an average 10% of arable land in the surveyed municipalities. However, 50% of the farmers interviewed still irrigate part of their land as farmers switched from the former large-scale irrigation schemes to small-scale, private irrigation means (pumps and related equipment). While most users are satisfied with the availability and reliability of water from the existing schemes, many of them (50% of commercial farmers and 43% of subsistence farmers) consider an extension of their irrigated area as absolutely necessary for their agricultural activities. The constraints expressed by respondents include the deterioration of the former schemes and the difficulties to maintain or repair them, the lack of functioning and cost-effective irrigation equipment and the perception that water is expensive.

18. The design of small-scale irrigation projects, tailored to fit local conditions and producer demand is recommended. Maintenance of the existing canals in-use can also improve the efficiency of irrigation. Prior to investing in irrigation facilities and equipment, key strategic questions need to be addressed: (i) the economic and financial viability of irrigation, in particular of large-scale schemes, and prospects for user cost recovery; (ii) opportunities to assist private and community groups in developing small scale facilities; (iii) the transfer of management of irrigation systems to users. Funds could be allocated to user groups on the basis of sound (technical, financial and organizational) proposals, including operation and maintenance plans; and the viability of different approaches could be tested in pilot projects.

19. Other problems cited by the respondents, though with smaller relative weight, include access to technical advice, access to inputs and machinery and access to land.

- a) **Technical Advice (TA).** Usually large commercial farms understand better the value of good TA and can afford it. In general though Bulgarian farmers are not willing to pay for TA. In the past few years, with the increased competition between input suppliers, the latter have started to offer advice to farmers. There is also supply of marketing advice and consultancies of different kinds are available. The state owned extension services are not well developed and lack sufficient financing. Half of surveyed farmers have access to technical and managerial advice, mostly through friends, relatives or public media, and consider they need further good quality advice, including in the area of business planning to access bank loans. Formal advisory services

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are accessible by less than 10% of households. Most of those who do not have access to technical and managerial advice consider it would be essential for the development of their economic activity. The further development of advisory services should not be sector oriented, but rather intend to respond to the diversified needs identified by the survey and in particular: (i) agricultural techniques; (ii) access to markets and market information; (iii) managerial issues; (iv) support to the development of business planning in particular for the development of non farming businesses.

- b) **Availability of Inputs and Machinery** is not considered problematic, but affordability is. The quality of inputs is found acceptable, with the notable exception of certified seeds. Only a small minority of farmers own their machinery, while joint ownership is insignificant, and most farmers rely on rental farm machinery services. The large majority of farmers wish to acquire their own equipment, mostly through taking long-term loans pointing to the need to develop rural financial services.
- c) **Access to Land** is not perceived as a major issue by the respondents. 83% of the rural households own land and 80% have land titles for all their land. Farming companies usually rent the land they cultivate and most intend to extend the area under cultivation. Land fragmentation though is considered as a problem, but more so by local authorities. Fortunately land fragmentation is more evident in land ownership than in land use. However it still remains a hindrance with respect to attracting investors, maintaining the irrigation network, using mechanized land cultivation. Land consolidation could be stimulated by various mechanisms, including pilot consolidation projects that would make possible the formulation of land consolidation laws. Investments in infrastructure that would make rural areas more attractive and stimulate the land market would also contribute to the land consolidation process.

**20. Development of non-farm employment.** The rural non-farm economy and employment opportunities are not well developed, reflecting the low level of economic development in agricultural areas and level of effective demand. The majority of businesses in rural areas consists of retailers, car repair shops, carpenters and similar service providers, small food processing and sewing plants. Other constraints to the development of new businesses include: lack of initiative and experience, limited access to information and advice, non-attractive living and working conditions, inadequate infrastructure. Rural entrepreneurs have also mentioned high social security payments which encourage them to remain small and informal. At the same time creation of non-farm jobs in rural areas is becoming imperative as EU accession approaches and competitive pressures on Bulgaria's farm sector mount. Development of the rural non-farm economy will assist both agricultural development (by increasing the supply of goods and services for farms and stimulating demand for farm goods,) and it will be assisted by it, as farmers increase their demand for off-farm goods and services. What is needed to stimulate rural non-farm business is proactive outreach to potential entrepreneurs including assistance with business start-ups; advice on alternative marketing outlets and networks, and product quality requirements; training in development of business plans; general management and financial management. The business environment is also crucially affected by the state of infrastructure (reliable water, electricity, roads) and access to finance, and rural non-farm development will most likely benefit from complementary, well coordinated initiatives in these areas as well.

**21. Rehabilitation of rural infrastructure.** Maintenance of up-grading of rural infrastructure can improve rural livelihoods and is considered a prerequisite for attracting and retaining investors. Low-cost affordable solutions are required to respond to local needs, and to the limited financial capacity of local governments and rural households. The establishment of innovative mechanisms to properly maintain and pay for the cost of existing infrastructure will be critical given the limited financial capacity of both the local administration and rural households. The above infrastructure is primarily owned by local administration bodies, which will need to strengthen their ability to evaluate their asset base and its condition, and plan for its future development with the help of outside specialists. This is important for the sustainability of investments, as is the contribution of infrastructure beneficiaries to capital and

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recurrent costs, and the involvement of beneficiaries at every stage of investment priority setting, planning and monitoring.

**22. Strengthening the capacity of regional and local governments.** The strengthening of local administrations is crucial for the prosperous development of rural areas and the successful implementation of all listed interventions. The effective implementation of location-specific strategies calls for a clear differentiation between central and local government powers and responsibilities and how they relate to regional planning bodies. Implementation of local strategies depends critically on more stable intergovernmental transfers to the local administration, and radical improvement of the local administrative capacity for investment planning and project cycle activities. In particular, municipalities need support in their efforts to absorb and manage the funds being made available under different programs, particularly EU pre-accession funds and later structural funds. The survey underscores the need for upgraded infrastructure and services, and for sustained support to the planning and development of economic activities in rural areas. However, discussions held during the survey with municipalities and village mayors and councils show that the lack of technical and managerial capacity of local administrations in many cases hinder their ability to prepare adequate project proposals. Including village households in the priority setting and planning process would ensure that their preferences are taken into account, improve local ownership and sustainability. What is needed is a program of technical assistance aimed at transferring technical and economic/financial skills to the municipal administrations and improving their responsiveness and accountability to village residents and the community groups. Especially in view of EU accession one of the most important investments will be in people and institutions, including local administrations.

### **III. Regional and local strategies.**

23. It is critical to properly formulate the strategic goals of individual programs in line with the specific characteristics and the type of target municipalities and settlements. On the basis of the survey findings it is possible to outline four basic types of rural development strategies. These are outlined in order to highlight the varying planning scenarios faced by local bodies.

**Supporting exit strategies.** These strategies concern settlements in decline without any long-term prospects for recovery and development. These settlements have a number of specific characteristics: mainly small villages with difficult access due to the poor condition of the road network and transport communications; ageing population with a very high proportion of people of retirement age; low economic activity; stagnancy of the crop farming and livestock sectors, as well as in the other sectors of the economy; a large proportion of the arable lands remains idle due to the local population's inability and reluctance to take up farming, etc. The population of these settlements finds itself in the worst economic and social situation and the infrastructure problems are the most severe. At the same time, it is hardly economically justified to invest large financial resources in these settlements since their recovery is rather problematic. The essential and truly worthwhile programs in these settlements would be primarily social and welfare ones, aimed at meeting the most basic needs of the local residents – access to medical care, supply of foods and other basic goods, more reliable communications with the municipal centers, social assistance to the most vulnerable groups, etc.

**Recovery strategies.** These should be targeted at settlements in a grave economic and social situation but with potential and resources for successful recovery. As a rule the share of the population of retirement age is significant, there is a high rate of unemployment among the working-age population, business is sluggish, and the population's standard of living is generally low. The recovery strategies that seem suitable for this type of settlements would be aimed at the rehabilitation of certain infrastructure elements (e.g. restoration and refurbishment of irrigation systems and/or road network), which could have a positive impact in terms of their economic revival. These settlements usually have historical traditions in certain agricultural activities or industries in which the local population has experience and skills. Their restoration is usually feasible and can be encouraged. Since these settlements generally still lack the conditions for modern large-scale agricultural projects, it is all the more important to facilitate access to credit and financial assistance of small and medium-sized producers, who come up against a number of restrictive conditions imposed by the pre-accession programs such as SAPARD, national programs and

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commercial banks. A specific subtype in this category are the settlements with a higher proportion of Roma population with a low education level and lack of professional skills, which further restricts their employment opportunities and makes them highly dependent on social assistance benefits. There is a clear need for special national programs for alternative employment and for the labor and social reintegration of the unemployed Roma population.

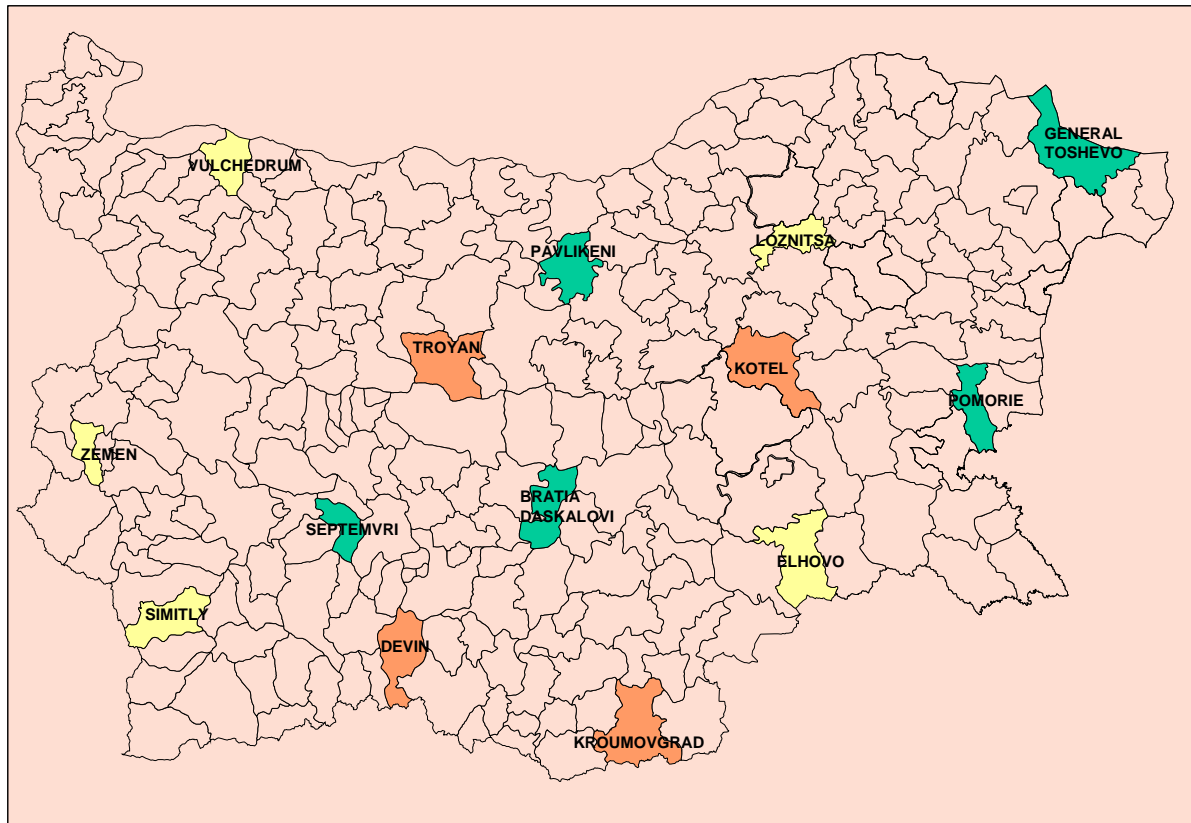
**Development-promoting strategies.** They are appropriate for settlements with good natural and climatic, soil, water, and other conditions, as well as economic and human resources, the effective utilization of which has already begun and needs to be encouraged. They have a relatively favorable age structure of the population, with a predominant proportion of people of working age. Certain preconditions for the development of these regions and the full-fledged use of the available natural and human resources are already in place. Local business is more active in certain sectors of agriculture, livestock farming, and industry and there are ambitions to benefit from some relative advantages and promising business opportunities – balneology, rural and eco tourism, organic farming, modern livestock farming, processing industries, etc. The specific needs of this type of settlements involve the promotion and encouragement of already established activities and the more effective utilization of the available resources. Particularly relevant in this respect would be programs for assistance and crediting of entrepreneurs, land consolidation and land market development, establishment of the appropriate infrastructure to stimulate business development.

**Leader strategies.** These should be targeted at settlements with very good economic indicators, well-developed infrastructure in relatively good condition, and more active local business. A large proportion of the local population is of working age, the rate of unemployment is low, the education and professional training level of the workforce is good, and there is hardly any migration. These settlements should become models of sustainable and integrated rural development, where economic activity is diversified and is not only related to agriculture. There is a speedier adoption of European standards of production, processing, and marketing of agricultural, forest, and fish products. The programs and strategies that would be appropriate to the settlements with such characteristics should be aimed at stepping up economic development, enhancing the quality of the services offered, and stimulating the activities in the major sector for the respective region. These settlements are often actively engaged in priority sectors for the country, such as tourism. In these instances the infrastructure needs and concerns tend to focus more on improving the architectural environment and providing further facilities and amenities for the local residents and the tourists.

#### **IV. Conclusion**

24. The Bulgarian rural areas have considerable potential that needs to be restored and developed further. Many areas while characterized by favorable natural and climatic conditions are in decline, while others are more developed, but still in need of support. In fact the successful completion of reforms in itself has not been enough to bring forward this potential and to make growth more wide-spread.

25. The need is felt for a pro-active approach and comprehensive rural development programs addressing the needs and priorities of rural inhabitants according to the specificity of the various regions and settlements. To achieve poverty alleviation and real economic growth concerted efforts should be made aiming to solve in parallel the complex of problems that afflict rural areas and dealing with investments in infrastructure, institution building, support to agriculture and non-farm businesses. This approach calls for efficient cross-sectoral cooperation between all the concerned ministries and institutions, and the more active role of local governments.



**Legend: Dark Grey – Plain; White– Semi-mountainous; Light Grey – Mountainous**  
**Figure 1: Map of the Surveyed Municipalities**



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**VOLUME I**

**RURAL DEVELOPMENT NEEDS ASSESSMENT FINDINGS AND IMPLICATIONS FOR  
RURAL INTERVENTION**

*Volume I of the Rural Development Survey Report provides a synthesis of the most significant findings and recommendations drawn from the survey. The comprehensive set of data and analysis is contained in Volume II*

## I. INTRODUCTION

1.1 During the socialist period, agricultural production co-operatives played an important role in rural areas, benefiting from state support and guaranteed markets. Employment was assured, and workers benefited from state-provided social and infrastructure services. This situation changed dramatically during the 1990s as reforms began to take hold, cooperatives were dismantled and industrial plants closed. The response of many former state workers was to take up subsistence farming on newly restituted agricultural plots. The resulting income decline and unemployment (or underemployment), came as a shock to those used to secure jobs and safety nets.<sup>3</sup>

1.2 While the post-1997 reforms spurred sustained economy-wide growth, with urban households regaining the ground lost in the economic collapse of the mid-1990s, rural households fell farther behind compared to those in urban areas, and rural income distribution worsened.<sup>4</sup> It should not be surprising, then, that among some older inhabitants there is great nostalgia for the past. Those who are fortunate enough to receive pensions (about \$50 per month) still live off subsistence farming, frequently using pension income to educate their grand-children. But many young people simply lack hope for the future, with some migrating abroad for temporary work. Rural coping strategies typically include diversification of income sources: semi-subsistence agriculture; barter; transfers within extended families; government social transfers; and less frequently off-farm employment in a government job or a rural enterprise.

*“Agriculture used to be the largest economic sector. It is a very small employer today. In the village (1,100 inhabitants), there is a co-operative that actually is in bad condition, and only 2 commercial farmers. People survive thanks to temporary employment and subsistence farming. There are possibilities to increase commercial agriculture but people fear to take such a big risk given the unstable market environment. If I had to describe the households in our village, I would say the largest group- more than half of the people and almost 100% of the young under 30 years old- are unemployed. Others are people with unstable employment and retired.” Mayor, Meshtiza village, Pernik municipality.*

1.3 **This study reports the results of a survey giving a snapshot of rural life in 2003.** Several instruments were used: a quantitative survey<sup>5</sup> based on 550 individual interviews (490 households and 71 entrepreneurs residing in 56 villages within 14 rural municipalities); 70 group interviews with municipality and village mayors and key informants; and case studies of 9 villages<sup>6</sup>. While not statistically representative, the survey encompasses the diverse geographic and socio-economic conditions observed in rural Bulgaria, and is intended to capture the needs and constraints in these typical areas.<sup>7</sup> The villages represented in the sample have an average officially registered unemployment rate of 22 percent, plus additional 13% hidden unemployment, according to village mayors.<sup>8</sup> The typical village in the sample is very small (averaging 957 inhabitants) with a high proportion of elderly in the population (one-third). While more than two-thirds of the households rely on farming as their main activity, landless households

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<sup>3</sup> Decentralization policies of the late 1990s delegated ownership and management of infrastructure, and delivery of some social services, to local government, without providing adequate funding. (Dillinger: Bulgarian municipalities and their discontents)

<sup>4</sup> *Bulgaria Rural Poverty Study*, report to the World Bank, David Sahn et al. 1999.

<sup>5</sup> By Vitosha Research Company.

<sup>6</sup> By the associated researchers.

<sup>7</sup> The study received guidance from an expert’s group comprised of MAF officials, NGOs and academics.

<sup>8</sup> For the municipalities as a whole the total unemployment average is 39% as hidden unemployment is estimated slightly higher.

account for 14 percent of the total. Despite this, about 40 percent of arable land is left idle by the owners, for reasons explained below.

**Table 1.1 Socio-economic Characteristics of Sample Villages**  
(Average and range for the sample)

	Average	Min	Max
Size of Villages	957 persons	70	3980
	333 households	35	1500
Household Size	2.9 persons		
Population Density	46 persons/km <sup>2</sup>	2	206
Percentage of Farming Households	69%	1	100
Working-age population	514 persons	13	2313
Retired	296 persons	45	1200
Unemployed (officially registered)	22 %	0	95
Hidden unemployment	13 %	0	65
Landless Households	14 %	0	90
Total Area	28 km <sup>2</sup>	5	100
Arable Land/Total Area	53 %	2	92
Cultivated Area/Arable Land	59 %	0	100

*Source: Interviews with Village Mayors and Key Informants in the 56 sample villages, 2003.*

**1.4 Low productivity agriculture remains the main economic activity, by default.** Most households (69%) engage in farming, which is the primary economic activity. Households typically rely on their own production of vegetables, dairy products, sheep, pork, poultry for their consumption, and sell surpluses on local markets. Small farm households are not registered as farmers and generally cultivate less than 0.5 ha with household labour, with outside labour used, if at all, only during the peak season. For those that have a bigger land area, the uncultivated portion is either rented out to cooperatives or to larger private farms (usually for services or payment in kind), or left fallow. Few households have managed to evolve into viable commercial farms in the past few years although, as discussed below, a significant number of small “emerging commercial farms,” can be observed.

**1.5 Non-farm rural employment is rare and does not yet constitute a real alternative for most rural households.** The secondary and tertiary sectors are extremely thin in the surveyed settlements. Permanent employment exists only for people working in state, municipal or village institutions (such as schools, kindergartens, or state forestry bodies). Temporary employment mainly consists of seasonal employment in agriculture and forestry. Seasonal workers are generally employed illegally, without pension or healthcare benefits. The self-employed mostly have small family businesses, for example retail shops, small processing workshops, and family guesthouses. A few hired workers are employed in the processing industry. The majority of small businesses provide services within the community. In almost all settlements, there are retailers, car repair shops, carpenters, farm machinery owners, and other handicraft shops. Their existence is important for the community since they pay taxes and provide services to the population. But the number of jobs provided is extremely small, and income from such sources is often supplemented with earnings from land owned, either own production or rental income.

