

RESEARCH ON RURAL AREAS

PROJECT

„Promotion of entrepreneurship and innovation in the rural area of Kavala, Drama, Smolyan and Blagoevgrad“, PEIRA

Cross-border cooperation program INTERREG V-A "Greece - Bulgaria 2014-2020"

PARTNERS

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The project is co-financed by the European Regional Development Fund (ERDF) and by national funds of the countries participating in the Interreg VA Cooperation Program "Greece-Bulgaria 2014-2020".

1. Good legislative practices in Bulgaria

During the 2023-2027 programming period, Bulgaria will continue to apply the approach "Community-Led Local Development" (CLLD) as it will be implemented through multi-fund financing. The CLLD approach will be supported by funds from the European Agricultural Fund for Rural Development (EAFRD), the European Social Fund (ESF+) and the European Regional Development Fund (ERDF). The support will be carried out through the implementation of integrated and multi-sectoral strategies for local development, based on the characteristics of the specific territory and developed on the basis of local needs and potential.

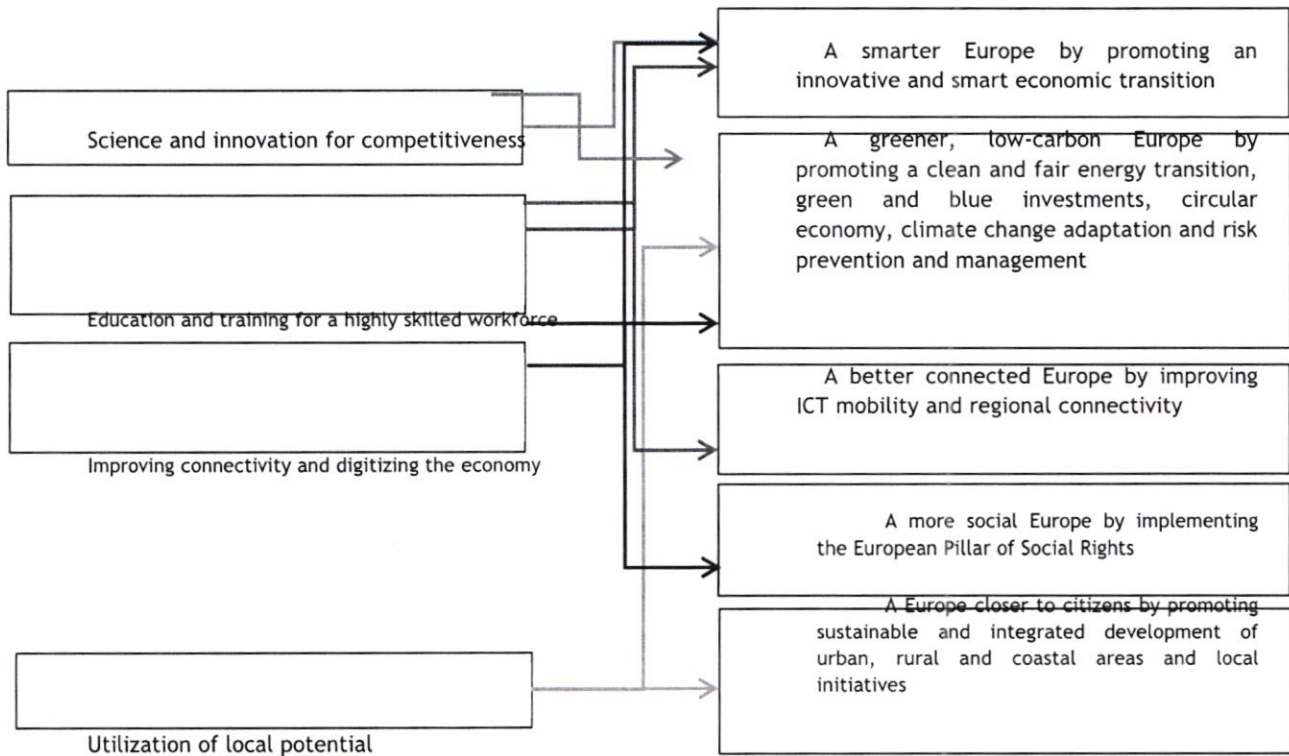
According to the Partnership Agreement of the Republic of Bulgaria for the period 2023 - 2027, the CLLD approach will be applied for the third program period on a territorial basis and at the sub-regional level - the level of a municipality, a part of a municipality or a group of neighboring municipalities with a population between 10,000 and 150,000 inhabitants. The approach covers the territory of the entire country (including rural areas and areas with specific characteristics defined in the National Spatial Development Concept 2013-2025), except cities with a population of over 30,000 inhabitants, within their building boundaries.

Support from the ESF+ and ERDF will be implemented through the provision of financial resources for the CLLD strategies from the Competitiveness and Innovation in Enterprises, Human Resources Development, Education and Environment programs.

Link between Bulgarian national priorities and European rural development priorities



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Education and training for a highly skilled workforce can be achieved through a More Social Europe by implementing the European Pillar of Social Rights and a Smarter Europe by promoting an innovative and smart economic transition.