*“Our family consists of 3 people: my mother, my grandfather and me. My mom works in the village administration. My grandfather is retired. I work in the army and every day commute to Sofia. Our monthly income is about 700 BGN. My monthly salary is about 400 BGN. My mother gets 200 BGN and my grandfather’s pension is 120 BGN. My mother is an insurance agent and gets some money from there also (about 200 BGN last year). From the producers’ cooperative we got this year a rent of 145 kg of wheat and 21 kg of sunflower oil. We grow vegetables on the plot of land behind our house – it is a small place of about 0.1 Ha. We have 2 pigs and 10 hens. My mother takes care of the animals but my grandfather and I help her too. In summer my mother is very busy with the garden and she has no free time at all”. Man, 24 years old, Meshtiza, Pernik municipality.*

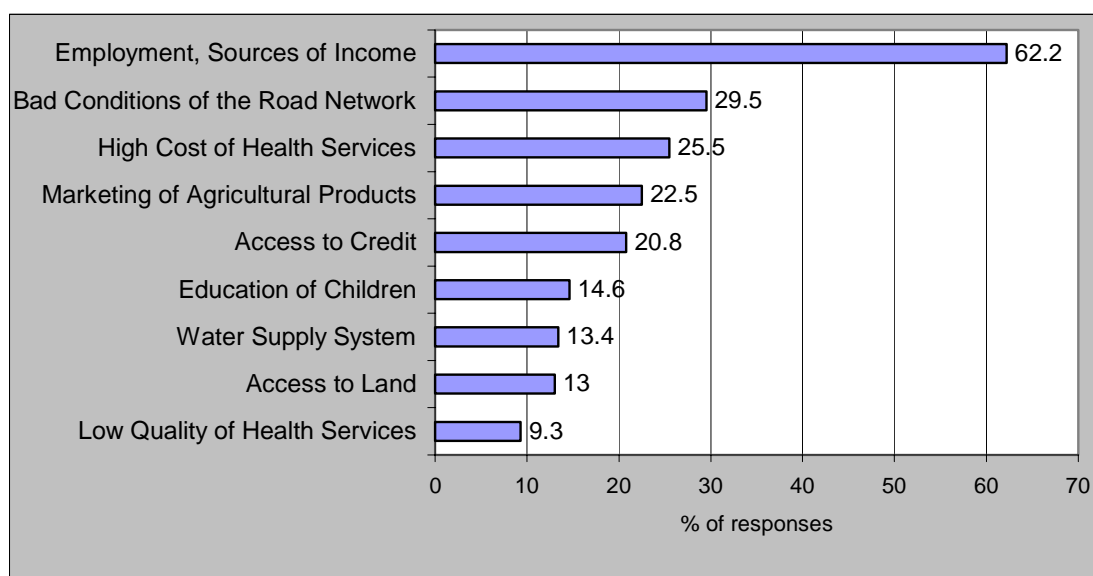
**1.6 The survey provides evidence of emerging commercial activity on small farms, despite the overall picture of agricultural stagnation.** Closer examination of the survey data reveals that some households are not just getting by, but are earning regular cash income – albeit small amounts – and thinking of the future. These are emerging bright spots in the rural economy that can be nurtured through interventions suggested in the final section of this paper. For example, the survey reveals that:

- a considerable proportion of farm households in the sample (almost one-half) are commercially oriented and sell to the market. Commercial farms have surprisingly high livestock assets (10 cows, 24 pigs, 24 sheep, on average) and slightly larger landholdings than average (2.6 ha vs. 2 ha), with an emphasis on production of fodder and livestock for sale, as well as milk products and fruits and vegetables.
- the main credit need expressed by farm households is for long term agricultural investments, particularly for livestock (38%), as well as improvement in product quality via improved techniques (36%). Predictably, commercial farm households have the greatest expressed need for loans (and for the largest loans: up to \$6,500.) Of course, the creditworthiness of these potential borrowers and the viability of their proposed investments needs careful scrutiny, but it is encouraging that many in rural areas are thinking about specific investment options geared to their local circumstances.
- one-fifth of interviewed households (not just farm households) intend to buy land in the future for the purpose of expanding agricultural production (a very small portion sees opportunities for future investment in small non-farm businesses.)
- almost one-fifth of the commercial farms interviewed say they intend to purchase additional farm equipment, and that they have the resources to do so.

## II. RURAL DEVELOPMENT PRIORITIES

**2.1 The overriding concern of interviewed households is lack of income generating employment.** Figure 1.1 shows that over 62% of households see this as a major problem. The views of households were echoed in comments from town and village mayors and other rural informants. The unanimity among respondents is striking, but other priorities were cited as well, including bad road conditions (29.5%) and the high costs of health services (25.5%). Additional problems mentioned include marketing of agricultural products, access to credit, education of children, water supply system, access to land and low quality of health services. **Efforts to meet these secondary priorities, could in many cases support the main concern - lack of income earning employment.**

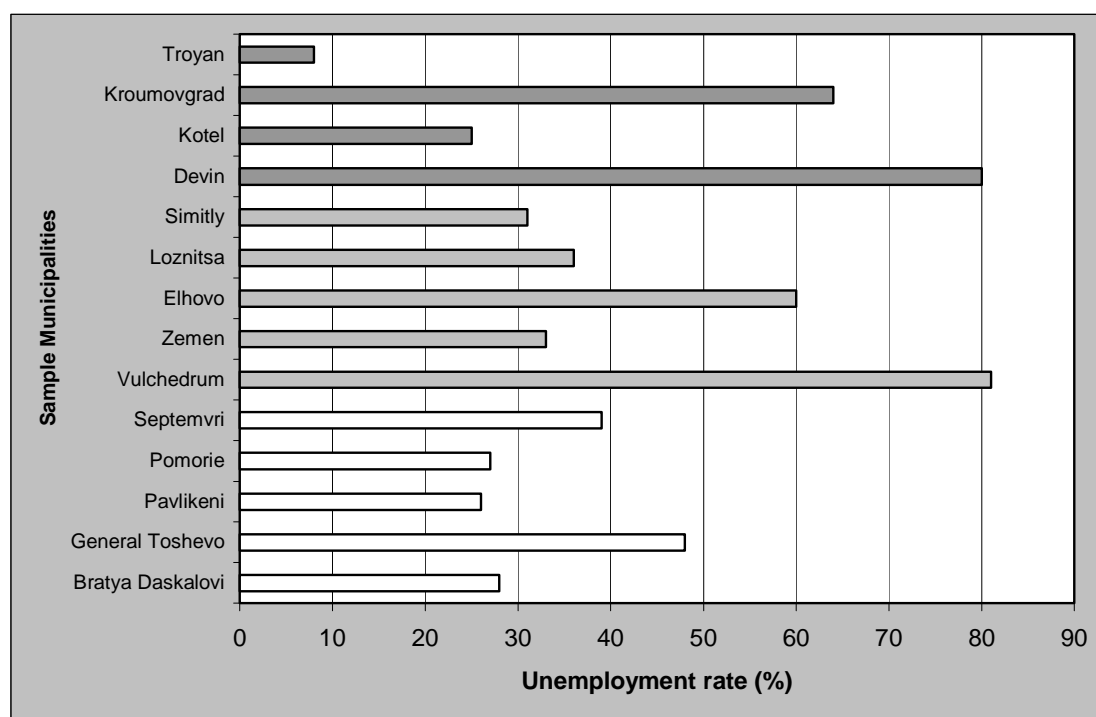
**FIGURE 2.1: MAJOR PROBLEMS PERCEIVED BY THE RURAL POPULATION**



*Source:* Households Interviews, Dec 2003

**2.2 Actual unemployment rates are extremely high, reaching 39% in the surveyed municipalities.** Because only part of the unemployed are officially registered, the survey measured both official and unofficial unemployment. The problem of unemployment shows great variation between municipalities, from 8% to 80% of the working-age population. The employment situation is remarkably favourable in Troyan municipality (at 7%, which is much below the country average). There the processing industries are fairly well developed and local craft and furniture production well known, and mostly concentrated in the municipality centre. At the other end of the spectrum, as in Vulchedrum and Devin, both agricultural municipalities, unemployment is an extremely serious problem.

FIGURE 2.2: UNEMPLOYMENT RATES IN SAMPLE MUNICIPALITIES



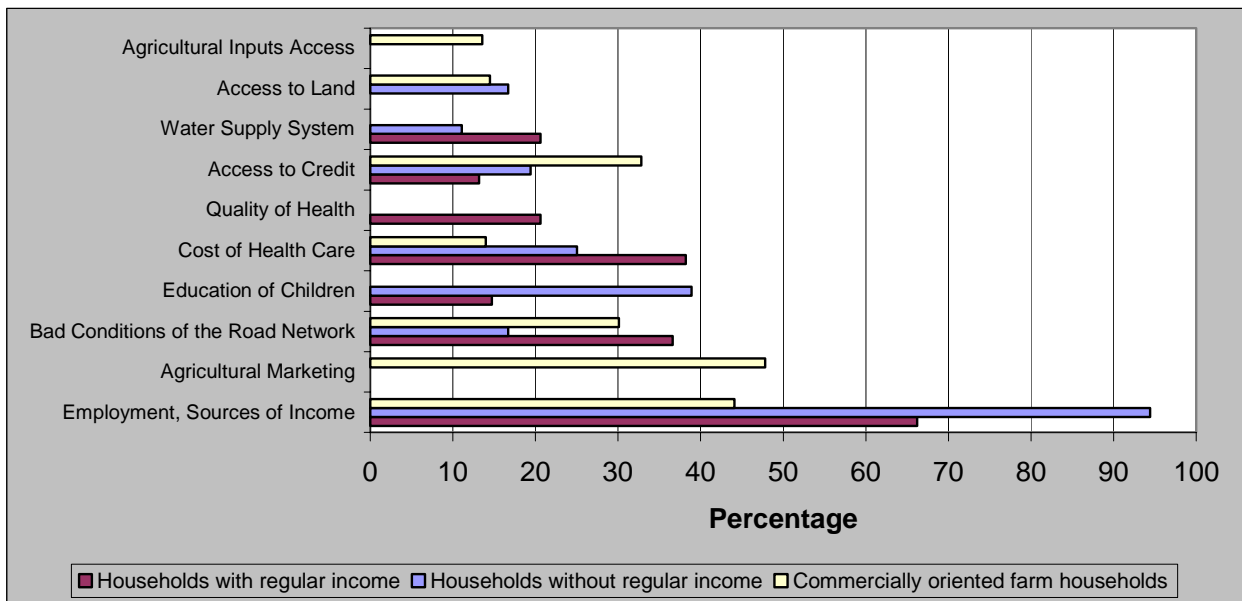
Source: Interviews with Municipalities' Mayors and Key Informants, Dec 2003

**2.3 Although employment is the primary problem, secondary concerns vary according to household type.** Here, the survey distinguished between three types:

- *commercially oriented farm households* (38% of the sample): these have slightly larger holdings than the average (about 2.6 ha) and sell part of their surplus (especially fodder or livestock and dairy products), with many making plans to expand and intensify production;
- *subsistence farm or non-farm households without regular income*
- *subsistence farm or non-farm households with regular income*

**2.4 Unemployment and the lack of sources of income are the first problem for households with and without regular sources of income** (66% and 94%, respectively) *Those without regular income sources* are particularly concerned about their children's access to education, which they see as the main route to employment. Attending middle school usually entails travel and accommodation expenditure that few of such households can afford. Finances also hinder access to health services. *Households with regular sources of income* consider their situation insecure and their incomes low. For this socio-economic group, the high costs of health services (38%) and bad conditions of the road network (37%) are second and third in priority. *Commercial farm households* give highest priority to marketing of agricultural products (48%), with income generation and employment second. Lack of access to credit comes third (33%) followed by bad condition of the road network (30%).

**FIGURE 2.3: PROBLEMS AS SEEN BY DIFFERENT HOUSEHOLD TYPES**



Source: Households Interviews, Dec 2003; numbers for different household types do not add to 100% due to multiple answers.

2.5 The above differences suggest that rural development interventions aimed at supporting income-generating employment could potentially cover a range of activities with the mix varying by location, according to local conditions and preferences. They also underscore the variation in preferences within rural areas, and the need to reconcile differences through local consultation and other strategies that align rural development activities with the demand of the citizenry at large.

2.6 **Poverty, vulnerability and coping strategies.** A large part of the rural population lives in conditions of vulnerability: households without regular source of income or with very low salary or pension, without land to cultivate or rent, unemployed young people. They rely for their subsistence on very low cash income, minimize their expenditure for electricity, water and telephone, and buy food on credit at the local retailer shop.

*“Poverty means not to be sure whether you will have something to eat tomorrow. We are a really poor family. My wife, my daughter- who is unemployed- and myself rely only on my wife’s pension, which amounts to 50 BGL per month (approximately 30 USD), for our living. After having paid the telephone, electricity and water bills, 20 BGL remain for food.” 60 years old man, Kravevo village, Turgovishte municipality.*

*“I think we are in a very good position because we have stable cash income from my husband’s salary (300 BGL per month) and additional income from our 20 ha farm, though agriculture depends on market and weather conditions. We can live well. In my opinion, a family is poor when it cannot afford to ensure the necessary education for their children”. Young woman, 27 years old, Kravevo village, Turgovishte municipality, 2003.*

**2.7 Subsistence farming plays a crucial social role, ensuring household consumption needs and food security.** Strong family ties allow transfers in kind; cash and services among the members of the extended family, pensions often represent the reliable and regular source of cash income for several generations in the household. Most households try to find multiple sources of income. Members of the same households, even the same person, combine permanent employment, temporary or seasonal jobs in agriculture, migration to cities, self-employment. Barter (the exchange of goods and services) is another low cost optimal benefits arrangement between households. There is some degree of “hidden” employment as social payments are perceived to be too high by employers.

*“I employ 11 people and unofficially 14 more. Social taxes are so big that I cannot afford to run my business profitably if I pay all the taxes to the state.” A business owner, Turgovishte municipality, 2003.*

**2.8 Young people are especially concerned about the lack of employment in rural areas.** They usually lack the means to become commercial farmers (land, finance) and look for other possibilities. Many have primary or secondary education and are ready to take on any available work, often migrating to Bulgarian cities or abroad. The lack of employment is one of the reasons why many young families do not want to have children.

*“The difficult economic conditions are the reason why young families have only one or no children. Women want to give a better education to their children and to ensure good living conditions for them. It is hard to achieve this goal today.” Group discussion with women, Meshtiza village, Pernik municipality.*

**2.9 Outward migration increased after 1989-98, reflecting the poor economic conditions in rural areas.** The major migration streams are mostly towards Greece, Spain (mainly low-paid agricultural work), Portugal, and The Netherlands. Young people work there for periods of 3-4 months, then return home for a couple of months and leave again.

*“They do not see any perspective here, although they live in misery there also, but here it is even worse”.*

*“In Devin, the share of active population working seasonally out of the municipality (usually in Plovdiv and Sofia) amounts to 15%. Because of the proximity of Greece, some work there as well in summer, mainly in agriculture and construction. Migration towards regions with better employment opportunities causes the gradual depopulation of the region. During the past decade, 3,000 people left the municipality, accounting for approximately 20% of the population.” Interview with the mayor of Devin.*

**2.10 Not all villages have good economic potential: problem of declining and aging population.** All mayors interviewed indicated decreases in the village population<sup>9</sup> during the recent years. The retirees represent 31% of the population of the sample municipalities (from 18% in Pomorie to 53% General Toshevo). In Zemen, a municipality close to Pernik, a formal industrial centre, people of retirement age account for 51% of the population. Most of them are retired industrial workers who came back to their native villages. 34% of the population is of working-age, while only 15% is under 16 years old. On the contrary, in Devin, a municipality located in the Rhodope mountains, where the main employment sectors are agriculture and forestry, working age people represent more than 50% of the population, and 26% of

<sup>9</sup> National figures (see NHDR Report, 2003) indicate a stabilization of the rural population since the 1990's, after the big decrease during the industrialization period, from 1956 to 1975.



the population is under 16 years of age, a higher share than the retired (over 60 years old) who stand for 19% of the total population.

**TABLE 2.1: EXAMPLES OF AGE STRUCTURE**

Percentage of Total Population	Zemen	Devin
Working-age population	34	55
Retired	51	19
Under 16 years old	15	26

Source: Group interviews, Dec 2003.

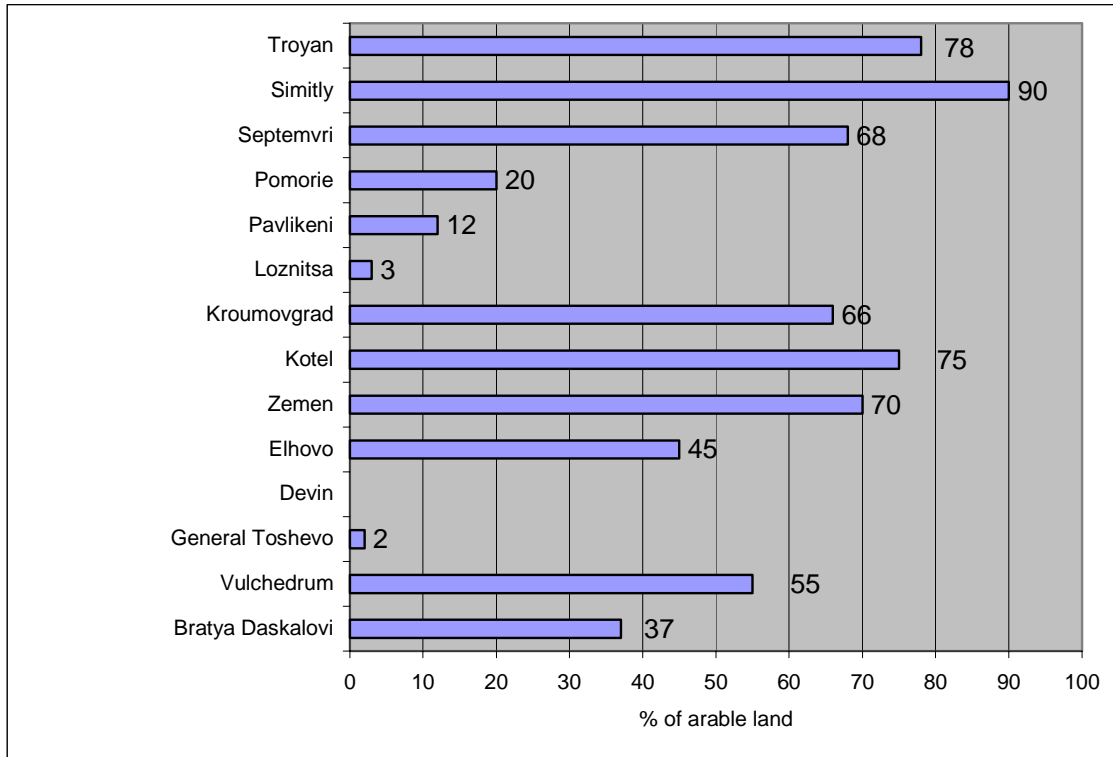
### III. CONSTRAINTS ON INCOME EARNING ACTIVITIES AND RURAL LIVELIHOODS

#### *Household Farms and Agricultural Markets: Status and Constraints*

##### Land use

**3.1 The amount of uncultivated arable land area is generally large, but considerable variation exists between the surveyed localities.** Uncultivated arable land amounts to 44% of the arable land in the sample. Currently, only 10% of the total arable land is cultivated in Simitli municipality, where the arable area is already very limited (11% of the total area) due to the hilly topography and the low soil fertility. On the contrary, very little land is left fallow in municipalities such as Loznitsa (3%), General Toshevo (2%) or Devin (0%). A number of reasons were given for lack of cultivation, including lack of interest, reported by 30% (e.g. the land is owned by an urban resident, owner has conflicting off-farm activities, or owner is elderly and unable to cultivate). Other reasons included infertility of land (28%); remoteness of plots or poor road access (22%); need for irrigation (15%); lack of proper equipment (14%); and risky markets (8%). On a national level the major underlying reasons for land to remain fallow are the lack of enough profitability in agriculture, behind which are land fragmentation, the lack of access to financing and lack of sufficient sales outlets for the ready produce.

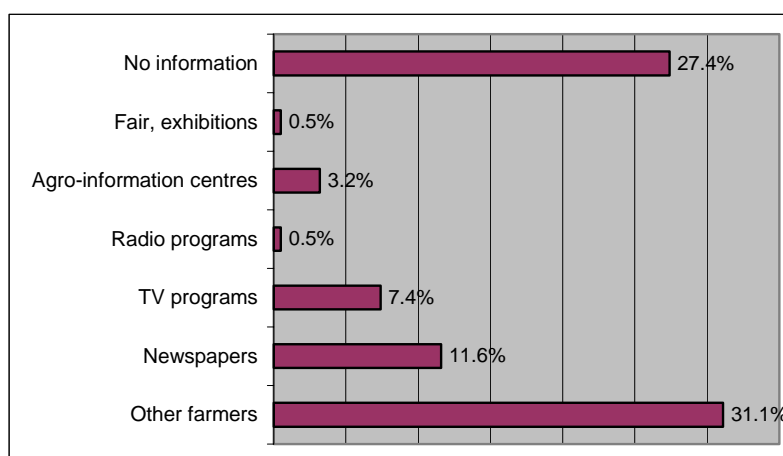
**FIGURE 3.1: PROPORTION OF THE ARABLE LAND REMAINING UNCULTIVATED IN SAMPLE MUNICIPALITIES**



Source: Interviews with Municipalities' Mayors and Key Informants, Dec 2003

Agricultural product marketing

**3.2 Marketing constraints are considerable for small commercial farmers, and create an impediment to increasing incomes.** Products are sold through few available intermediaries, and prices are seen to be too low, and unstable. Farmers think they have insufficient negotiating power with traders, and view related problems as lack of local market infrastructure and organisation, and the lack of market information. A substantial share of the respondents (27%) do not have any access to market and price information. Figure 1.5 shows that most of the information is obtained through ad hoc discussion with other farmers and that the role of specialised services (fairs, agro-information centres) is not significant.