Harnessing local potential corresponds to the objectives: A Europe closer to citizens by promoting sustainable and integrated development of urban, rural and coastal areas and local initiatives and with a Greener, low-carbon Europe, by promoting a clean and fair energy transition, green and blue investments, circular economy, climate change adaptation and risk prevention and management.

To improve the connectivity and digitization of the economy, the following



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contribute: Smarter Europe by promoting the innovative and intelligent economic transition; A better connected Europe, by improving ICT mobility and regional connectivity; A Europe closer to citizens, by promoting sustainable and integrated development of urban, rural and coastal areas and local initiatives.

2. Legislation difficulties and problems in Bulgaria

There is an established documentary discrepancy between the regulated definitions of rural areas in the national legislation and the program documents, the change in the characteristics of the territories (number of population in the cities), as well as the need for demarcation with the operational programs financed by the European funds with a view to covering all the needs in the rural areas, give rise to the need to review and re-evaluate the current definition.

The current definition of rural areas gave rise to a number of discussions among stakeholders during the implementation of the Rural Development Program (RDP), especially regarding the so-called "White spots". In recent years, the term "white spots" itself has been used for various problems in the field of agricultural land, areas with lack of access to European funds or absorption of European funds, etc.

In this particular case, we mean "parts of the municipalities-urban areas, which are outside the borders of the city itself and are not supported either under the Operative program Regional development (OPRD) or the RDP". In principle, the municipalities-urban areas fall within the scope of the OPRD, according to the demarcation between the RDP and the OPRD in the previous program periods. But since the settlements outside the boundaries of the city - municipal center are predominantly villages, the negatives of the lack of funding for them were associated to a greater extent with the RDP than with the OPRD.

In the process of preparing the new program period (2021-2027), an understanding has been formed between the RDP and the OPRD for the financing of the entire parts of the municipalities-urban areas under the OPRD:

"The approach to programming OPRD 2021-2027 in implementation of the regional policy of the country determines a change compared to the previous two operational programs for regional development, the focus will be on the territory of the country, without defining strict administrative borders (except for cases where certain



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requirements are specified in the Regulations at the European level - eg division of urban/rural areas.). There is an important dividing line between the ERDF, which focuses funding on urban areas, and the EAFRD, which focuses on funding on rural areas.

With this change in the territorial scope of OPRD support, the problems regarding the "white spots" in the eligible parts of the municipalities-urban areas should be addressed. It is important to note that in the document on the information for the purposes of programming OPRD 2021- 2027 there is some inaccuracy that is essential for rural areas.

As it will become clear from the next part, "sustainable and integrated development of urban, rural and coastal areas and of local initiatives" is one of the five ERDF policy objectives (Article 4 of the draft regulation), so the limitation regarding ERDF financing of rural areas is not a requirement of European regulations.

Rural areas in Bulgaria have the highest share of people at risk of poverty or socially excluded among EU countries. The risk of poverty has decreased over the last two years, but remains high and above the EU-28 value. Macroeconomic stability and economic activity contribute to the reduction of the share of people in poverty after 2014. The uneven distribution of people at risk of poverty across the country showed a differentiation in income between rural and urban areas.

The assessment of poverty in a regional aspect indicates that the relative share of people in poverty living in the North-West region is the highest. Unemployment, low income, low level of education, isolation from the labor market and economic activity in the settlement are causes of poverty and social exclusion.

3. Structures and incentives for entrepreneurship development in Bulgaria

In the implementation of the EU SME policy in Bulgaria, some weaknesses have been identified in terms of entrepreneurship, administration (a small share of online public services), environment, skills and innovation. In the implementation of the rural development policy, SMEs are supported in order to reduce the effect of the limited potential of labor resources. Until now, PRDP has supported measures for the development of micro-enterprises in lagging areas with low employment.

According to the Global Entrepreneurship Monitor's National Report on Entrepreneurship in Bulgaria 2016/2017, one of the most significant weaknesses of



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the SME sector in the country is insufficient entrepreneurship. For rural areas, this problem exists with particular acuteness, due to the concentration of business, the number of the population up to 29 years old and at working age, the level of education and the built technical and business infrastructure. Entrepreneurship is appropriate to be promoted in rural municipalities where there is structured business and economic potential.

The prepared Action Plan "Entrepreneurship 2020" also plays a role in supporting the SME policy- Bulgaria". The measures aim to develop the knowledge and skills for starting and managing a business among pupils and students. Another part of the measures is aimed at supporting business start-ups and others at social entrepreneurship, at entrepreneurs in agriculture and forestry and the use of information and communication technologies. In 2016, a new measure was added to create local centers and business incubators.

The structure of SMEs in the period 2008-2017 testifies to the presence of certain differences compared to 2008 in the direction of an increase in the share of micro enterprises above 90% (both at the national level and for rural areas), primarily at the expense of small and, to a lesser extent, medium and large enterprises.