**FIGURE 3.2: SOURCES OF INFORMATION ON MARKETING**

Source: Commercial Farming Households Interviews, Dec 2003

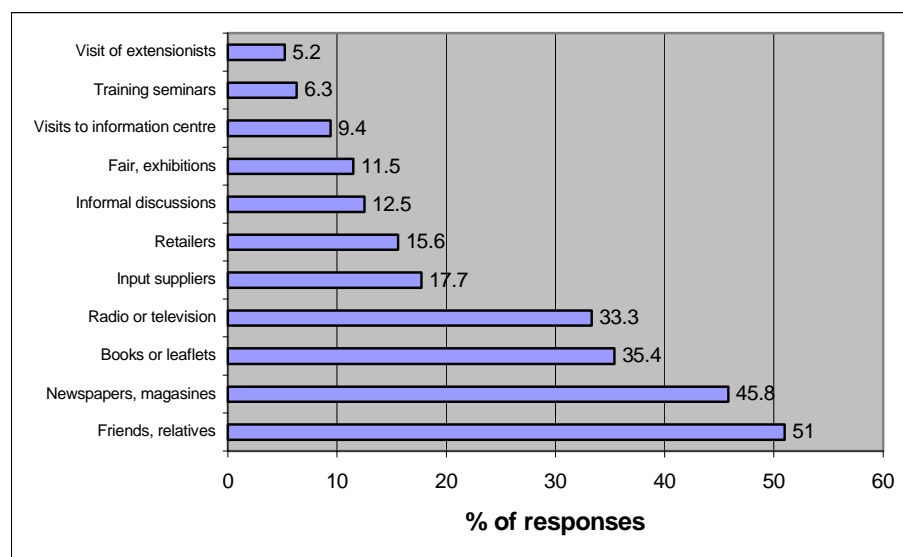
#### Agricultural input supply and marketing

**3.3 The availability of inputs (seeds, fertilizers, chemicals, animal feed and medicines) does not appear a major issue:** they are considered readily available by about 95% of the farmers interviewed. The major constraint stated by the farmers is the lack of affordability. A key finding is that **36% of respondents are dissatisfied with the quality of seeds available on the market.** The problem of quality is much less important for other types of inputs such as crop chemicals (9%) and animal feed and is insignificant for veterinary products and fertilizers.

#### Technical and managerial advice

**3.4 The demand is high (55% of respondents) for more and better quality oriented advice,** including advice on animal health, appropriate use of inputs, plant protection, farm management and establishment of business plans in view of applying for loans. About one-half (51%) of commercial farming households have access to technical and managerial advice versus 87% of the farming entrepreneurs. However, discussions with friends and relatives represent the main source of information, while formal advisory services, such as visits of extensionists and training seminars play a marginal role. Lack of high quality and timely production, management and marketing advice is a serious problem.

FIGURE 3.3: SOURCES OF ADVICE



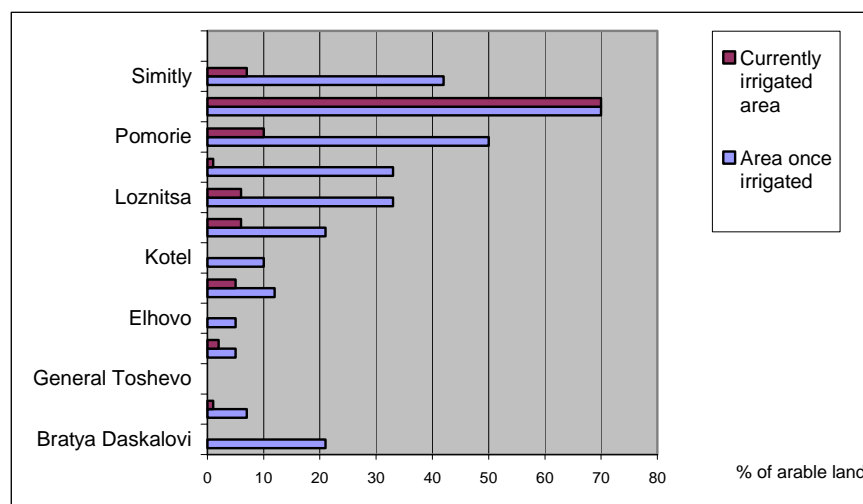
Source: Commercial Farming Households Interviews, Dec 2003

### Irrigation

*“Kroumovgrad Municipality has the necessary conditions to construct a proper farmland irrigation system. Two rivers run through it – Arda and Krumovitsa, with the Studen Kladenets Dam, as well as another 5 micro-dams. Seven irrigation schemes had been created before 1989, with pump stations and micro-dams. Now only two of these are still functioning. The rest have been looted and destroyed, the pipes have been removed, and they are unusable. Following the liquidation of the former socialist cooperatives, which were the legal owners of the micro-dams, their subsequent status was never decided. Some farmers have installed individual pumps and use water from the dams to irrigate their land but these are only isolated cases and do not solve the problem of irrigation in general.”*  
*Interview with the Mayor of Krumovgrad Municipality, VRC, 2003.*

**3.5 Irrigated area has decreased drastically since 1989: currently less than 10% of the arable land is irrigated.** Again, the situation dramatically varies from one municipality to another (figure 1.6). The case of Septemvri Municipality is exceptional. The irrigated area did not change during the last 15 years. This municipality enjoys an old irrigation system that uses water diverted from the river, two large- and eight small-scale dams.

FIGURE 3.4: CHANGES IN IRRIGATED AREAS AS PER SAMPLE MUNICIPALITY



Source: Interviews with Municipalities' Mayors and Key Informants, Dec 2003

**3.6 The often large-scale irrigation schemes utilized during collectivisation do not fit the present farming systems or conditions** and are seldom utilized. Many of the inherited schemes were energy-intensive, based on the use of electric or diesel pumps, and face very high operating costs at current prices. Not only are they poorly adapted to the new economic environment, they do not fit the new land patterns, with small farms, a multitude of dispersed plots, and large areas of schemes left uncultivated. Some of the former large-scale irrigation systems are still functioning where crops grown absolutely require irrigation, or where there is a long tradition of irrigation and that system is not a big energy consumer (e.g. in the Thrace plain, where paddy cultivation is practiced, or Simitli). But these situations are an exception.

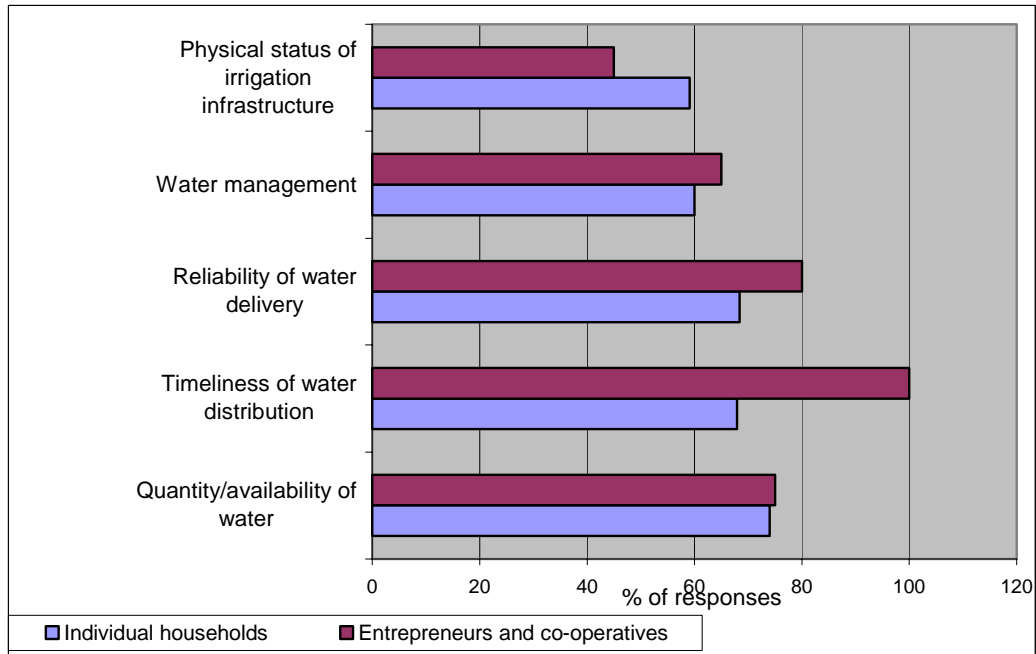
**3.7 Irrigation systems and equipment suffered from lack of maintenance, damages and theft.** Even in cases when the old irrigation systems are still functioning, limitations to the maintenance and efficiency of the irrigation systems arise from the destruction of the equipment, the difficulties of maintenance and repair, and the shortage of water. Limited flow especially during summer hampers the timely irrigation of crops and affects yields and quality of crops. New forms of management are clearly needed, and are emerging in the form of local water users associations.

*“The law gives the opportunity to create water users associations. In reality setting up such an association is not an easy task, since a lot of organizational work is required, which nobody wants to do. Moreover, it necessitates the agreement of all landowners in the area served by the scheme, but they are too many, and many of them do not live in the village. Therefore, it is most likely that farmers in the region will not be able to use the corresponding funds from SAPARD.” Farmer in Iastrebovo village, Opan municipality, 2003.*

**3.8 Irrigation remains important for agricultural producers and is considered essential by farm households and local administration officials.** Even where the formal large-scale irrigation systems do not function anymore, some farmers practice irrigation. They implement low cost and flexible systems by using individual irrigation devices - small mobile pumps for households, pumping stations for farm entrepreneurs and co-operatives - to lift water from nearby rivers, canals or dams. Water is eventually led to the cultivated plot using part of the canal network of the former schemes. However, canals are not maintained in good conditions and suffer leakages. The users are currently satisfied with these available

irrigation systems (their efficiency, timeliness and reliability of water delivery and distribution) and feel the need for their extension.

**FIGURE 3.5: SATISFACTION WITH THE CURRENT IRRIGATION SERVICES**



Source: Households Interviews, Dec 2003

**Rural Non-Farm Businesses: Status and Constraints**

3.9 While the bulk of the rural economic life and employment lies in the agricultural sector, the survey also investigated the current activities and difficulties of rural non-farm businesses. In view of the very small amount of services observed, this could not be done through a quantitative study but rather through qualitative interviews with the entrepreneurs met in the visited villages. The majority of small businesses are local retailers, car repair and other artisan shops, carpenters, and farm machinery owners. They provide simple services inside the community but are important because they employ residents (albeit a small number), pay taxes (if they are legally registered) and provide essential goods to the local population.

**A successful business**

*“I was the first one in the village who opened a food shop in 1992. This shop still exists and I even opened a second one. I accumulated some money and I decided to diversify my activity. So five years ago I opened a plant for the production of confectionery. I do not want to give any information about the volume of my sales. Last year I started building another plant for the production of non-alcoholic drinks that is almost ready now.*

*The main impediment for the development of local business is the low purchasing power of the population. People do not have money to buy even essential items. Until last week we had for example two bakeries in the village. With this grain crisis now they cannot compete anymore with the bigger producers, so they closed down and now we get our bread from the neighbouring town. That is why I try to diversify as much as possible and to find new businesses where the competition is not so big.*

*I dedicate to my business all my time. My wife helps me a lot. The plant is situated just beside my house so we can monitor all the time what the workers do. I employ officially 11 people and unofficially – 14 more. The social payments are so big that I cannot afford to run my business profitably if I pay all the taxes to the state. Additionally I employed about 10 people in the construction of my plant for non-alcoholic drinks last year and the majority of them were from this village. [...]*

*Next year with the opening of the new facility I hope to increase significantly my sales and my business income. I choose to build those facilities here, in my village because I had the land and the working force is less expensive. In our village there are many young and middle-aged people so I can easily find people to work for me. Last but not least here I am away from all the control bodies. They are very strict when they apply their requirements but they do not care if those requirements change too often and destroy my business.” Man, 38 years old, Kravevo, Turgovishe municipality.*

3.10 Rural entrepreneurs’ interviews show that the creation of rural businesses is not an easy task and requires overcoming many obstacles. Also, examples of failed businesses are relatively common showing how dependant these new businesses are on the overall economic situation in the country, the lack of demand being the major source of failure for new businesses.

### **Two failed businesses**

*“Before 1989, I was a professional driver. In 1990 I was among the first people in our municipality to create a private transport company. I bought second hand trucks and I started my business. At the beginning everything was going well. I had a good profit and I expanded my business. In 1996 the situation deteriorated drastically. The production and the trade in our region collapsed and the demand for transportation services fell. I liquidated my company and since then I am unemployed [...]”*

*Man, 54 years old, Meshtiza, Pernik municipality.*

*“I opened my small coffeehouse in 1997. I sell coffee, beer, soda, and cigarettes. In the last 5 years my revenue has fallen continuously. In the village, there are 4 other coffee houses and 3 food stores, one of which belongs to the consumers’ cooperative. I cannot say the decrease in revenue is due to the higher competition because my competitors tell me that the situation is the same in their stores. I pay about 240 BGN in taxes each year. My revenue rarely exceeds 10-15 BGN per day. My clients are mainly Roma. The majority of them are unemployed. Oftentimes they do not have money to pay for their purchases and they buy on credit. My clients have become incredibly poor and I am seriously considering to close down my coffee house.”*

*Woman, 64 years old, Iastrebovo, Opan municipality.*

### 3.11 **The constraints to the development of rural business are numerous:**

- **Lack of demand:** the local market is limited in purchasing power, and it is hard for businesses to reach a larger number of isolated villages;
- **Rural people lack knowledge about starting an SME, and lack skills in running one.** With this goes lack of information on matters as diverse as marketing, product requirements of external markets, legal requirements of running a business, and finance. Economic life used to be organized by the agro-industrial complexes and cooperatives. Potential entrepreneurs who want to take the initiative today need external support;
- **The local labor force needs new skills to work in non-farm businesses, while local living and working conditions are not attractive for outside workers** (e.g. due to degraded rural infrastructure);
- **Infrastructure is inadequate.** Problems include rationed water supply and bad quality of water, lack of sewerage and waste removal systems, and especially the deteriorated road network which hinder economic activities;
- **Inadequate access to existing financial services,** and lack of financial products targeted to small and medium enterprises.



**Difficulties of an Entrepreneur**

*“Our factory for vegetables (mainly ketchup) started its production in 1997. The annual revenue is around 1.5 million BGN. We employ 45 people, 80% of whom live in Stara Zagora. All raw materials are bought from outside the municipality. We use tomato paste and other semi-finished products and thus do not buy vegetables from the region. In the future we intend to expand our production line and produce goods using fresh fruits and vegetables. The ketchup we produce is sold throughout the entire country and small quantities (using other exporters) is exported abroad.*

*The infrastructure of the village is not good. We are lucky to be near a main road, which is in good condition but if you venture deeper into the municipal roads, you will see that they are full of holes. The electricity stops all the time. Yesterday, we were warned that next week the power will be out for one hour per day but we are sure that it will be out for much longer. The electricity outages damage our equipment. The drinking water also stops all the time but we have our own water supply. We do not have sewerage and this is always a big minus for us when we apply for grants from the pre-accession EU programs. We organize our own solid waste disposal even though we pay taxes to the municipality. We have a phone line but the connection is very bad. In order to have regular Internet connection we wanted to buy a satellite but we were told that there is no satellite coverage in our region. The public transportation is not convenient for the workers. We have people who come from distant places. If they miss our corporate bus in the morning, they have to wait at least an hour to catch the next public bus.*

*Comparing the business conditions in the city and here, I would recommend the infrastructure to be repaired in the following order:*

- *Improvement of the power supply*
- *Improvement of the water supply and the construction of canalisation*
- *Training and qualification of the local work force: we produce food and it is very important for the workers to have high general culture. I am talking, for example, about hygiene, discipline, upkeep of the workspace. Unfortunately, we could not find such workers and we had to hire from the city. This is a true paradox because there is such high unemployment here.”* Agribusiness manager, Iastrebovo, Opan municipality.

**Physical Infrastructure: Status and Constraints<sup>10</sup>**

3.12 *Infrastructure coverage and access.* Interviews with village mayors and other village informants revealed that coverage is good for telecommunications, the electricity and road network, water supply systems, and street lighting. **The main areas in which coverage is lacking are solid waste removal and sanitation (sewerage).** Electricity serves 96% of the 56 sample villages. Out of the fourteen sample municipalities, Simitli is the only one where some villages (4 out of 18) are not covered by electricity. However, even in the villages covered, power cuts and bad telephone connection hinder business activities.

3.13 **Households generally concur that coverage rates within settlements are very good for major infrastructure services:** only 0.8% of the interviewed are without electricity connection, and 4.5% without water supply system. 78.8% of the interviewed households have access to telephone (Table 1.3)

<sup>10</sup> Irrigation infrastructure has been treated separately, in the section dealing with agriculture.

**TABLE 3.6: ACCESS TO RURAL INFRASTRUCTURE BY INDIVIDUAL HOUSEHOLDS**

% Of respondents having access to the service	
Electricity	99.2
Water supply system	95.5
Health services	93.3
Roads between settlements	91.6
Public transportation between the settlements	90.4
Street lightening	89.8
Streets in the settlement	84.5
Telephone	78.8
Roads, paths to plots	72.9

Source: Households Interviews, Dec 2003

3.14 **However, in line with the views of mayors, two exceptions to this generalized coverage are solid waste removal and sewerage systems.** Only 11% of the sample villages enjoy sewerage systems. In general, these only exist in the municipality centre, where most of the population live. This is also the case for solid waste collection and treatment systems which generally exist only in the municipal centre and rarely in subsidiary villages (21% of the sample villages are covered). Only Kotel and Bratia Daskalovi are an exception: all villages are serviced by a solid waste collection system. The population complains about the pollution threats associated with the absence of these facilities elsewhere.

*“We have containers in our yard, and every one transports his container to the waste depot . Once a year, the municipality sends a bulldozer to level the ground. The landfill is located on a field belonging to the school. Land is scarce and we could not find another solution.” Kralevo village mayor.*

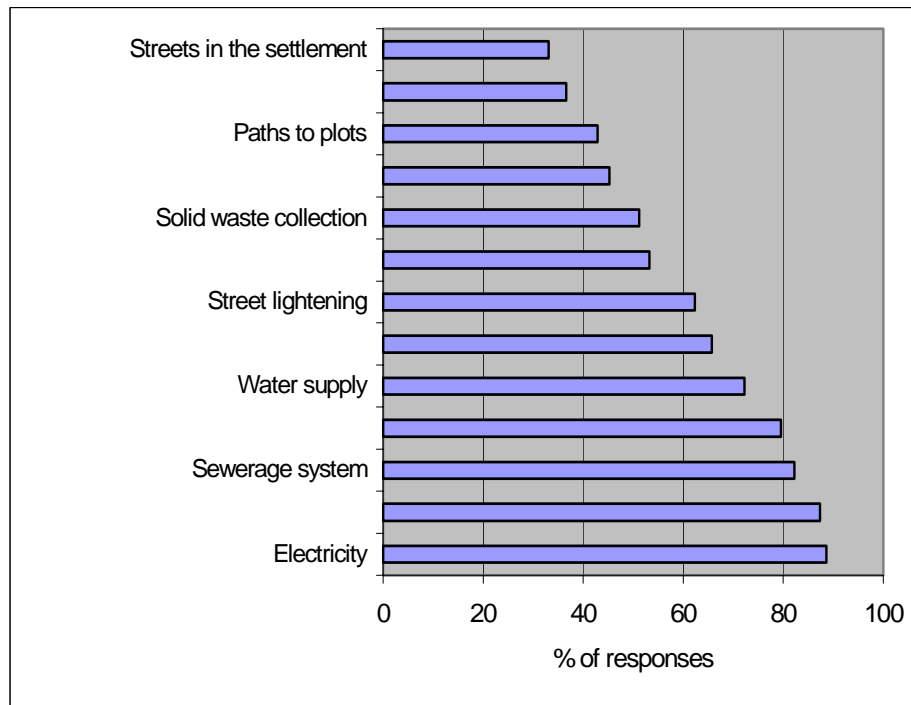
**TABLE 3.7 ACCESS TO RURAL INFRASTRUCTURE BY INDIVIDUAL HOUSEHOLDS**

Septic tank	54.7
Solid Waste Collection	52.7
Sewerage System	33.3

Source: Households Interviews, Dec 2003

3.15 *Infrastructure quality, consumer satisfaction.* **The existing rural infrastructure is in very poor condition, and this is reflected in household dissatisfaction with infrastructure services** (Figure 1.8.)

FIGURE 3.8: SATISFACTION OF THE INTERVIEWED WITH INFRASTRUCTURE



Source: Households Interviews, Dec 2003

**3.16 The interviewed are mainly dissatisfied with the very poor condition of the road network.** Roads between and within the settlements are not properly maintained and their surface is old and potholed. Rehabilitation of the rural roads (grade 4) network is the high priority. Rehabilitation of the water supply network, establishment and better organisation of the solid waste collection and treatment system are needed. Creation of sewerage systems is also required in the most populated settlements.

*“Of a total of 260 km, roughly 100 km of the municipal road network are dirt roads, which have only been ballasted. These become impassable in the winter and many villages remain inaccessible for days and weeks. The asphalt roads are in very bad condition, too – they are in need of major repair and rehabilitation.” Mayor of Krumovgrad Municipality.*

**3.17 The assessment by local authorities of infrastructure priorities is in line with the opinion of households.** Solid waste collection and treatment is another service with which the rural population is dissatisfied (46.6%), considers insufficient and necessary to rehabilitate. Some of the villages are equipped with waste collection systems, but the location of landfills is not clearly defined and haphazard disposal of waste and illegal depots represent a threat to water and soil with pollution.

**3.18 The respondents are generally satisfied with the water supply system (72.2%) because of its large coverage.** However the canalisations are old and obsolete. Villagers suffer because of water restrictions and the poor quality of water. In 6 out of the 14 sample municipalities, villages suffer from water shortages on a regular basis. Most villages are affected by water rationing, especially in summer.

**TABLE 3.2: NUMBER OF VILLAGES WITH RATIONED WATER IN THE SAMPLE MUNICIPALITIES**

	Bratya Daskalovi	Vulchedrum	Zemen	Kotel	Kroumovgrad	Simitly
Total number of settlements (including the Municipal Center)	23	11	19	22	78	18
Villages with rationed water	1	7	4	20	7	2

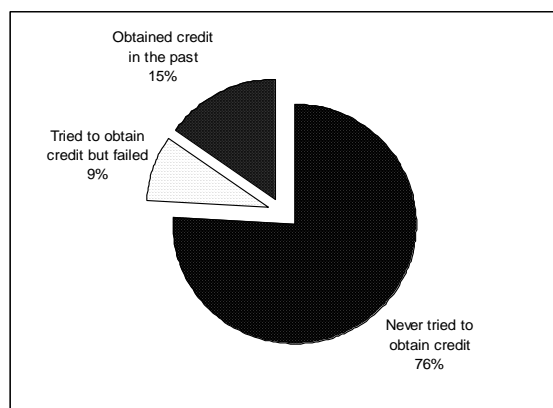
Source: Interviews with Municipalities' Mayors and Key Informants, Dec 2003

*“Another problem is shortage of drinking water during the summer months. People irrigate their plots with drinking water and then the water does not reach our houses.” Woman, 27 years old, Kralevo village, Turgovishte Municipality.*

**Rural finance: status and constraints**

3.19 **The experience with credit is very limited in rural areas: 85% of the households surveyed have never taken a loan, and 76% never tried** (Figure 1.9). The reasons mentioned for not trying are lack of experience (64%), lack of collateral (18%), lengthy and complicated application procedures (17%) and unaffordable interest rates (16%). People consider they would need external assistance to prepare a business plan (19%), share the cost of investment (19%), facilitate the links with the banks (12%), find guarantees (9%) and training (5%).

**FIGURE 3.9: ACCESS TO CREDIT BY RURAL HOUSEHOLDS**



Source: Households Interviews, Dec 2003

3.20 **There is clearly a perceived need to invest in agriculture, and 45% of the respondents would like to take out a loan.** Currently, loans are mainly obtained from mostly state-related banking institutions (57%) and co-operatives (18%), and used for both agricultural production (43.6%) and personal purposes (33.6%). The demand for long-term credit (more than 1 year) is much more important than for seasonal credit: respectively 34% and 11%. The main purpose for taking a loan is to invest in agriculture, mentioned by 64% of those willing to take a loan. The second purpose is for personal use

(15%), in particular for households with no agricultural production. Taking a loan to invest in off-farm activities is only mentioned by 5% of respondents: few business opportunities are perceived beyond the agricultural sector in the rural areas.

#### IV. RURAL DEVELOPMENT STRATEGY AND OPTIONS FOR INTERVENTION

**4.1 *Employment/income generation is the central problem of rural development according to rural households and informants.*** This can be addressed through interventions specifically aimed at the farm and non-farm sectors, while improved rural financial services and local infrastructure development can provide more general support to both sectors. This study has confirmed that in developing local strategies, village and municipal stakeholders are likely to identify a particular mix of interventions that suit local conditions. Local representative institutions must be strengthened so that strategies truly reflect villagers' needs, which may differ internally, or conflict with the views of village administration. Local and regional bodies also need to acquire technical skills in formulating a development strategy, and they need to be able to identify promising interventions within this framework, leading to the preparation and implementation of technically and economically sound project proposals.

4.2 To address the problems observed in rural areas, a number of interventions is proposed that focuses on the spectrum of development concerns expressed by survey respondents, while contributing to increased incomes and reduced unemployment. These are grouped into five intervention categories, each of which can contribute to increased incomes and employment in a complementary manner: developing agriculture; developing the rural non-farm economy; rural financial system development and infrastructure rehabilitation; establishment of regional and local development strategies; and strengthening the capacity of regional and local bodies

**4.3 *Developing agriculture: support for the emergence of viable farms.*** *First, marketing system development is a high priority:* Suggested measures include technical assistance supporting the development of farmer marketing groups; assistance with introduction or dissemination of food safety standards, support for improved product quality and grading; standardization of commodity contracts in exchanges and improved contract enforcement; increased local knowledge on end-market product quality requirements (particularly for export markets,) and improvements in the relevance, timeliness and availability of market intelligence. *Second, there is a need for technical and managerial advice to increase productivity:* Advisory services should respond to the diversified needs of small and medium size farms in the following areas: (i) use of improved agricultural inputs and techniques; (ii) farm and business management; and (iii) access to markets, business planning, and provision of market information. These services should be linked to rural finance supports described below, and could under some circumstances be bundled with technical and marketing TA aimed at non-farm businesses. *Finally, irrigation system support is recommended for small-scale irrigation projects, tailored to fit local conditions and producer demand.* Maintenance of the existing in-use canals can also improve the efficiency of irrigation. Funds could be allocated to groups of producers upon request and after preparation of a sustainable technical, organisational and financial proposal. This support could be targeted to small-scale irrigation projects such as the rehabilitation and maintenance of the canal network or construction of small dams.

**4.4 *Developing the rural non-farm economy: support to small enterprises.*** What is needed to stimulate rural non-farm business is a proactive outreach to potential entrepreneurs combining various types of support including assistance with business start-up, advice on alternative marketing outlets and networks and product quality requirements, training in development of a business plan, and in general management and financial management. The general business environment is also crucially affected by the state of infrastructure (reliable water, electricity, roads) and access to finance, which are discussed below.

**4.5 Rural financial system development and infrastructure rehabilitation.**<sup>11</sup> Rural finance and infrastructure support a conducive economic environment in rural areas that can stimulate the development of both farm and non-farm enterprises. Interviews with small commercial farming households showed that credit was an extremely high priority, just after marketing/income generation. Various farm and non-farm investments were identified during the course of this survey. The viability of such proposals needs to be carefully evaluated, and this may require technical assistance to private bank and non-bank intermediaries in small loan appraisal, loan tracking, rural risk assessment, etc. Support for non-bank forms of finance, such as private sector equipment leasing, should also be considered. Concerning *rural infrastructure*, two types of interventions are required at a minimum: rural (fourth class) road rehabilitation programme to improve linkages with major roads and cities, markets and services; and upgrading or construction of waste, water and sanitation facilities such as solid waste collection and treatment, water supply and sanitation. The establishment of innovative mechanisms to properly maintain and pay for the cost of existing infrastructure will be critical given the limited financial capacity of both the local administration and rural households.

**4.6 Regional and local strategies.** It is critical to properly formulate the strategic goals of the individual programs in line with the specific characteristics of target municipalities and settlements. Based on the conclusions drawn and the suggested typology of the municipalities and settlements, it is possible to outline four basic types of rural development strategies. These are suggestive, and are outlined in order to highlight the varying planning scenarios that could be faced by local bodies.

*Social strategies (managed decline).* In settlements that are declining, having few local resources and without any long-term prospects for recovery and development.

*Recovery strategies.* In those settlements that have declined significantly but have good local natural resources and a stable population, with a significant number of working age residents.

*Strategies for acceleration of ongoing development.* In settlements which have good resources (soil, water) and climate and other conditions, as well as economic and human resources, the effective utilization of which has already begun and needs to be encouraged further.

*Leader strategies.* Lastly, the most advanced settlements have well-developed infrastructure in relatively good condition, and have started to diversify from agriculture with more active local non-farm businesses.

**4.7 Capacity building of regional and local institutions will be critical to the future development of rural areas and regions.** Municipalities and village mayors and councils sometimes lack sufficient technical and managerial capacity to prepare adequate project proposals. Including village households in the priority setting and planning process (in O&M, financing, and local monitoring) would ensure that their preferences are taken into account. There is a need to improve local governance, accountability and increase the relevance of development initiatives to local conditions, in addition to improving local ownership and sustainability. This would require a program of technical assistance aimed at transferring technical and financial skills.

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<sup>11</sup> EBRD is currently considering helping expand the operations of a private bank in the rural areas. A study on the opportunity of rural finance was undertaken by FAO and is available at EBRD.

## VOLUME II

### DETAILED SURVEY FINDINGS AND RECOMMENDATIONS

*After a brief description of the methodology, in volume II we first summarize the key findings and recommendations. Then we review the main characteristics of the rural livelihoods, before detailing the needs and priorities as expressed by the various stakeholders. This is followed by a description of the needs associated with rural infrastructure, agricultural services and for investing in the rural economy. Finally, the report builds on the main findings to provide some recommendations for future rural development projects.*

#### I. METHODOLOGY

1.2 This is a countrywide survey aiming to reflect the variety of socio-economic and geographic conditions in rural Bulgaria. It is expected to help identify obstacles to development in different geographic areas, and for different groups of population.

1.3 The survey draws from two sources of information collected in rural areas:

- (a) A quantitative study<sup>12</sup> based on 550 individual interviews (490 households and 71 entrepreneurs), and 70 group interviews with municipality and village mayors and key informants; and
- (b) Case Studies of 9 villages<sup>13</sup>.

1.4 The quantitative survey is based on interviews of a purposive sample of respondents in a number of municipalities and villages. The sample proposed is not statistically representative of the rural population of Bulgaria, but is believed to cover accurately the variety of geographic and socio-economic conditions encountered in rural Bulgaria, and the diverse socio-economic groups of population. The survey is based on information gathered from this sample of municipalities, settlements, and households. The survey design and work was consulted at all stages by an experts' council comprising MAF officials, NGOs and academics to ensure broad representation.

1.5 The sampling procedure followed 4 steps: selection of 14 typical municipalities, selection of 56 villages (4 in each municipality), selection of 490 households (7 in each of the villages and 7 in the municipality centre), and selection of entrepreneurs and co-operative managers.

1.6 The identification and typology of individual municipalities and settlements took into account the following factors:

- The characteristics of the natural conditions and resources available to the individual municipalities and villages;
- The demographic structure of the population of the respective municipalities and villages, as well as its chief socio-economic characteristics, such as share of the working-age

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<sup>12</sup> By Vitosha Research Company.

<sup>13</sup> By the associated researchers.

population, rate of unemployment (officially registered and hidden unemployment), share of the retired, etc.;

- The extent to which the available resources are actually used (available arable land and actually cultivated land, irrigable and actually irrigated land, etc.);
- The economic development of the region (the municipality, settlement) – the business development level (number of operating companies, main sectors and activities, etc.).

1.7 In addition to entrepreneurs and co-operative managers, three main types of households have been identified in rural areas:

- Commercially oriented farming households, i.e. households whose main activity is agricultural production and who market their products;
- Households with subsistence farming activities, including:
  - 1) Households with regular non-farm income;
  - 2) Households without regular non-farm income.
- Households without any farming activities, including:
  - 3) Households with regular non-farm income;
  - 4) Households without regular non-farm income.

1.8 The main conclusions and recommendations concern primarily the most critical problems, basic priorities, and prospective areas of development of the municipalities and settlements in the rural regions as a whole, and by type. The summarized observations reflect above all the assessments and opinions of key informants (mayors, municipal councillors, experts, and officials from the local administration), the residents of the individual municipalities, as well as the representatives of the local business community in each region (agricultural producers, entrepreneurs, managers of cooperatives). The detailed data from the household and entrepreneur surveys, as well as the complete profiles of the municipalities and villages surveyed have been presented in the different sections of the present report.



#### **Definition of rural regions and underdeveloped municipalities<sup>14</sup>**

**Rural areas** are “municipalities whose territory does not include cities with population over 30,000, and whose population density is less than 150 inhabitants per square kilometer.”

According to this definition, rural regions cover an area of 90,371 sq. km, or 84.4% of the country’s territory, and include 3,612,974 inhabitants constituting 43,6% of the Bulgarian population.

“**Underdeveloped municipalities**” have the following characteristics:

- Average per capita income is below 70% of the country’s average for two of the past three consecutive years;
- Average annual unemployment levels for two of the past three consecutive years exceed by more than 50% the national average unemployment rate for the previous year;
- Population density below 75% of the country’s average;
- Average share of territory covered with agricultural lands and forests exceeds by more than 20% the country’s average;
- Average share of employed labor in agriculture and forestry exceeds by more than 20% the country’s average during the previous year.

In 1999, 34 rural regions were classified as underdeveloped. They covered 77 municipalities with a total area of 27,001.25 sq. km, representing 24.3% of Bulgaria’s territory. Overall, 1,008,931 Bulgarians, or 12.2% of the total population (28% of the rural population), lived in underdeveloped rural regions.

## **II. RURAL LIVELIHOODS**

### **A. “The Good Old Times”**

*“People remember well the old times when they could set and realize their personal goals and dreams. Now it is not possible anymore. There are a lot of young and middle aged people who are unemployed. Their disillusion is so big, their soul so sick, that they... cannot keep their mental and physical health in a good state for a long period of time”.  
Hodja (muezzin) of a surveyed village.*

2.1 Although it is true that facing the current difficult social and economic situation leads to nostalgia and even the idealization of the situation during the socialist era, one has to recognize that rural livelihoods have been deeply affected by the dismantlement of the former agro-industrial complexes.

2.2 **During the socialist period, the co-operatives played an important role in the economic life in the rural areas.** They were supported by the state and benefited of guaranteed markets for agricultural products. Employment was guaranteed for rural dwellers, who benefited from social and infrastructure services supported by the state. This organisation resulted in relatively secure and good living conditions and in facilitating the contact of the rural population with industrial centres. The relative well being of rural inhabitants tied to the collective system sometimes meant a higher living standard than that of other highly qualified social groups, such as doctors, engineers, and scientific workers. Non-financial resources such as the private back yard allocated to all households reinforced this situation. The everyday life of rural families was easy and secure: employment was ensured, education and health services were free.

<sup>14</sup> Source: Decree #105 of 02-06-1999 of the Council of Ministers for the implementation of the Law on Regional Development, NHDR Report, 2003.

2.3 As demonstrated in the present report, the general perception in the rural areas is that this dismantlement of the collective system led to massive unemployment associated with increased rural poverty and the progressive deterioration of some of the rural services and infrastructure. However, funds allocated from the national budget were reduced, local resources proved to be insufficient, and the municipalities lacked the institutional organisation and capacity to handle these new responsibilities. Most of the services are completely or partly no longer rendered, become limited and have become the responsibility of the individual family, to the disadvantage of the poorest areas, villages and households.

In Strumjani municipality, a typical mountain village, at one-hour distance by car from the municipality centre in the valley used to be serviced by an asphalted road, and to have one hospital, primary school and college for its 1000 inhabitants. At present, the road surface has broken down, the hospital and schools buildings are in ruins and the population reduced to 2 or 3 households. Field observation, 2003.

2.4 People remember the high performance of a productive agriculture allowing for the existence of related services and activities, while the economic life in the rural communities is now dominated by a declining agricultural sector characterized by large uncultivated areas, a multitude of very small and quasi-subsistence farms and the almost complete lack of non farm activities.

## **B. Human and Social Dimension of Rural Livelihoods**

2.5 Table 4.2 in the following page aggregates the main socio-economic characteristics of the 14 municipalities that were surveyed and are believed to be representative of the country.

2.6 The average population density in the surveyed rural areas is about 37 persons per square kilometre, which is much lower than the country average of 74.6 (which includes towns and cities). It greatly varies between villages from 15 to 86 persons/km<sup>2</sup>. In addition, an average of 43% (from 9% to 67% in the selected municipalities) are concentrated in the municipality centres (see Table 4.1), which benefit also from better infrastructure and services. Villages are relatively small with an average of 957 persons and 333 households, and very few of them with a population exceeding 1000 inhabitants.

2.7 **Demography in rural Bulgaria is characterised by a declining and ageing population.** After a decrease registered in the national census from 1956 to 1975 (during the industrialization period), the share of the Bulgarian population living in rural areas remained relatively stable (from 31% to 43% of the total population in 2001, according to different sources), since the 1990's<sup>15</sup>. However, all municipality mayors interviewed reported decreases in rural population in the villages. The average active age population in the selected municipalities is 54%. Interestingly, women represent 59% of the population in the sampled households. This indicates an ageing population (life expectancy being higher for women than men) and more importantly migration of men rather than women to cities or abroad seeking for jobs.

2.8 **The overall picture of ageing population in rural Bulgaria hides a great variety of situations,** between municipalities and, within the same municipality, between villages. Table 4.1 below shows two dramatically different examples of age-structure. In Zemen, a municipality close to Pernik, a former industrial centre, pensioners stand for 51% of the population. Most of them are retired workers who came back to their native villages. 14% of the population is in working-age, while only 15% is of 16 years old. On the contrary, in Devin, a municipality located in the Rhodope mountains, where employment is mainly found in agriculture and forestry, working age people represent more than 50% of the population, and 26% of the population is under 16 years of age, a higher share than the retired (over 60 years old) who stand for 19% of the total population.

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<sup>15</sup> Bulgaria NHDR Report, 2003. Rural Regions: Overcoming Development Disparities.

**TABLE 4. 1: EXAMPLES OF AGE STRUCTURE**

Percentage of Total Population	Zemen	Devin
Working-age population	34	55
Retired	51	19
Under 16 years old	15	26

*Source:* Interviews with Municipality Mayors, 2003.

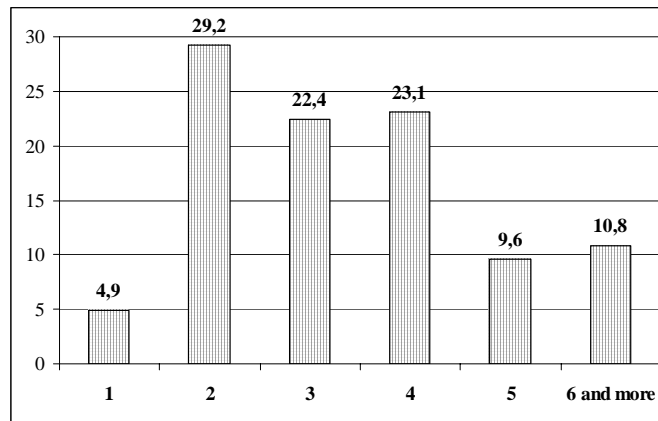
TABLE 4. 2 : MAIN CHARACTERISTICS OF THE SAMPLE MUNICIPALITIES

Municipalities Names		Bratia Daskalovi	General Toshevo	Pavlikeni	Pomorie	Septemvri	Simity	Loznitsa	Zemen	Vulchedrum	Devin	Elhovo	Kotel	Kroumovgrad	Troyan
Natural conditions		Plain					Semi-Mountainous				Mountainous				
Territory	Total area (km2)	526	980	623	413	349	553	265	263	436	575	702	858	843	893
	Arable land (% of total)	51%	79%	78%	61%	45%	11%	60%	38%	85%	25%	54%	34%	17%	28%
	Cultivated area (% of arable land)	63%	98%	88%	80%	32%	10%	97%	30%	45%	100%	55%	25%	34%	22%
Demographic Dimension	Number of settlements	23	42	78	17	14	18	22	19	11	15	22	22	19	22
	Population in the Municipality Centre (Persons)	882	8 800	14 366	14 300	9 199	7 500	3 600	2 680	4 730	7 500	12 394	6 934	5 887	25 190
	Share of Population in the Municipality Centre	9%	42%	47%	51%	31%	42%	26%	67%	38%	50%	60%	32%	26%	66%
	Population (persons)	9 698	20 800	30 867	28 280	29 989	18 000	14 000	3 980	12 508	15 000	20 552	21 645	22 558	37 896
	No. Of HH	6 929	8 000	12 395	9 276	2 160	6 000	4 600	1 050	4 500	5 660	9 030	9 125	6 000	17 000
	Average size of HH	1,40	2,60	2,49	3,05	13,88	3,00	3,04	3,79	2,78	2,65	2,28	2,37	3,76	2,23
	Population Density (Persons/km2)	18	21	50	68	86	33	53	15	29	26	29	25	27	42
	Estimated Unemployment Rate (%)	28%	48%	26%	27%	39%	31%	36%	33%	81%	80%	60%	35%	64%	8%
	Active Age Population (%)	40%	36%	50%	64%	56%	73%	60%	34%	41%	55%	54%	47%	58%	56%
	Farming Households (%)	75%	65%	65%	45%	62%	90%	58%	80%	80%	90%	60%	30%	22%	20%
Road Network Density (km/100 km2)*		43.2	27.9	39.7	54.7	58.8	24.9	63.2	44.8	34.3	33.6	30.1	32.4	27.7	4.8

Source: Interviews with Municipality Mayors, 2003

2.9 On average, there are 2.9 members per household and 80% of the households comprise between 1 and 4 persons. In spite of this relatively small household size, several generations commonly live in close vicinity, sharing the same house, and, if not, sharing the “economic pot”. Hence, activities performed by members of the same household are diverse: employed, unemployed, retired, student, farmer, etc.

▪ **TABLE 4. 3: SIZE OF RESPONDENTS’ HOUSEHOLDS**



Base: 490 Households.

Source: Households Interviews, 2003.

2.10 Young people indicate their unwillingness to marry because of insecure sources of income and unemployment. “Why should I marry and have to support another person, I cannot even support myself.” “Does it make sense to marry when you have no money? Why create a family? When you will go out with your child, he will ask for candies or fruit juice. How can I pay for these things? Now, when I suffer, at least I suffer alone.”

2.11 Youth with primary or secondary education are predominant, while young people with university education are very few. Most of the young employed do not work in the field of their speciality. Those with primary and secondary education are ready to take on any available work. In general, they do not wish to work in the agricultural sector, but have to.

“Young people don’t see any perspective here, although they live in misery there also, but here it’s even worse [...] Nothing is being done for the young people, but they are not organized themselves, they are dissatisfied, but they don’t stand up for their own interests, they accept the little they receive. They show no initiative, it seems they are afraid to stand up for their interests, to raise the issue. The next generation coming after us seems more willing to fight, unlike us – we don’t speak up. Maybe they will achieve more than we! Maybe we were educated to behave this way!” (Woman, 25, Devin municipality).

**TABLE 4. 4 : SOCIO-ECONOMIC CHARACTERISTICS OF SAMPLE VILLAGES**

(Average and range for the sample)

	Average	Min	Max
Size of Villages	957 persons	70	3980
	333 households	35	1500
Household Size	2.9 persons		
Population Density	46 persons/km <sup>2</sup>	2	206
Percentage of Farming Households	69%	1	100
Working-age population	514 persons	13	2313
Retired	296 persons	45	1200
Unemployed (officially registered)	22 %	0	95
Hidden unemployment	13 %	0	65
Landless Households	14 %	0	90
Total Area	28 km <sup>2</sup>	5	100
Arable Land/Total Area	53 %	2	92
Cultivated Area/Arable Land	59 %	0	100

*Source: Interviews with Village Mayors and Key Informants in the 56 sample villages, 2003.*

**2.12 Primary education remains accessible in rural areas.** School-aged children have generally access to primary schools. However, the quality of education in the village schools remains lower than in the urban schools. There is no obvious disparity between the enrolment rate of boys and girls, rich and poor, Bulgarians and minorities. Most of the teachers commute from towns and all of them have a university degree.

**2.13 Apart from a few exceptions, the majority of respondents are satisfied with the quality of education.** The perception of the lower quality of education in rural areas compared to the one in the urban centres comes from the existence of mixed classes (for example having all 1st and 2nd grade students as one class taught by one teacher), because of the insufficient number of children. Another source of dissatisfaction in the village with ethnic minorities is the parents' fear that children from minorities will not be able to learn good Bulgarian in the local school (because children communicate in their mother tongue all the time) and thus will not have a "chance to go to a good high school and then to university later on".

**2.14 Up to now, the rural population had relatively easy access to the primary health care system.** In every village there is a general practitioner that commutes from the neighbouring town and consults his patients on certain dates and hours of the week. The access to specialized health care, however, in the municipal centres is not so easy because of higher transportation costs. This is a serious problem for chronically ill people and for older people that need to have more often tests done. The midwife in one of the villages calculated that each visit to the municipal centre would cost at least 5 BGN and "this is a lot of money" for many of her patients. According to her "3-4 % of the people in the village cannot afford at all to visit a specialist in town". In the same village over 90 % of the people of working age do not have a health insurance. So far people without health insurance had almost the same rights as other people. The situation would worsen dramatically if this "soft" application of the regulations changes.

2.15 **The current state of the dental care is quite different.** Formally there is a dentist in every village but, as dental services are very expensive, only 2-3 % of the adult rural population uses them regularly. Subsidies for restorative dental care have been completely eliminated. The cost of the usual denture wearing is about 140 BGN (monthly salaries of people interviewed who are employed in the local administration vary from 170 to 300 BGN). Old people visit the dentist only if their teeth need to be extracted – they cannot afford to have any other treatment. So the much worse access of rural population to primary, and especially restorative dentistry is not due to geographical remoteness but to their lower incomes compared to the urban population.

2.16 **Rural households cover their basic needs such as nutrition** (through subsistence farming), access to health and education services (as previously mentioned) and housing. Part of the rural population lives in conditions of vulnerability: households without regular source of income or with very low salary or pension, without land to cultivate or rent, unemployed young people. They rely for their subsistence on very low cash income, minimize their expenditure for electricity, water and telephone, and buy food on credit at the local retailer shop. Such households can hardly afford buying medicine or the necessary expenditure for their children to attend middle school in the nearest city. Most households own a house, in general from the times of the previous system, though property title is often with the parents (or grand-parents). Few have recently acquired houses. However, these assets are old and becoming obsolete and over-used, and rural households are not able either to maintain them, or to replace them.

### C. Employment / Unemployment

*“Economic activity in our village is very weak. People render services to each other, but they do not pay taxes on the income from such services. There are two persons who import old cars from Western Europe. One person has a facility for the production of pizza and a food store in the city of Pernik, and another person has a construction company (builds mainly in the region). Those four are the richest people here. About 10 younger people work abroad and send money to their parents. There are also people who work in the neighbouring villages and towns – the women usually work in small retail stores, in agriculture, and in textile workshops, while the men work in construction.”* The President of the consumer cooperative, Meshtiza, Pernik Municipality.

2.17 **The majority of the population is engaged by default in the agricultural sector** (commonly more than 80% in the villages). However, most of the households are micro farms, oriented towards subsistence production, who own and cultivate areas of less than 0.5 ha (see table 4.5 below). Few are registered farmers whose production is for the market.

*“I receive a pension of 160 leva. We have a yard of 0.8 ha where we grow vegetables for our own consumption and for sale on the market. In the summer we were renting 15 dca of land to grow peppers, which we then sold on the main road or to a canned vegetables factory in Stara Zagora. We also have stock: 2 pigs, 5 sheep, 2 goats, and 15 chickens. Last year we sold 2 lambs, 1 ton of cabbage, and 100 kilograms of tomatoes. From the goats we get milk, which we sell to the buying center.*

*Each month we spend 50 leva on electricity and water. We almost do not buy any food because we produce our own. Now, my granddaughter is a student at the university in Varna and we try to set aside more money and goods for her. I regularly send her from my pension and from the money I receive from the sale of agricultural goods. If it were not for my pension the young ones would have a very hard time. I think that we are a middle-class family in the village. I believe that a poor family is a family that cannot afford to buy anything other than food.*

*The education is very important for the young. For the older people it does not matter because the employment opportunities are few.” Woman, 55 years old, Iastrebovo, Opan Municipality.*

**2.18 The industrial and tertiary sectors are generally absent from the villages.** When existing, enterprises and services are located in the municipal centre.

*“The biggest problem for our people is unemployment. Those who are employed are engaged in the following activities and companies:*

*20 people in the producer’s cooperative*

*20 people in the aluminium workshop*

*18 people in retail trade*

*2 people in car repairing*

*6 people in the production of bread*

*2 people in the primary school (the remaining 6 commute from the town)*

*2 people in the cultural house*

*3 people in the post-office*

*5 people in the village administration*

*1 person – Electricity Company*

*1 person – Water and Sewerage Company*

*Another 100 people have a permanent job outside the village. They are employed mainly in the steel plant, construction work, police and small retail businesses in the municipal centre.*

*People in our village were unprepared to meet the challenges of the transition. They used to have quite a different way of life before. We were part of the agro-industrial complex in our region and about 750 people were employed in this complex.” Meshtiza, Village Mayor, 2003*

**2.19 Permanent employment** is characteristic mostly of people working in the local administration, state and municipal institutions (such as school, kindergarten, state forestry, etc). Self-employed are mostly people in small family businesses: shops, small processing workshops, and family guesthouses. A few hired workers are employed in the processing industry. The majority of small businesses provide services within the community. In almost all settlements, there are retailers, car repair shops, carpenters, farm machinery owners, and other handicraft shops. Their existence is important for the community since they provide some job opportunities, should pay taxes and provide services to the population. Remoteness, resulting in high transportation costs, was a constraint pointed out by these small local businesses.



*“Our family consists of 3 people: my mother, my grandfather and me. My mom works in the village administration. My grandfather is retired. I work in the army and every day commute to Sofia. Our monthly income is about 700 BGN. My monthly salary is about 400 BGN. My mother gets 200 BGN and my grandfather’s pension is 120 BGN. My mother is an insurance agent and gets some money from there also (about 200 BGN last year). From the producers’ cooperative we got this year a rent of 145 kg of wheat and 21 kg of sunflower oil. We grow vegetables on the plot of land behind our house – it is a small place of about 0.1 Ha. We have 2 pigs and 10 hens. My mother takes care of the animals but my grandfather and I help her too. In summer my mother is very busy with the garden and she has no free time at all”. Man, 24 years old, Meshniza, Pernik municipality.*

*« Agriculture that used to be the largest sector in our economic activity in the past is a very small employer today. We have a producers’ cooperative that is in very bad condition and only 2 other commercial farmers. People survive thanks to temporary (and mainly unofficial) employment and subsistence farming. Unofficial employment is much higher than the official one. There are possibilities to increase commercial agriculture production, but people do not want to take risks.”*

*Village Mayor, Meshtiza, Pernik municipality*

2.20 **Temporary employment** mainly consists of seasonal employment in agriculture, and forestry. Seasonal workers are generally employed (with very few exceptions, when they are hired by one of the remaining cooperative farms) illegally, without pension or healthcare deductions.

▪ **TABLE 4. 5 : STRUCTURE OF EMPLOYMENT**

**EXAMPLE OF FOUR VILLAGES IN TROYAN AND DEVIN MUNICIPALITIES**

<b>Municipalities</b>	<b>Devin</b>		<b>Troyan</b>	
Villages	Dobrodan	G. Jelyazna	Trigrad	Osikovo
Total Number of Households	350	511	278	100
Households, whose Main Occupation is Agriculture	80%	96%	85%	99%
Working age population	181	156	432	215
Commercial farmers* (number)	5	1	2	4
Size of farms:				
Subsistence farms	<0.5 ha	<0.5 ha	<0.5 ha	<0.5 ha
Commercial farms	1-5 ha	>5ha	0.5-1 ha	0.5-1 ha
<b>Unemployed</b>	14.4%	60%	30%	96.8%
<b>Social employment (Number)</b>	4.4% (8)	10%(16)	5.5%(24)	4.6%(10)

*Source: Case studies , 2003.*

2.21 **The unemployment rate averages 39% in the selected municipalities.** This percentage excludes the retired, as well as the households officially declared as agricultural farms. As further described below, unemployment is the first concern of the households met during the course of the survey.

2.22 One of the programmes to support employment creation, called “From Social Relief to Employment”, is a three- years national program of the Ministry of Labour and Social Policy that started in 2002. Its objective is to provide employment for people specially recruited among socially disadvantaged and long-term unemployed persons.

*“Both my wife and I are unemployed. She receives maternity government aid of 110 leva and will continue to receive this until our baby turns 1 year old. In addition she gets the child support of 30 leva per child. This year I participated in the social program for employment from the Ministry of Labor and I received 99 leva per month. The program will finish this month, however. From next month I will receive only 38 leva. We also received a one-time payment of 150 leva for heating.*

*I came to the village when I got married in 1997. We rent our house. The house has a 300 square meter yard but we do not grow any vegetables because we cannot irrigate. We do not have any animals. Professionally I am a wood craftsman but I have never worked as such. In the summer I work on other people’s farms. I also worked for a month in the local bakery. If I find a job in Stara Zagora I need to give 2 leva for transportation and I won’t have almost anything left from my salary. If we move to live there, our rent will be very high.” Couple (30 and 27 years old, with two young children, Iastrebovo, Opan municipality.*

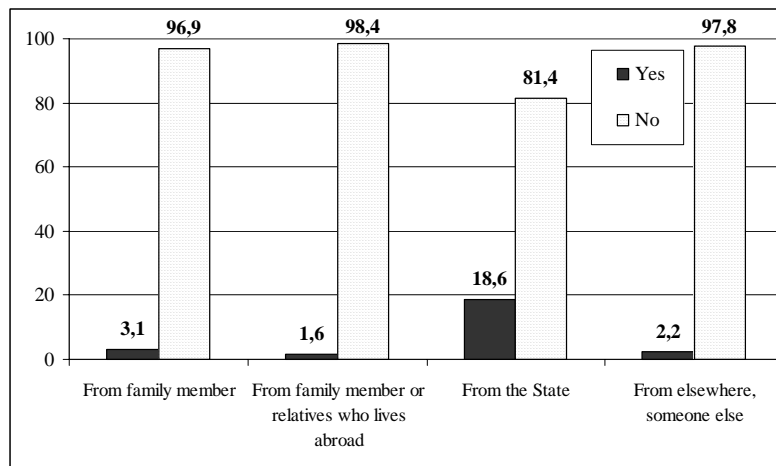
#### D. Coping Strategies of Rural Households

2.23 **Subsistence farming plays a crucial role for the households’ survival and stands out as the main strategy to cope with economic insecurity and lack of employment opportunities.** As a rule, the households cultivate a tiny area of less than 0.5 Ha, often limited to the garden or house back yard already cultivated privately during the formal collectivisation system. In case surpluses are produced, they are sold along the road. Subsistence farming is also associated with small scale livestock raising, with most of the households keeping poultry, a pig, some sheep and goats and/or a few cows. These practices largely benefit from the huge areas left fallow where grazing is free.

*In the year 2000, only 2% of the people in Pernik Municipality were employed in the agricultural sector. Pernik is a depressed industrial area near to the capital Sofia, where mines, formerly the main source of employment, have been closed down. Main activities are cereals, livestock, and grapes. The division of the agricultural land is as follows: 41% fields, 1% orchards, 17% natural fields, 39% pastures, and other. About 55% of all land that used to be cultivated is currently abandoned. In some villages the percentage of abandoned land reaches 80%. Case Study, 2003.*

2.24 Remittances from a family member abroad or in a city are marginal: only about 5% of the respondents said that they received this type of financial support from a family member who has migrated.

TABLE 4. 6 : FINANCIAL SUPPORT TO RESPONDENTS' HOUSEHOLDS



Base: 490 respondents. Source: Households Interviews, 2003

2.25 Inversely, a **significant share of the households interviewed (18.6%) enjoys the financial support of the State**, mostly within Social Programs or as unemployed. This percentage is even higher among the non-farming households and reaches 33.3% of those who are not involved in any type of agricultural production. Those who do not have any kind of income can apply for social relief.

*“In the 4 villages covered by the case study, the number of employed within the programme “From Social Relief to employment” run by the Ministry of Labour and Social Policy varies from 8 to 24 persons. The majority of these people is married and has 1-2 children. Usually they are the only employed in the family. It is frequent for a 4-member family to have this salary as its only means of support. These people, like many others, buy on credit and have debts of 200-300 BGN; in some households even the daily bread is marked down on credit. Even though the pay is insufficient, the people engaged in the programme are satisfied, because “if they dismiss us, I have no idea how we would survive”, as a woman of T commented... Nevertheless, for some of the people in T, this work is humiliating: “To be collecting garbage at the age of 30, you could catch some infection; and bystanders mock you – they throw their litter and they don’t care at all”. Case study, Devin and Troyan municipalities, 2003.*

2.26 **The strong family ties** allow substantial transfers in kind and cash between members of the enlarged family. The grandparents’ pensions often represent the reliable and regular source of cash income for three generations, *“the pension is used for tuition (...) If we could not provide any support (to our children), I wonder how these young people with small children would manage to survive”*, stated a retired lady. Many citizens receive agricultural products from their family members in villages. Transfers, as a rule, go from grandparents to children and grandchildren; the occasions when younger generations help the older ones are relatively fewer. A village proverb says that the cow gives

milk to the calf, and not vice versa, meaning that the older generations should expect or demand nothing from the younger ones.

Household with 5 persons: unemployed husband (34 years old), wife employed as janitor (32 years old), 3 children (13, 12 and 11 years old). *“We have no land. We can grow some vegetables in our yard but this is a very small plot of land – less than 1 acre. We breed two pigs, 5 hens and a goat. Our cash income is very limited. Last year the regional unemployment office offered me to work as janitor 8 hours per day and to get the minimal wage. They made the same offer to my husband who is also unemployed. I accepted but my husband refused to work for such a low pay.”* Meshtiza, Pernik municipality.

2.27 Given the scarcity of employment and the low level of payment (e.g. 160 to 200 BGN per month for employment in the local administration), a major livelihood strategy draws on trying to find **multiple sources of income**. As far as possible, the household members have various activities: permanent employment, temporary or seasonal jobs in agriculture, migration to cities or abroad, self-employment, or working in small shops. Others are registered as unemployed, some benefit from social funds. The same person often tries to have several occupations, e.g. employment in the local administration, and a family farm to run in the evening and spare time. Surpluses from the subsistence plot are currently sold on the local market or exchanged against services or other goods.

“I am a farmer in this village. I inherited some land from my parents and I decided to farm it, when I retired. I rent some land from other people in this village and I organized my farm on about 15 Ha. Last year I produced wheat on 10 Ha and sunflower on 5 Ha. There are two other middle-sized farmers in the village and the remaining part of the land is in the producers’ cooperative. This cooperative is heavily indebted and does not cultivate a big part of its land.” Farmer, 66 years old, Meshtiza, Pernik municipality.

2.28 **Barter and exchanges of services and goods is another low cost optimal benefits arrangement between households.** In a remote village in Dimovo municipality, a young Roma woman in her 20’s, who benefits from the social welfare program, helps the village mayor- a widow in her 50’s- to cultivate her plot of land of a few decare (1 decare = 0.1 hectare). For remuneration she receives vegetables. Another type of barter is to lend part of your land to a local commercial farmer, and to have your remaining land cultivated for free with his machines and seeds.

2.29 **Migration.** From the first years of transition in the late 1980’s to the late 1990’s, migration from towns to villages was the dominant trend, with in particular people of retirement age coming back to their native villages in order to compensate for their low income with subsistence farming. The trend has changed with young people wishing to move to cities and towns.

“The only young people are students up to the age of 18. They just wait to graduate and then leave. Nothing is being done for the young people here – the only jobs available are waiters’ and bartenders”  
Woman, 25 years old, runs a small cafe, Devin.

2.30 **Outward migration** increased after 1997-98. The migration streams are mostly toward Greece, Spain (mainly low-paid agricultural work), Portugal, and The Netherlands (the younger girls, especially if they speak a foreign language, work as bartenders and gas-station attendants). Young people work there for periods of 3-4 months, then return home for a couple of months, and leave again<sup>16</sup>.

2.31 **The local population has restricted concepts of solidarity and mutual trust.** The bottom-up initiatives are still very weak. Businesses surveyed are not very much interested in partnering to foster economic activity. Marketing co-operatives, producers' groups, business associations are almost non-existent. Only in one of the villages a medium-size farmer reported that they had started thinking about buying fertilizers and selling products together instead of individually but so far they had not implemented this project. The weakness of traditions of business co-operation is partly due to rivalries and antagonisms stemming from the privatisation of co-operative assets. The little interaction among internal leaders and the lack of cooperation is one of the main reasons for the inability of endogenous forces to be the engine of employment growth.

2.32 **Striking lack of initiative linked to the fear to take risks.** The perception of passiveness, confessed by people themselves, refers to expecting some other factor (the state, the municipality, the mayor, external investors, the MAF) to do something for them, create jobs, rehabilitate infrastructure, rehabilitate irrigation schemes, etc. "The problem is that we people do not want to take risks, we are not entrepreneurs- that's our problem. We are somehow depressed by the lack of money" (Woman, 26 years old). The previous regime provided work and security, reasonable standard of living, and nostalgia for this past is strongly expressed by some persons. "I am 42 years old and I remember the communist time. It was a hundred times better. There was work for all, we were middle class, and I could afford to go to the sea side, on excursions, and save money. Now I cannot afford anything, even for my child".

### III. PERCEIVED PROBLEMS, WISHES AND PLANS

#### A. Perception of Problems by Rural Households

3.1 **62.2% of the households interviewed consider that their major problems are linked to unemployment and the lack of sources of income.** This percentage almost reaches 90% for households without any regular source of income, suffering from unemployment or lack of decent resources for the retirees.

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<sup>16</sup> A recent (autumn 2003) report from the OIM indicated that there are clearly distinctive destinations for the ethnic Bulgarians and the ethnic Turks. The ethnic Turks usually go to Northern Europe, where Turkish and Kurdish networks dominate the black labour market and where Bulgarian Turks have the double advantage of Turkish connections and visa-free agreements. The ethnic Bulgarians go to the new black labour markets in Southern Europe.

*“I cannot say that living conditions here are bad. We have almost all the conveniences that people in big cities have. The biggest problem for young people in our village is unemployment. Few of us have permanent jobs here or in the municipal centre. There are about 10 young people that work abroad – mainly in Belgium, the Netherlands and Germany. They are employed as illegal workers in agriculture or in construction. Because they do not have a working permit, they go there and work for a while, than come back and return again. The unemployed young people get their cash income from the pensions of their grand - parents or from the sale of agricultural products, grown by their parents. So they can go to a discotheque to the near town or drink coffee somewhere but they are not happy with their life”. Woman, 27 years old, University student, Kralevo, Turgovishe municipality.*

3.2 **Bad conditions of the road network** come in second position, but far behind, mentioned by 29.5% of the respondents. This is a priority across the different categories of households. The third problem mentioned is the access to social services, including the **high cost of health services** by 25.5% of the households interviewed and the education of children by 15%. However, this is not related to the distance to the nearest health-centre, nor the quality of services.

3.3 **Commercial Farming households** are confronted to a smaller degree with the problem of unemployment but are facing problems with the **marketing** of their produce (48% of respondents) and access to credit (33%). They did not highlight only one single difficulty, instead several were given similar importance: marketing of products, source of income, access to credit sources and bad condition of the road network.

▪ **TABLE 5. 1 : PERCEPTION OF PROBLEMS BY RURAL HOUSEHOLDS**

	<i>Commercial Farming HH</i>	<i>HH with Regular Income</i>	<i>HH without regular income</i>	<i>All respondents</i>
Employment, sources of income	44,1	66,2	94,4	62.2
Bad conditions of the roads	30,1	36,8	16,7	29.5
High cost of health service	14,0	38,2	25,0	25.5
Access to credit	32,8	13,2	19,4	20.8
Marketing of products	47,8	2,9	2,8	22.5
Education of children	10,8	14,7	38,9	14.6
Water supply	11,8	20,6	11,1	13.4
Access to land	14,5	7,4	16,7	13.0
The low quality of the health services	4,3	20,6	2,8	9.3
Access to inputs	15,6	1,5	0,0	8.3
Long distance to the nearest clinic, doctor	7,5	10,3	5,6	8.1
High cost of transportation	0,5	8,8	8,3	5.9

*Base N=471 respondents. Source: Households Interviews, 2003.*

*\* The sum of percentages exceeds 100, because respondents have given more than one answer*

3.4 **Access to land is one of the smallest problems quoted by 27.8% of the interviewed.** Access to credit, access to inputs, water supply, the education of children, and marketing of agricultural products were also mentioned by 15 to 20% of the households interviewed.

3.5 As far as problems faced by the administration are concerned, the answers are very similar to the ones for the households themselves: unemployment is considered as the first problem, whereas the bad condition of the road network between settlements and streets within the settlement comes as the second problem. Water supply comes out as a major problem as well.

## **B. Wishes and Plans for the Future**

3.6 28% of the households interviewed have no particular plans for the future. An additional 8% say that they live without any prospects with the only objective to survive. In addition, 4% say that they are too old to plan and 5% say that they feel insecure about the future. Altogether, **46% of the interviewed could not think of any plans or wishes for their household's future.** This percentage is even larger for non-farming households (50%) and subsistence farming households (56%). **These very high percentages unfortunately illustrate the lack of hope and perspective in the rural areas.**

3.7 **More than half of the commercial farming households plan to expand their production, improve performance and increase productivity.** To achieve this purpose, they plan to use better technologies and buy more equipment and/or intend to apply for credit from different institutions.

3.8 For the other types of households, the main wish (when they express any) is linked with the future of their children, to support them in order to get proper education, and if possible attend University. Their main worry is to find and diversify sources of income, get a job or an extra one. 8% plan to start a business in the sphere of agriculture and 9% want to initiate an activity as craftsmen, while the rest would like to work in the sector of services (hotel, transport, tourism, etc).

3.9 Emigration to cities or even abroad was mentioned by only 4.1% of the participants as a wish. Though it is considered as the best way for young people to find a job, emigration is rather not a plan but a necessity.

#### **IV. RURAL INFRASTRUCTURE**

##### **A. Availability of Rural Infrastructure**

4.1 Generally speaking, municipal centres are much better serviced than the surrounding villages. The major infrastructure networks were built and developed during the socialist period, beginning 50 years ago, resulting in a good coverage by electricity supply, water supply, health services, street lightening, schools. **There are considerable differences between the municipality centres and the surrounding villages.** This concerns road accessibility, telephone lines, cellular phones coverage, water supply, waste removal system, and sewerage, but also health services and schools. Dwellings in municipal centres are equipped with sewerage systems, water supply, sometimes central heating, and solid waste collection systems, whereas in the villages rural dwellers use solid fuel or firewood for heating; the great majority of the house is equipped with a sanitary pit, and serviced by water pipes. The only retail market within the municipalities is usually located in the centre, as well as the few companies, if there are such at all.

▪ **TABLE 6.0. 1 : RURAL INFRASTRUCTURE IN MUNICIPALITY CENTRES**



	Access		Satisfaction	
	<i>Yes</i>	<i>No</i>	<i>Satisfied</i>	<i>Unsatisfied</i>
Common water supply	100.0	0.0	74.2	25.8
Sewerage system	72.4	27.6	94.3	5.7
Solid waste collection	86.7	13.3	66.3	33.7
Electricity	100.0	0.0	94.7	5.3
Telephone	92.9	7.1	87.2	12.8
Roads in the settlement	99.0	1.0	44.1	55.9
Streets between settlements	94.9	5.1	23.1	76.9
Roads, paths to parcels	63.3	36.7	51.7	48.3
Public transportation (for people) between the villages	77.6	22.4	44.9	55.1
Health services	96.9	3.1	51.6	48.4
Street lightening	98.0	2.0	74.7	25.3

Source: Households Interviews, 2003.

4.2 The tables 6.1 and 6.2 below summarise the availability of major rural infrastructure, without consideration of the quality of these services. The **electricity network covers all settlements in rural areas** surveyed, though in a few villages (4%), some houses are not serviced. The **water supply system and street lightening exist in almost all the sample villages** (respectively 97 and 98%). However, in only part of the villages where there is water supply and street lightening, the whole settlement is serviced (84% and 68%). The other villages with water supply and street lightning are only covered partially (respectively 13% and 30%) and, in the remaining villages, there is no water supply and no street lightning at all (4% and 2% of the sample).

4.3 **The major gaps concern sewerage and waste removal systems, which do not exist at all in about 70% of the sample villages.** Most of the houses are equipped with pits and the used domestic water is evacuated through direct outflow in the streets, rivers or gullies. Removal of solid waste is not organised.

4.4 Within one municipality, retail markets are scarce and usually situated in the municipality centre, which may be at a long distance from the surrounding villages (up to 40 km).

▪ **TABLE 6. 1 AVAILABILITY OF MAJOR RURAL INFRASTRUCTURE SERVICES AT VILLAGE LEVEL**

	<b>Yes</b>	<b>Partially</b>	<b>No</b>
Electricity	96%	4%	0%
Water supply system	84%	13%	4%
Street lightening	68%	30%	2%
Waste removal system	20%	11%	70%
Sewerage system	11%	21%	68%
Rationed water	18%	11%	71%
Retail markets	16%	0%	84%
Other	20%	5%	48%

Source: Interviews with Villages Mayors and Key Informants, 2003.

▪ **TABLE 6. 2 : ACCESS TO MAJOR RURAL INFRASTRUCTURE SERVICES BY HOUSEHOLDS**

	%
Electricity	99.2
Water supply system	95.5
Health services	93.3
Streets between settlements	91.6
Public transportation between the villages	90.4
Street lightening	89.8
Roads in the settlement	84.5
Telephone	78.8
Roads, paths to plots	72.9
Septic tank	54.7
Solid waste collection	52.7
Private and cooperative transportation	47.1
Domestic water supply (a well, a spring, drill)	40.0
Sewerage system	33.3

*Base: 490 Households. Source: Households Interviews, 2003.*

## B. Assessment of the Rural Infrastructure Services

### B.1. By Rural Households

4.5 The apparently good coverage of electricity, water supply and street lightening should not be misleading. Some villages are only partially covered and the network is obsolete and in need of repair.

4.6 The same remark applies to **the road network, which generally exists and has a sufficient coverage, but is in very bad shape and needs rehabilitation**. The households interviewed are mostly unsatisfied with the status of the roads between the settlements (61%) and the streets within the settlement (65.2%), as shown in the table below. The other source of dissatisfaction regarding transportation is the public transportation service. People wish that there would be more public transportation means between settlements, later in the evening and also during the weekend. The state of roads to the plots is also not satisfactory for almost half of the respondents.

4.7 In villages where there used to be an irrigation system, it has collapsed and is actually in bad shape.

TABLE 6. 3 : SATISFACTION WITH RURAL INFRASTRUCTURE AND SERVICES By Village Authorities

	Very Good or Acceptable	Poor or Very Poor	Does Not Exist
Electricity	94.7	5.4	0.0
Rural markets and shops	86.9	13.1	17.9
Street lightning	83.7	16.4	1.8
Schools and kinder gardens	76.3	23.7	28.6
Rural water supply	73.6	26.4	5.4
Roads to parcels	54.5	45.4	1.8
Tourism infrastructure	50	50.1	69.6
Roads connecting villages	50	50	0.0
Village streets (pavement)	50	50	0.0
Waste removal system	40.9	59.1	58.9
Sewage system	35	65	64.3
Irrigation infrastructure	27.2	72.7	41.1
Other	73.4	26.7	16.1

Source: Interviews with Village Mayors and Key Informants, 2003.

4.8 The few existing sewerage systems are in very poor condition, and the outflow of wastewater runs directly into the street, river or gully, which 47.8% of the households interviewed are unsatisfied with.

4.9 Another topic of dissatisfaction was the solid waste collection, which from the point of view of 46.1% of the interviewed is not adequate.

▪ **TABLE 6. 4 : SATISFACTION WITH RURAL INFRASTRUCTURE AND SERVICES BY THE HOUSEHOLDS**

	Satisfied	Unsatisfied	No Opinion
Electricity	88,6	8,8	2,5
Telephone	87,3	9,3	3,4
Domestic Water Supply (a well, a spring, drill)	82,2	15,3	2,6
Sewerage System	82,2	15,4	2,5
Septic tank	79,5	17,9	2,6
Common (for the village) Water Supply	72,2	26,3	1,5
Collective Water Supply Source	66,6	31,8	1,4
School	65,7	17,5	16,8
Street lightening	62,3	35,3	2,5
Private and Cooperative Transportation	58,9	23,8	17,3
Health services	53,2	43,7	3,1
Solid Waste Collection	51,2	46,1	2,7
Public Transportation (for people) between the villages	45,2	48,8	6,1
Roads, paths to plots	42,9	44,0	13,2
Streets between settlements	36,6	61,0	2,4
Roads in the settlement	33,1	65,2	1,7

Base: Respondents who have access to the respective rural infrastructure services.

Source: Households Interviews, 2003.

## B.2. By Local Authorities

4.10 The assessment by village and municipal authorities (table 6.5 and below) concerning priorities in the field of rural infrastructure clearly corroborate the opinion of the population:

- Maintenance and repair of inter-settlement roads and intra-settlement streets;
- Establishment and reorganisation of a waste removal system (72.5% of the sample villages' authorities);
- Rehabilitation of the water supply system;
- Establishment of sewerage systems; and
- Rehabilitation of the irrigation schemes.

▪ **TABLE 6. 5 :VILLAGE PRIORITIES REGARDING REHABILITATION OF INFRASTRUCTURE (%)**

	<b>A High Priority</b>	<b>Could be Useful</b>	<b>Is not Necessary</b>
Waste removal system	72.5	23.5	3.9
Roads connecting between villages	70.9	25.5	3.6
Village streets (pavement)	64.3	33.9	1.8
Sewage system	69.6	21.7	8.7
Irrigation infrastructure	66.7	24.4	8.9
Rural water supply	51.8	28.6	19.6
Tourism infrastructure	46.2	46.2	7.7
Schools and kinder gardens	39.5	46.5	14.0
Roads to plots	34.5	34.5	30.9
Rural markets and shops	26.0	52.0	22.0
Street lightning	25.0	48.2	26.8
Electricity	25.5	43.6	30.9

*Base: Settlements that have the respective rural infrastructure.  
Source: Interviews with Villages Mayors and Key Informants, 2003.*

### Priorities of Municipalities Regarding Rehabilitation of Infrastructure

Municipality	Roads	Irrigation Systems	Waste collection and removal	Water Supply	Sewerage	Condition of the school and kindergarten	Communication	Transport	Open air markets
Bratia Daskalovi	✓	✓	✓		✓	✓			
Valchedrum	✓	✓	✓	✓				✓	
Genral Toshevo	✓		✓	✓	✓	✓		✓	
Devin	✓	✓	✓	✓	✓				
Elhovo	✓	✓	✓	✓	✓		✓		
Zemen	✓	✓	✓	✓	✓				
Kotel	✓			✓				✓	✓
Kroumovgrad	✓	✓	✓	✓	✓		✓		
Loznitsa	✓	✓		✓		✓			✓
Pavlikeni	✓	✓	✓	✓	✓				
Pomorie	✓	✓	✓		✓				
Septemvri	✓	✓	✓		✓	✓			
Simitli	✓	✓	✓	✓	✓				
Troyan	✓	✓	✓	✓	✓		✓		✓

Source: Interviews with Municipalities Mayors and Key Informants, 2003.

4.11 To those few who do not have any access to infrastructure, the construction of roads between settlements and within the settlement, as well as access to the electricity network are the most important priorities, as shown in table 6.6 below.

▪ **TABLE 6.6 : PRIORITIES WHERE RURAL INFRASTRUCTURE AND SERVICES DO NOT EXIST**

	Very Necessary	Necessary	Un-necessary	No Opinion
Roads in the settlement	78.9	17.1	1.3	2.6
Streets between settlements	78.0	14.6	0.0	7.3
Electricity	75.0	0.0	0.0	25.0
Common (for the village) Water Supply	68.2	13.6	9.1	9.1
Street lightening	64.0	24.0	2.0	10.0
Health services	60.6	24.2	3.0	12.1
Sewerage System	48.3	30.6	12.2	8.9
Solid Waste Collection	47.4	37.5	5.6	9.5
Telephone	44.2	31.7	17.3	6.7
Public Transportation (for people) between the villages	42.6	19.1	34.0	4.3
Roads, paths to parcels	34.6	28.6	15.0	21.8
School	15.7	20.0	36.7	27.6
Domestic Water Supply (a well, a spring, drill)	10.9	29.3	51.7	8.2
Septic tank	10.8	13.1	50.9	25.2
Collective Water Supply Source	5.5	22.1	59.6	12.8
Private and Cooperative Transportation	4.6	22.4	40.9	32.0
Other Rural Infrastructure Services	4.6	0.2	5.0	90.2

Base: Respondents/households who don't have access to the respective rural infrastructure services.

Source: Households Interviews, 2003.

## **C. The Case of Rural Transportation**

### **C.1. Accessibility of villages**

4.12 The physical accessibility of villages varies tremendously between regions. Whereas accessibility can generally be considered better in plains, transportation to some villages can be difficult due to the extremely bad condition of the road surface; such is the case of Ignatovo village. Hence, it can be even difficult to find a vehicle whose driver accepts to risk his car on such roads. In mountainous regions such as Elkhovo, road access to some villages may be cut during wintertime because of heavy snowfalls. The main access road to most villages is asphalted or has been asphalted once.

4.13 These results seem to reflect accurately the variety of situations encountered in the country as the villages were sampled in order to be representative of various degrees of isolation as shown by the following distribution of villages according to their distance to the municipality centres:

- Less than 9 km: 16 villages;
- 10-19 km: 17 villages;
- 20-29 km: 14 villages;
- More than 30 km: 9 villages.

### **C.2. Conditions and Maintenance of Rural Roads**

4.14 The condition of inter-settlements roads and of streets within the settlement is judged as very good or acceptable by 50% of the village authorities. However 61% and 65.2% of the households interviewed are dissatisfied or very dissatisfied with respectively the inter-settlements roads and intra-settlement roads. Inter-settlements roads surface is old and pot-holed, and hence needs repair. Within the settlements, only part of the streets is paved or asphalted.

### **C.3. Perception of Problems Related to Transportation**

4.15 The main problem regarding transportation is clearly linked with the condition of rural roads. The price of transportation or lack of financial means have been mentioned as a constraint, but never judged as major ones. More often, people interviewed complain of the insufficient means of transportation to the nearest city or market. They consider that public transportation is not satisfactory: the timing of the buses is not adequate to their activities, no buses on week-ends or in the afternoon, lack of transport for children going to school, limited routes.

## **D. The Case of Irrigation**

4.16 Until 1989, co-operatives were the sole entities managing the arable land and operating irrigation schemes. The de-collectivisation process associated with the redistribution and fragmentation of land had a particularly negative impact on the irrigation facilities. Without a common organisation and management entity, the previously operating large-scale irrigation systems were not used anymore and progressively suffered from intentional damage, lack of maintenance and theft of valuable parts such as pumps, steel water gates, etc.

4.17 Actually all of these irrigation schemes were based on the use of electric or diesel pumps to lift water from rivers or other water sources such as dams, and gravity distribution through a network

of canals to the parcel. Currently operating costs resulting from the use of energy appear too costly for the multitude of small-farmers who now cultivate part of the area.

▪ **TABLE 6. 7 : ESTIMATED IRRIGATED AREA AS PER MUNICIPALITY**

Sample Municipalities	Area Once Serviced by an Irrigation Scheme (% of the arable land)	Actually Irrigated Area (% of the arable land)
Bratya Daskalovi	21%	0%
Vulchedrum	7%	1%
General Toshevo	0%	0%
Devin	5%	2%
Elhovo	5%	0%
Zemen	12%	5%
Kotel	10%	0%
Kroumovgrad	20%	6%
Loznitsa	33%	6%
Pavlikeni	33%	1%
Pomorie	50%	10%
Septemvri	70%	70%
Simitly	42%	7%
Troyan	0%	0%

Source: Group Interviews with Municipal Mayors and Key Informants, 2003.

4.18 **At present, the estimated share of actually irrigated arable land in the 14 municipalities surveyed does not exceed 10% of the total arable area**, except in Septembri Municipality where the irrigated area stands for 70% of the arable land. This municipality enjoys an old irrigation system that uses water diverted from the river, two large and eight small-scale dams.

4.19 Actually, **50% of both the commercial and subsistence-farming households irrigate their land or part of it**. For this purpose individual irrigation means are the most currently utilised. Though one farmer usually utilizes different techniques, the general tendency is for subsistence farmers (57.5%) to irrigate mostly from wells, springs, drills or rivers, whereas commercial farmers predominantly (67.7%) use individual pumps to lift water from rivers, dams, or other water supply sources.

4.20 Most of the former large-scale schemes do not operate anymore, because the high power pumping stations meant to serve large areas have been stolen or are obsolete and the operating costs are too expensive. However, the individual pumps are very often used for lifting water from the water source into the formal canals network. The utilisation of the latter requires maintenance and coordination between the users, which are inexistent for the time being.

4.21 **The majority of farmers are satisfied with the systems actually in use** and assess the efficiency as sufficient. As shown in the table below they are satisfied with the quantity of water available, the timeliness of water distribution, the reliability of water delivery, the water management systems and even the physical status of irrigation infrastructure.

■ **TABLE 6. 8 : FARMING HOUSEHOLDS**

*If at Least Part of your Land is Irrigated, to What Extent are you Satisfied with:*

	<b>Highly Satisfied</b>	<b>Satisfied</b>	<b>Dissatisfied</b>	<b>Highly Dissatisfied</b>	<b>Don't Know / No answer</b>
The quantity / availability of water	19.1	54.9	16.7	6.5	2.8
The timeliness of water distribution	14.9	53.0	12.6	3.3	16.3
The reliability of water delivery	15.8	52.6	16.3	2.3	13.0
Water management (water turns);	13.5	46.5	12.6	2.8	24.7
The physical status of irrigation infrastructure	10.7	48.4	14.4	6.5	20.0

Base: N=215 respondents who irrigate land. Source: Households Interviews, 2003.

4.22 In spite of this relative satisfaction regarding the actually utilised systems, **49.5% of the commercial farmers and 42.8% of the subsistence farmers consider a further extension of their irrigated area as absolutely necessary for their activity**, and respectively 29.6% and 29.4% consider it would be an improvement but not a priority. It is noticeable that neither the lack of irrigation systems, nor equipment or water sources have ever been mentioned as a constraint for land cultivation.

4.23 The main limitations to the extension of the irrigated area and to the efficiency of irrigation systems in use are linked with:

- (i) The **destruction of the formal irrigation systems** and the difficulties or impossibility to ensure its maintenance and repair.
- (ii) The **lack of irrigation equipment**.
- (iii) The **shortage of water**, whose limited flow especially during summer hampers the timely irrigation of crops and affects productivity and the quality of productions.
- (iv) **Lack of water sources**.
- (v) **High cost of water** which makes irrigation not profitable.

4.24 **43.5% of the rural entrepreneurs and co-operatives involved in agricultural production irrigate their land or part of it**. The irrigated areas are of large size and irrigation involves the utilisation of pumping stations and irrigation schemes shared by two or three producers. 60% of the entrepreneurs showed satisfaction with the irrigation systems operating at present, as well as with the quantity and availability of water, timeliness of water distribution, reliability of water delivery, water management and the physical status of irrigation infrastructure. 56.5% consider irrigation as absolutely necessary for the future of their activities and wish the former irrigation systems to be rehabilitated.



▪ **TABLE 6.9 : ENTREPRENEURS AND COOPERATIVES**

*If at Least Part of your Land is Irrigated, to What Extent are you Satisfied with:*

	<b>Highly Satisfied</b>	<b>Satisfied</b>	<b>Dissatisfied</b>	<b>Highly Dissatisfied</b>	<b>Don't Know / No answer</b>
The quantity / availability of water	25.0	60.0	10.0	5.0	0.0
The timeliness of water distribution	25.0	75.0	0.0	0.0	0.0
The reliability of water delivery	10.0	70.0	5.0	10.0	5.0
Water management	10.0	55.0	10.0	15.0	10.0
The physical status of irrigation infrastructure	15.0	30.0	25.0	25.0	5.0

*Base: N=20.*

*Source: Interviews with farming entrepreneurs and co-operatives, 2003.*

*Water users' associations are seldom developed in Bulgaria. In places where the creation or rehabilitation of the irrigation schemes would result in improved productivity, farmers are ready to organise themselves in such associations in order to ensure the proper management and coordination of the irrigation system. However, they consider that the procedure necessary to create water users' association is too complex, that it requires the agreement of all landowners, which is currently difficult to obtain because these are too many and because the land title and contracts for renting the land are always official agreements.*

*In Radievo village, Dimitrovgrad municipality, a water users' association has been created with the support of the local water management agency. However, this association has no proper task yet, since the irrigation scheme has not been completed and is not operational.*

*"The law gives the opportunity for creating water users associations. In reality setting up such an association is not an easy task, since a lot of organizational work is required, which nobody wants to do. Moreover, it necessitates the agreement of all landowners in the area served by the scheme, but they are too many, and many of them do not live in the village. Therefore, it is most likely that farmers in the region will not be able to use the corresponding funds from SAPARD." Farmer in Iastrebovo village, Opan municipality, 2003.*

## **Conclusions and Recommendations**

4.25 The perception of problems and needs concerning irrigation shows major contradictions. Irrigation as an absolute necessity for a flourishing agriculture is an idea shared by local governments and the rural population, regardless of the type of agricultural production concerned, whereas farmers recognise that the high operating costs of irrigation (including water, equipment and network maintenance) are one of the major constraints hampering irrigation. Actually, subsistence farmers and small commercial farmers implement a low cost and flexible system by utilising their own (small) devices to lift water from the sources to the already existing canal network. This system fits largely the survival strategy adopted by most rural inhabitants.

4.26 The users are currently satisfied with the functioning irrigation systems (efficiency, timeliness and reliability of water delivery and distribution). Nevertheless, they consider there is a need to expand the irrigated area. In most cases, the present conditions do not call for the rehabilitation of the former irrigation schemes that are no longer utilised. These were designed as large-scale, high energy

demanding irrigation systems and do not fit the new farming systems and structure: arable land is scattered, only part of it is actually cultivated, land tenure agreements are not all official.

4.27 In this context, the design of small-scale irrigation projects, tailored to fit the local conditions and the producers' demand are recommended. Maintenance of the existing canals when they are still in use, even partially, can also improve the efficiency of irrigation. In the framework of future development projects, funds could be allocated to groups of producers upon request and after preparation of a sustainable technical, organisational and financial proposal. This support could be targeted at small-scale irrigation projects such as the rehabilitation and maintenance of the canal network or construction of small dams.

## **E. Other Rural Infrastructure**

### **E. 1. Solid Waste Collection**

4.28 Only 20% of the villages visited are equipped with waste removal systems, and 11% only partially (see table ). This gap is found in villages rather than in municipal centres, which as a rule are much better serviced. The common method for solid waste disposal in the rural areas is storage in landfills. Many settlements do not have clearly designated landfills, which results in the haphazard discarding of waste, and illegal waste depots including in public space e.g. the schoolyard. Property is poorly maintained and there is danger of water and soil pollution, and of health hazards.

*“Another problem is the treatment of solid waste. They collect the garbage but we are not satisfied with this service. People don't know where to throw their waste and we have a couple of illegal waste depots in and out of the village. Now that people started breeding more animals in their yards, they accumulate more garbage. Everywhere you can see used plastic bags or empty glass bottles but nobody wants to buy those bottles from the population (as was the practice before 1989).” Village Mayor, Meshtiza, Pernik municipality.*

### **E. 2 Water Supply**

4.29 The main source of water supply for drinking, household and farm use is from the common water pipes system for the settlement. Only 4% of the sample villages do not have any water supply system and 13% of them have a system that services the village partially. 40% of the households use wells and springs as a secondary source of water.

4.30 The households benefiting from a water supply system (95.5% of the sample) are satisfied (72.2%) with it. Nevertheless, 19.2% of the households interviewed considered the rehabilitation of the existing system as a priority as far as infrastructure is concerned. Whereas 81.8% of the few households, which are not serviced by water pipes consider new construction is necessary.

4.31 However, the water supply network is old and obsolete. It often breaks down and replacement and extension of the pipelines are necessary. The quality of water remains an issue especially after heavy rains and snow melting, whereas water purification stations seldom exist. In addition, settlements endure restrictions in the utilisation of water. In 6 out of the 14 municipalities surveyed, water is rationed. The situation is particularly severe in Vulchedrum, where 7 out of a total of 11 settlements suffer from insufficient water supply, and in Kotel, where the needs in water are covered in only 2 of the 22 settlements. During summer time, when people irrigate their plot of land, water

becomes scarce. Lack of reliable and regular water supply is a constraint for entrepreneurs who have to set up their own system to compensate for the weaknesses of the public network.

*“Compared to the city, the infrastructure is very bad. The water stops all the time, and every day, we have to fill containers with water in case water supply is cut again. In summer, it happens that water supply stops during 2 to 3 days completely. The electricity is the same. We do not have our own generator and when electricity supply stops, our refrigerators stop as well, and the raw material is damaged. When it snows in winter, the streets become inaccessible and people cannot buy bread. There is almost no lightning in the streets. Our wastes go to septic pits because there is no canalisation.” Bakery manager, Iastrebovo, Opan municipality.*

4.32 Water supply systems need rehabilitation in order to ensure a sufficient and proper delivery of water. The quality of water is also of utmost importance and water treatment is a priority.

### E. 3. Conclusions and Recommendations

4.33 Poor infrastructure conditions are a factor for the deterioration of rural livelihoods, and represent a threat for the municipalities’ ability to prevent depopulation and attract investments. The existing rural road network system (third and fourth class roads and intra-settlement roads) needs rehabilitation. Water supply networks and facilities need to be replaced, up-graded and expanded, sewerage systems are lacking. Solid waste collection facilities are also lacking, or they do not fulfil sanitary requirements.

4.34 The deterioration and insufficient coverage of infrastructure drive back investors and place a burden on entrepreneurs with additional costs if they need to build water supply, sewerage systems, telecommunication, etc.

## V. AGRICULTURAL AND RURAL SERVICES

### A. Farming Activities

5.1 More specific questions about their farming activities were asked to commercially oriented farming households (a sub-sample of 190 households). These households’ interviews were supplemented by 45 interviews with farming entrepreneurs and co-operative managers.

**5.2 The agricultural sector is characterised by large uncultivated areas, standing for 40 to 70% of the total arable land.** This is reportedly mainly due to various factors: (i) the land distribution pattern resulting from the land restitution process, characterised by a multitude of small owners, some of whom are not interested in farming (e.g. urban dwellers); (ii) low fertility of the land (see section B below); (iii) the lack of appropriate farm machinery, financial means and marketing opportunities. It is to be inferred that the low profitability of agricultural production given the present socio-economic conditions is not an incentive for overcoming these difficulties.

5.3 The major crops cultivated by the sample households are in three categories: vegetables by 49% of them, cereals (wheat, barley, oats) by 48% and maize by 44%. Almost **half of the cereals and maize are cultivated for fodder purposes**. Other crops such as sunflower (cultivated by 13% of farmers) and melons/watermelons (8%) are of smaller importance. **Perennial crops** also play an important role: 25% of interviewed farmers possess vineyards and 15% of them have fruit orchards. It appears that after a difficult adaptation period, which has accompanied the transfer of perennial crops from

cooperatives to individuals, the interest towards these crops (in particular vineyards) is currently increasing due to revived market demand.

5.4 The **great importance of livestock** for rural livelihoods is illustrated in the following Table 7.1. Particularly striking is the importance of cattle (both for milk and meat) and pig raising. The number of animals is also noteworthy: more than 5 heads of cattle per household on average and 24 pigs. This clearly indicates that beyond its crucial contribution to households' food supply, animals are also raised to provide revenues through sales.

**TABLE 7. 1 : LIVESTOCK RAISED BY THE COMMERCIALLY ORIENTED FARMS**

Type of Animals	% of Households Raising Animals	Average Number of Animals Own by these Households
Chicken (hens)	56%	15.5
Milking Cattle	55%	5.5
Meat Cattle	43%	5.6
Pigs	37%	23.9
Sheep	31%	24.0
Horses	22%	1.5
Goats	22%	11.7
Rabbits	7%	20.1
Ducks	6%	6.6
Other	25%	n.a.

*Base N = 190 commercial farming households. Source: Households Interviews, 2003.*

## B. Access to Land

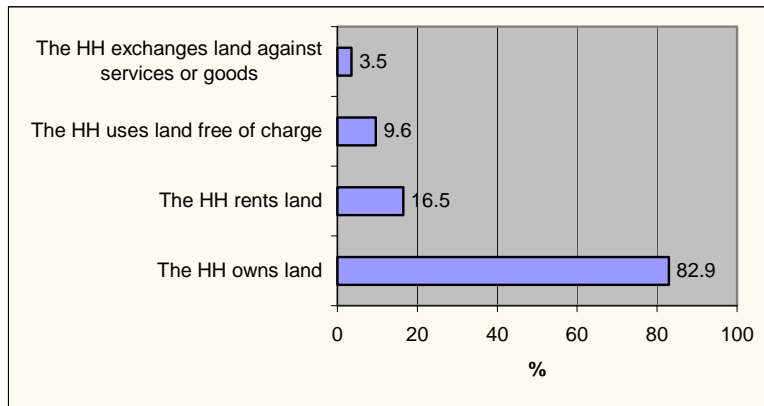
5.5 **The land issue is differently perceived by the rural households who usually do not consider it as an issue, and by the municipality authorities who mention the fragmentation of land as a major constraint to the modernization of Bulgarian agriculture.** The authorities claim that land fragmentation: (i) limits the possibilities for mechanized cultivation and the development of intensive agriculture; (ii) constrains the construction and operation of irrigation systems; (iii) limits the prospects of attracting investors in agriculture. They therefore recommend land consolidation through various mechanisms such as grouping of plots, development of land markets, voluntary association of farmers, incentives for large-scale farms, etc.

5.6 On the other hand, households consider land as one of their smallest problems (see Chapter 5, Table 5.2). Also, the land fragmentation and consolidation process, disagreement and dispute about land allocation and division are not considered by the rural households interviewed as a major constraint for cultivating land. More specifically, when asked about the difficulties with regard to land ownership, use and access, 33% of respondents say that they have no problem. Then the problems mentioned are not specifically related to access to land. They include financial problems preventing the households to invest in land (13%); lack of appropriate agricultural technologies (13%), lack of irrigation (8%). The issues related to land include: (i) no land ownership (6% of respondents); disputes amongst inheritors of land (3%); irregular land rent contracts (3%), the location of plots that are too far (2%); re-allocation of fragmented plots (2%); disputes over land allocation (2%).

5.7 **83% of respondents own land.** The average area owned is close to 2 Ha per household, and slightly higher for commercially oriented family farms, with an average of 2.6 Ha. Commercially oriented farms tend to increase their area through rent, exchange against services or goods. **Land**

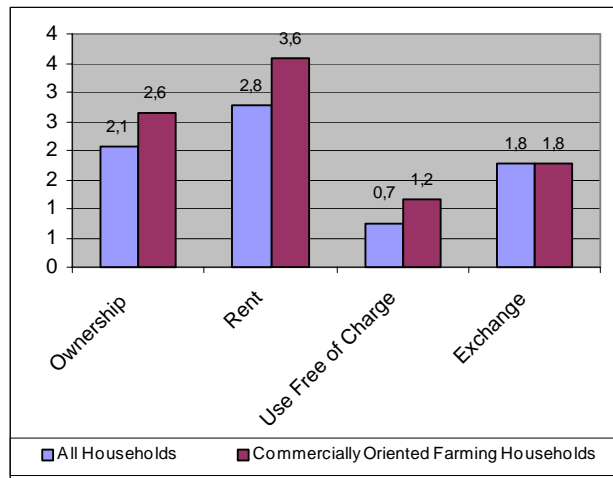
**titling seems well advanced** with 80% of the households possessing a title for all their owned land and 9% of them possessing a title for part of their land<sup>17</sup>.

**FIGURE 1.1: LAND TENURE PATTERNS FOR HOUSEHOLDS**



Base: N=490 (All Households). Source: Households Interviews, 2003.

**FIGURE 1.2: AVERAGE AREA AS PER TYPE OF LAND TENURE PATTERNS**



Source: Households Interviews, 2003.

5.8 A relatively large proportion of landowners (20%), including commercially oriented farming households, rent part or all of their land to others. Renting land to co-operatives is the most widespread practice. The co-operative that has at its disposal farming equipment cultivates the land and provides rent in kind. 20% of the households intend to buy land for expanding or starting agricultural activities in future while during the past ten years 9.6% of them have actually purchased land.

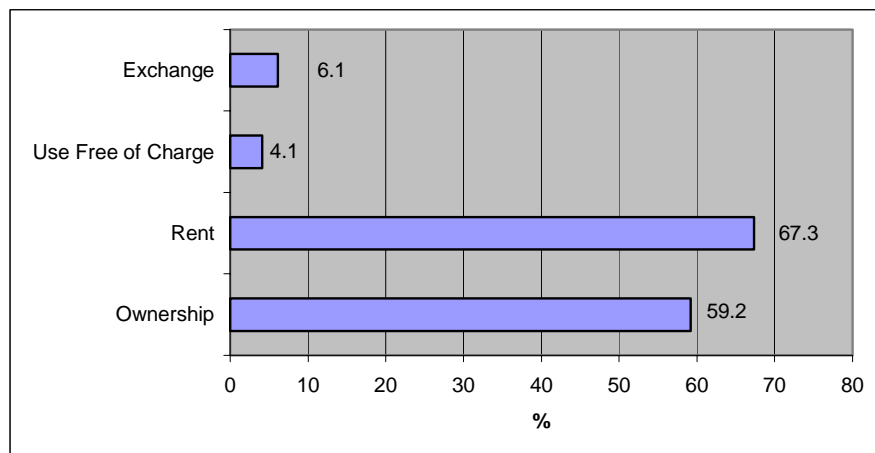
<sup>17</sup> However, the papers they have are in general far from satisfactory. Most of the households have something called “introduction into property”, a paper which says that the heirs of XYZ are entitled to the ownership of a particular plot of land. Which means that nominally the lands belongs to the deceased person.

5.9 Part of the landowners (32%) do not cultivate their arable land. The main reasons for not cultivating land are the following:

- (a) Lack of interest, time or labour force: 29.8% of the households do not wish or do not have the possibility to engage in agriculture. They are old, face health problems or have off-farm employment and do not need income from agriculture, or have no time for agriculture activities.
- (b) Infertility of land: 28.5% of the households mentioned low agricultural potential of their arable land located in mountainous or stony areas, or with very poor soils.
- (c) Poor accessibility to land was mentioned by 23.1% of the households, either as distance too far from the dwelling, or if roads are in bad condition.
- (d) Insufficient funds for investing in agricultural activities (22.5%).
- (e) Deteriorated irrigation system or need for irrigation (14.6).
- (f) Lack of equipment and appropriate techniques (13.9%).
- (g) Problems related to insecure markets, low prices of agricultural products and high costs of production (7.9%).

5.10 The area farming enterprises (sometimes large holdings) and co-operatives (594 Ha) have at their disposal on average is considerably bigger than the size of households commercial farms (2.6 Ha). Entrepreneurs and co-operatives depend on both ownership and rent for access to land, but they own only a small part of the land they use. Hence, they rely on the supply of land. Their major concern and prerequisite for renting land is the official title of ownership. The major part is rented on preferential terms to fellow villagers or persons from the same town.

▪ **FIGURE 1.3: LAND TENURE PATTERNS FOR FARMING ENTERPRISES AND CO-OPERATIVES**



Base: N=49. Source: Households Interviews, 2003.

5.11 32,7% of the entrepreneurs and co-operatives interviewed had purchased land during the last decade, and an even higher share (44.9%) intends to buy more in the future. Only 13.8% of the arable land managed by entrepreneurs or co-operatives is left fallow.

### C. Input Supply and Marketing

5.12 The availability of inputs (seeds, fertilizers, chemicals, animal feed and medicines) does not appear a major issue: they are considered readily available by about 95% of the farmers interviewed. The major constraint stated by the farmers is the lack of financial affordability. A key finding is that **36% of respondents are dissatisfied with the quality of seeds available on the market**. The problem of quality is much less important for other types of inputs such as crop chemicals (9%) and animal feed, and is insignificant for veterinary products and fertilizers.

5.13 Marketing of agricultural products is the main problem mentioned by commercially oriented farming households, before sources of income or bad road conditions. Main marketing issues can be summarised as follows:

- Prices are low compared to production costs, price fluctuations are big, prices are not clearly related to quality control and indicators, and there is a lack of state policy regarding prices, which is considered as an impediment.
- The producers depend on traders and traders are in limited numbers, farmers have a very small (or none at all) storage facility, or there are no local markets where to sell their products.
- There is a lack of nearby markets for agricultural products. Markets are rare and located at a larger distance so that transportation is difficult and costs high.

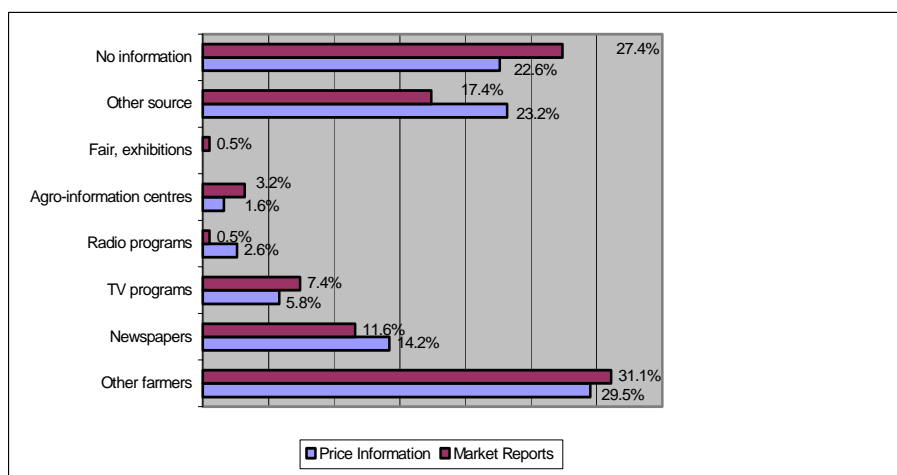
5.14 Commercially oriented farming households sell their products mainly through traders. A much lower quantity is sold directly on markets. Direct selling to processing enterprises is significant only for dairy products (41.3%). The share of domestic consumption is high for all products, except cereals: fruits (19.2%), vegetables (40.4%), dairy products (13.5%) and meat and animal products (25.7%).

5.15 Marketing channels for farming enterprises and co-operatives differ widely. Most of them control the whole production, processing and marketing process. Except for vegetables, the major part of the production is sold through private wholesalers, and the state wholesaler for tobacco (Bulgartabac). Fruits are sold to processing and canning enterprises (34% of the product) or exported (31.2%). 73.4% of the vegetables produced are sold directly on the local markets and 16.4% to traders. Dairy products go to wholesalers (28.9%) and processing plants (40.6%). Meat and animal products are sold through wholesalers (42.9%), on local markets (28.6%) or to traders (21.4%). Finally cereals are almost equally sold on markets, to traders, to wholesalers and to processing enterprises.

5.16 A substantial part of the respondents (about 25%) do not have any kind of access to market and price information. The following figure shows that most of the information is accessible through discussions with other farmers. Newspapers, TV or radio programs play a limited role, whereas the role of specialised services such as exhibitions, fairs or agro-information centres is not significant. About 50% of the farmers are not satisfied with the accessibility to market information. Their main suggestion is to organise exchanges of information between producers and receive advice and information about conditions on different markets. This service could include broadcasts on radio

or TV channels, publication of specialised newsletters. They claim for transparency in prices and conditions practiced by the purchasers.

FIGURE 1.4: SOURCES OF INFORMATION ON MARKETING



Base: N=190 (All households producing for the market).

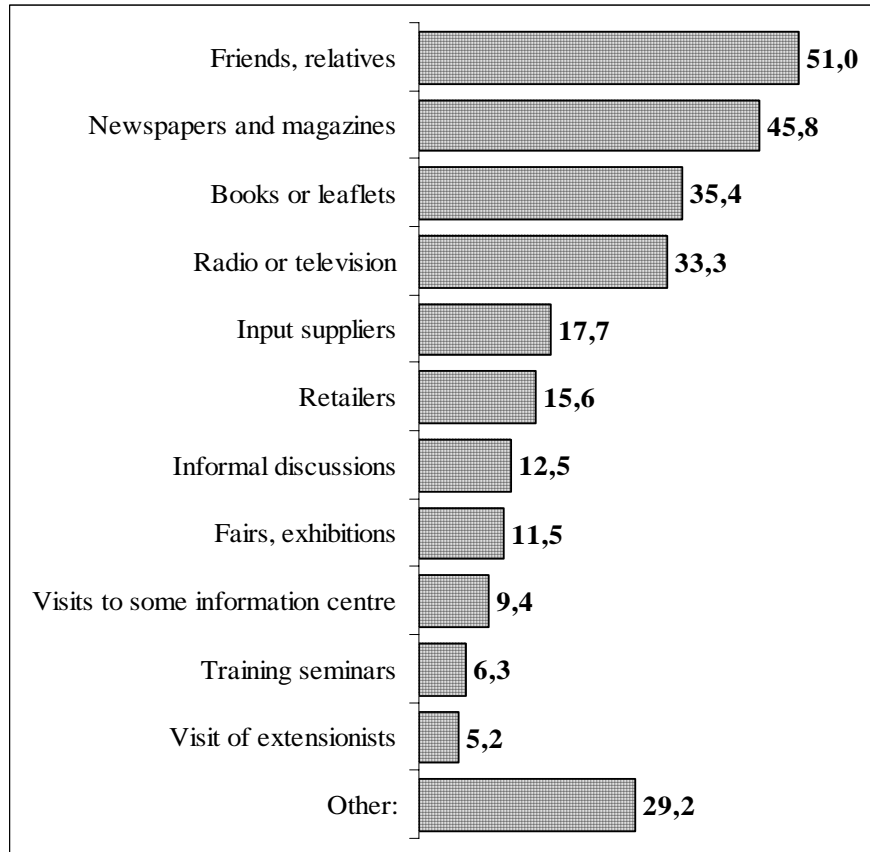
Source: Households Interviews, 2003

5.17 Municipality authorities wish to protect farmers against the non-regulated markets and prices for agricultural products, as well as against the intermediary dealers perceived as abusing the farmers. They call for the Government to enforce laws, encourage the establishment of efficient markets and assist in the formation of producers' cooperatives and associations.

#### D. Technical Advice

5.18 51% of farming households interviewed have access to **technical advice**. Out of the remaining 49%, 28% say that they would like to receive such advice and the remaining 21% say that they do not need so. The picture is even more striking with farming entrepreneurs and co-operatives: 87% of them access technical advice and out of the remaining, only one says that he/she does not need any. However, the following graph provides very useful information on the sources of advice. It appears that discussions with friends and relatives are the main source of information followed by public means such as newspapers, books and media. To a smaller extent, private input suppliers also play an important role. At the end of the spectrum, formal advisory services such as visits from extensionists and training seminars seem to play a marginal role as they are only mentioned by 5% and 6% of respondents respectively.



**FIGURE 1.5: MAJOR SOURCES OF TECHNICAL ADVICE**

Base: N=96 Households producing for the market.

Source: Households Interviews, 2003.

5.19 **The demand is for quality advice:** 53% of the commercial farming households receiving advice think that they need further advice. The main needs, as shown in the following Table relate to technical issues, including animal health, choice of inputs (seed varieties, fertilizers, chemicals) and plant protection chemicals. Farm management and business planning advice is only received by 8% of farmers interviewed but 32% of them believe that they need further advice in this area. This confirms the suggestions made by respondents about the need to provide assistance in business planning advice in order to access bank loans (see section on credit).

**TABLE 7. 2 : DEMAND FOR ADVICE**

Nature of the Advice	Current Advice (in % of those receiving technical advice)	Further Advice required (in % of those wishing further advice)
Animal Health	56.3%	43.8%
Choice of seeds, varieties	53.1%	50.5%
Appropriate Use of fertilizers, chemicals	52.1%	46.7%
Plant Protection	52.1%	49.5%
Agricultural Techniques	17.7%	21.9%
Farm Management, Business Planning	8.3%	32.4%

*Source: Households Interviews, 2003.*

### E. Access to Farm Machinery

5.20 The following table shows the access of farming households to farm machinery. Only a minority of them possess their own, e.g. 25% own a tractor, 6% a mower and 4% a grain harvester. Obviously the small sizes of the farms largely explain this situation. Most of the requirements are covered through renting farm machinery. Two striking findings are: (i) about two thirds of the renting still originates from cooperatives; (ii) joint ownership of farm machinery is insignificant, e.g. it concerns only 2% of tractors and 0.5% of combines.

**TABLE 7. 3: ACCESS TO FARM MACHINERY**

Type of Equipment	Private Ownership	Joint Ownership	Rented from Cooperatives	Rented from Individuals	No Need
Tractor	25.3	2.1	24.7	13.2	16.3
Implements	31.6	3.2	16.3	9.5	28.9
Mowers	6.3	0.0	12.1	8.4	52.6
Grain combines	4.2	0.0	17.9	6.3	61.6
Feed combines	0.5	0.5	14.7	5.3	68.4
Mechanized plough, motorized cultivator	14.2	1.6	10.0	5.8	52.6
Trailer	22.1	2.1	14.2	8.4	39.5
Weeding machine	1.1	0.0	2.1	0.0	81.1
Disc harrow	11.6	1.6	17.9	10.0	42.1
Drill-plough	8.9	1.1	15.3	6.8	53.7
Threshing machine	0.5	0.0	3.2	1.1	84.2
Milking unit	27.9	1.1	0.5	0.0	57.9
Other	17.9	1.1	3.2	1.6	72.6

*Source: Households Interviews, 2003.*

5.21 57% of respondents consider that access to farm machinery is problematic. The main problems mentioned are: (i) the rent of equipment is too expensive (64% of those); (ii) the equipment owned by the households is too old and expensive to maintain (31%); (iii) bad timing of farm

operations (19%) certainly due to the relative scarcity of equipment; and (iv) the equipment is not suitable to the crops / fields (15%). This indicates that some of the farm machinery was more adapted to large fields under the previous system.

5.22 As opposed to small farmers, commercial ones largely own their own pieces of equipment: 85% of the respondents own tractors; 68% own grain combines. They usually do not need to rent farm machinery. However the majority (58%) also consider the use of equipment problematic, mostly because they consider it too old and expensive to maintain (88% of the latter).

5.23 The following table interestingly shows that the majority of small farmers interviewed (61%) do not intend to rent additional equipment while 70% of the respondents would rather prefer to purchase their own additional equipment. However, only 18% intend to do so while **52% despite this wish consider that they could not do it**. Indeed, while 17% would use their own cash to purchase new equipment, **62% of them consider that they would need a long- term bank credit**. In addition, 13% say that they would find family loans, 4% would sell some of their own assets and 4% would take a short-term credit.

**TABLE 7. 4 : INTENTIONS FOR RENTING AND/OR PURCHASING ADDITIONAL EQUIPMENT**

<b>Do you wish to</b>	<b>Yes</b>	<b>Yes But I Cannot</b>	<b>No</b>	<b>No Answer</b>
Rent additional farm machinery	14%	22%	61%	3%
Purchase additional machinery	18%	52%	27%	3%

Base: 190 (All households producing for the market). Source: Households Interviews, 2003.

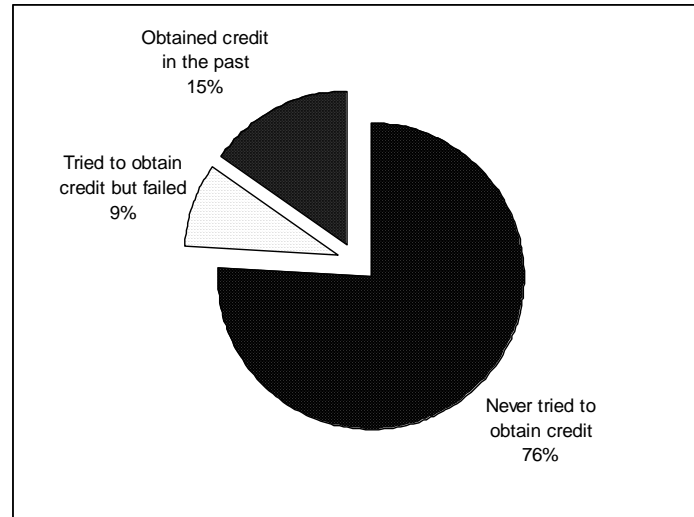
## **VI. PRIVATE INVESTMENT IN RURAL AREAS**

### **A. Financial Services and Access to Credit**

#### **Experience With Credit**

6.1 **85% of the surveyed households have never taken loans** in the past, among which 76% never applied for loans and 9% applied but failed to obtain a loan. This percentage is striking for all types of households, even commercially oriented farming households (79%), and reaches 83% for households with no agricultural production and up to 91% for subsistence farming households.

6.2 **15% of the surveyed households have already accessed loans**. By far, banks are the main source of credit (57% of respondents), in particular the Bank DSK (State Savings Bank). Credit co-operatives and mutual funds (18%) and Government funds (10%), in particular the State Fund for Agriculture also play an important role. It appears that the impact of EU programmes (SAPARD, PHARE) has been very limited.

**FIGURE 1.6: ACCESS TO CREDIT**

Source: Households Interviews, 2003.

6.3 **43.6% of the loans were used for agricultural purposes** while 33.6% were taken for personal use, including for housing and repairs. Only 2.6% were used for the development of non-agricultural economic activities, which is an indication of the lack of investment opportunities and businesses in the rural areas.

6.4 In addition, **9% of interviewed have tried to obtain credit but failed**. The main reasons stated are the lack of collateral (44%), the complex and excessive requirements of the banks (30%), the cumbersome paper work and high expenses due to the application procedure (23%) and the lack of permanent source of income (regular employment) to repay the loan. Other reasons include the lack of guarantors (16%), and the difficulties in drawing a good business plan (7%).

6.5 **63% of those who never applied for credit claim that the reason was that they did not need credit!** An additional 17% say that the reason was the lack of income of the family to repay, while only respectively 7% and 5% cited the unfavourable credit conditions and the lack of collateral as their first motivation.

#### **Demand for Credit**

6.6 **45% of respondents say that they would need credit in the future**. The demand for longer-term credit (more than 1 year) is much more important than for seasonal credit: respectively 34% and 11%. The demand is greater amongst households who market some of their produce: 51% of them require long-term credit.

**TABLE 8. 1: DEMAND FOR SHORT AND LONGER TERM CREDIT**

	HH Produces for the Market	HH Produces for Own Needs	HH Doesn't Produce	Total
Necessity of credit up to one year	13.7	7.9	9.9	10.6
Necessity of credit for more than one year	51.1	23.3	24.3	34.3
Number of Respondents	190	189	111	490

Source: Households Interviews, 2003

6.7 As shown in the Table below, the size of loans logically varies according to the types of households.

**TABLE 8. 2 : SIZE OF CREDIT REQUIRED**

Size of Credit Required	HH Produces for the Market	HH Produces for Own Needs	HH Doesn't Produce	Total
Up to 2 000 BGN (about US\$ 1300)	7.7	23.4	46.9	21.5
Up to 5 000 BGN (about US\$ 3200)	33.8	48.9	37.5	<b>39.6</b>
Up to 10 000 BGN (about US\$ 6500)	47.7	21.3	12.5	31.3
Up to 15 000 BGN (about US\$ 9700)	10.8	6.4	3.1	7.6

Source: Households Interviews, 2003

6.8 **The main purpose for taking a loan is to invest in agriculture**, mentioned by 64% of those willing to take loans. This percentage reaches 80% for households who market some of their produce. The second purpose is for private consumption (15%); this concerns particularly households with no agricultural production. Again, taking a loan to invest in off-farm activities is only mentioned by 5% of respondents: very little business opportunities are perceived beyond the agricultural sector in the rural areas.

6.9 Investing in agriculture is perceived as an opportunity. The following Table shows the ways respondents would use their potential credit. **The most striking is the priority for investing in animal production (38%), as well as the perception of potential for productivity and quality increase through improved techniques (36%).** Cultivating more land and purchasing farm machinery are also mentioned as priorities.

**TABLE 8. 3 : PURPOSES TO TAKE CREDIT**

<b>Foreseen Activities with a Loan</b>	<b>% of Respondents</b>
Purchase of animals, in particular of improved breed	38.1%
Intensification and quality improvement of agricultural (crop and livestock) production, including producing for the market, farm modernization, etc.	35.7%
Buy or lease more land	23.3%
Purchase of Farm Machinery	19.3%
Invest in Perennial crops (Orchards, vineyards, etc.)	7.9%
Farm Diversification (new crops and types of animals)	7.4%
Invest in agro-processing activities	4.5%
Invest in non-agricultural economic activities	4.5%
Build farm buildings, warehouses, etc.	4.0%

Base: N=202 (\* *The sum of percentages exceeds 100, because respondents have given up to 3 answers*).

Source: Households Interviews, 2003.

6.10 **Most of the households interviewed (64%) fear to take credit simply because they never did it in the past!** This indicates the great need for information to be propagated in the rural areas regarding loan application procedures. The other perceived constraints relate to the lack of collateral (18%), the complicated and lengthy procedures (17%), and the unaffordable interest rate (16%). When asked about suggestions on what could facilitate their access to credit, interviewed households replied that external assistance could help them in preparing a business plan (19%), share the cost of the investment (by matching grants- 19%), facilitate the links with the banks (12%), help find a guarantee (9%) and provide training (5%).

6.11 The municipality authorities also share the perception that the current credit system is cumbersome, ineffective and not accessible to small individual households. They call for a simplification of the credit application procedures, as well as the alleviation of some of the credit conditions through lower interest rates and reduced collateral requirements.

6.12 **Conclusions and Recommendations.** The experience with credit of small households is relatively limited. However, the demand for credit is relatively important and is mostly geared towards the agricultural sector (with a special mention of livestock), which could benefit from investment in intensification, farm extension, quality improvement and diversification. Future projects could enhance access to credit (mostly from private banks) through a public programme aiming at propagating information about lending terms, simplifying application procedures, supporting the farmers in their business plans and credit applications and possibly offering co-financing mechanisms.

## **B. Non Agricultural Economic Activities**

6.13 While the bulk of the rural economic life and employment lies with the agricultural sector, the survey also intended to investigate the current trends and difficulties of rural business outside the agricultural sector. In view of the very small amount of such services, this could not be

done through the quantitative study but rather through qualitative interviews with the entrepreneurs met in the visited villages.

6.14 The majority of small businesses consists of local retailers, car repair and other artisan shops, carpenters, farm machinery owners etc. They provide simple services inside the community but are important because they employ people, pay taxes (if they are legal) and provide essential goods to the local population. However they only circulate money that exists in the community, they do not bring in new money from elsewhere and the community does not become richer<sup>18</sup>.

#### **A successful business**

*“I was the first one in the village who opened a food shop in 1992. This shop still exists and I even opened a second one. I accumulated some money and I decided to diversify my activity. So five years ago I opened a plant for the production of confectionery. I do not want to give any information about the volume of my sales. Last year I started building another plant for the production of non-alcoholic drinks that is almost ready now.*

*The main impediment for the development of local business is the low purchasing power of the population. People do not have money to buy even essential items. Until last week we had for example two bakeries in the village. With this grain crisis now they cannot compete anymore with the bigger producers, so they closed down and now we get our bread from the neighbouring town. That is why I try to diversify as much as possible and to find new businesses where the competition is not so big. I dedicate to my business all my time. My wife helps me a lot. The plant is situated just beside my house so we can monitor all the time what the workers do. I employ officially 11 people and unofficially – 14 more. The social payments are so big that I cannot afford to run my business profitably if I pay all the taxes to the state. Additionally I employed about 10 people in the construction of my plant for non-alcoholic drinks last year and the majority of them were from this village. [...]*

*Next year with the opening of the new facility I hope to increase significantly my sales and my business income. I choose to build those facilities here, in my village because I had the land and the working force is less expensive. In our village there are many young and middle-aged people so I can easily find people to work for me. Last but not least here I am away from all the control bodies. They are very strict when they apply their requirements but they do not care if those requirements change too often and destroy my business.” Man, 38 years old, Kravevo, Turgovishe municipality.*

6.15 Rural entrepreneurs’ interviews show that the creation of rural businesses is not an easy task and requires overcoming many obstacles. Also, examples of failed businesses are relatively common showing how dependant these new businesses are on the overall economic situation in the country, the lack of demand being the major source of failure for new businesses.

<sup>18</sup> There are new small factories in the Bulgarian villages, mostly using the cheap labor, in sectors where the bulk of the production costs comes from labor. The Ministry of Labor mentioned some 100 000 people employed only in the sewing industry.

**Two failed business**

*“Before 1989, I was a professional driver. In 1990 I was among the first people in our municipality to create a private transport company. I bought second hand trucks and I started my business. At the beginning everything was going well. I had a good profit and I expanded my business. In 1996 the situation deteriorated drastically. The production and the trade in our region collapsed and the demand for transportation services fell. I liquidated my company and since then I am unemployed [...]” Man, 54 years old, Meshtiza, Pernik municipality.*

*“I opened my small coffeehouse in 1997. I sell coffee, beer, soda, and cigarettes. In the last 5 years my revenue has been falling continuously. In the village, there are 4 other coffee houses and 3 food stores, one of which belongs to the consumers’ cooperative. I cannot say the decrease in revenue is due to the bigger competition because my competitors tell me that the situation is the same in their stores. I pay about 240 BGN in taxes each year. My revenue rarely exceeds 10-15 BGN per day. My clients are mainly Roma. The majority of them are unemployed. Sometimes they do not have money to pay for their purchases and they buy on credit. My clients have become incredibly poor and I am seriously considering to close down my coffee house.” Woman, 64 years old, Iastrebovo, Opan municipality.*

6.16 “Creating conditions for the development of small and medium-size businesses should be the first and the main priority of the mayor and the municipal administration”, claims one of the interviewed. The **constraints to the development of rural business could be grouped as follows:**

- **Lack of initiative** and entrepreneurship in the villages. This originates from the fact that the economic life used to be organized by the agro-industrial complexes and cooperatives. Bottom up processes can develop spontaneously with difficulty without external support;
- **Lack of experience** in entrepreneurship under market conditions. This could be addressed through providing support to developing business proposals, business plans, technical advice on the feasibility of the business proposal, as well as access to financial services and support;
- **Limited access to information** and advice in relation to business and marketing opportunities, market and export requirements, the business legal framework, access to technical and financial services;
- **Living and working conditions** are not attractive (e.g. degraded rural infrastructure) and do not induce entrepreneurs to establish their companies in rural areas and therefore create employment;
- **The infrastructure is non adequate.** Rationed water supply and bad quality of water, lack of sewerage and waste removal systems, and especially the deteriorated road network hinder economic activities;



- **Difficult access to existing financial services**, and lack of financial products targeted to small and medium enterprises.

#### **Difficulties of an Entrepreneur**

*“Our factory for vegetables (mainly ketchup) started its production in 1997. The annual revenue is around 1.5 million BGN. We employ 45 people, 80% of whom live in Stara Zagora. All raw materials are bought from outside the municipality. We use tomato paste and other semi-finished products and thus do not buy vegetables from the region. In the future we intend to expand our production line and produce goods using fresh fruits and vegetables. The ketchup we produce is sold throughout the entire country and small quantities (using other exporters) is exported abroad.*

*The infrastructure of the village is not good. We are lucky to be near a main road, which is in good condition but if you venture deeper into the municipal roads, you will see that they are full of holes. The electricity stops all the time. Yesterday, we were warned that next week the power will be out for one hour per day but we are sure that it will be out for much longer. The electricity outages damage our equipment. The drinking water also stops all the time but we have our own water supply. We do not have sewerage and this is always a big minus for us when we apply for grants from the pre-accession EU programs. We organize our own solid waste disposal even though we pay taxes to the municipality. We have a phone line but the connection is very bad. In order to have regular Internet connection we wanted to buy a satellite but we were told that there is no satellite coverage in our region. The public transportation is not convenient for the workers. We have people who come from distant places. If they miss our company bus in the morning, they have to wait at least an hour to catch the next public bus.*

*Comparing the business conditions in the city and here, I would recommend the infrastructure be repaired in the following order:*

- *Improvement of the power supply*
- *Improvement of the water supply and the construction of canalisation*
- *Training and qualification of the local work force: we produce food and it is very important for the workers to have high general culture. I am talking, for example, about hygiene, discipline, upkeep of the workspace. Unfortunately, we could not find such workers and we had to hire from the city. This is a true paradox because there is such high unemployment here.”* Agribusiness manager, Iastrebovo, Opan municipality.

6.17 **Conclusions/recommendations.** The above shows that assisting the diversification of the rural economy through the development of rural businesses requires a pro-active attitude combining various aspects and types of support including training, investing in rural transportation, information sharing and enhanced access to rural finance.

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