Micro enterprises (from 0 to 9 employees) predominate. Their number is growing, both in rural areas and in the rest. In rural areas for the period 2008-2017 micro, small, medium and large enterprises are most developed in the sectors "Trade; repair of cars and motorcycles", "Hotel and restaurant industry" and "Transport, Warehousing and Posts", with operating income for these sectors being the most tall.

In 2017 in total, enterprises in rural areas are 26% of the national level (107,312 units) compared to those in urban areas, which are 74% (298,998 units). In rural areas, micro enterprises have the highest share of all enterprises and almost three times less (98,464 units, or 24%) than in urban areas (276,182 units, or 68%). Micro enterprises have seen the largest increase in numbers. Small businesses are generally a small share, with less than 2% in rural areas and less than 5% in urban areas. Medium enterprises have an even smaller share, less than 0.2% in rural areas and less than 0.8% in urban areas.

Large enterprises have the smallest share, which is 0.02% in rural areas and less than 0.2% in urban areas. All this proves the importance of micro enterprises, both in rural and urban areas. They are decisive for the national economy; ensure the achievement of higher employment, economic growth and productivity.

The sectorial structure of the number of enterprises for each of the size groups



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changes relatively slowly over time.

The productivity of small and medium-sized enterprises (SMEs) is determined on the basis of the indicator "Total productivity of SMEs", which is calculated by dividing the indicators "Value added by factor costs" and "Employed calculated in full employment equivalent".

During the considered period, the productivity of SMEs increased, both in rural areas and in Bulgaria as a whole. The productivity of SMEs in rural areas was over 87% in 2008 and over 90% in 2017 of the total productivity of SMEs in Bulgaria, and the highest was in 2016 with 91%.

During the considered period, exports realized by SMEs increased, both in rural areas and in Bulgaria as a whole. The export of SMEs in rural areas was slightly over 18% in 2008 and over 12% in 2017 from the total export of SMEs in Bulgaria.

Exports of enterprises in rural areas are growing, for the entire period, this is a prerequisite for business sustainability.

4. Structures and incentives for innovation development and integration in Bulgaria

Economic growth depends on the extent to which the drivers of competitiveness are used - innovation, high value-added products and regional specialization. The innovation capacity of the private sector and of entrepreneurs in the SME sector is still underutilized, and the knowledge economy is not fully developed. The Government of the Republic of Bulgaria supports the activities of small and medium-sized enterprises⁵⁹ (SMEs) through a modern political, legislative and institutional framework, developed and implemented in accordance with EU policy, which assigns an important role to small and medium-sized businesses.

Weaknesses in the current policy for SMEs: are the limited dynamics of innovation, the ineffective education system and the shortage of highly qualified personnel, regardless of the relatively large number of graduates, the weak connections between business and science, and the insufficiently high entrepreneurial and innovation culture. The ICT sector is in large developed cities where there is a skilled workforce, universities and scientific research structures.

In the area of innovation, the main goals until 2027 are: (1) increasing the country's innovation performance, reaching a level above 65% compared to the EU average, and



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moving from a "modest" Bulgaria to a "moderate" innovator; (2) increase the internationalization, digitalization and commercialization of SMEs; (3) development of innovation and digitalization of business structures

(4) Improving cooperation between ICT business, industry, science and government, by orienting scientific research towards the technological trends of Industry 4.0 and popularizing the opportunities to participate in various international initiatives in the field of digitization; (5) a 'greener' Europe by moving away from traditional towards the circular economy and strengthening energy and resource efficiency; (6) a "more connected" Europe with strategic innovative transport enterprises and digital technologies; (7) improving the innovation and capabilities of beneficiaries working in the fields of biotechnology and medicine; (8) development of innovation and digitalization of business structures with a focus on industrial zones and their transformation into main logistics and business centers; (9) promotion of innovation processes in accordance with regional imbalances in order to achieve sustainable and balanced development for the benefit of all citizens of Bulgaria; (10) promoting the digital transformation of enterprises.

Strategic goal of the Innovation Strategy for Intelligent Specialization of the Republic of Bulgaria (ISIS) 2014-2020 is "in 2020 Bulgaria will move from the group of "modest" innovators to the group of "moderate" innovators". The data shows that this goal is gradually being reached. According to the ranking of the European Innovation Scoreboard for 2018, Bulgaria is still in the group of "modest" innovators with an innovation performance of 49% of the European average.

According to the ranking, Bulgaria has improved its achievements compared to the previous seven years. To achieve this goal, it is necessary to fulfill two tasks, the first of which is to focus investments for the development of innovation potential in the identified thematic areas (for the creation and development of new technologies leading to competitive advantages and increasing the added value of national products and services), and the second - to support the accelerated adoption of technologies, methods, etc. improving resource efficiency and the application of ICT in enterprises across the industry.

According to Eurostat data, Bulgaria is among the EU countries with the lowest share of innovative enterprises for 2016. The need for innovation stems from Bulgaria's lagging behind other EU member states in terms of the digitalization of the economy. The EC's 2018 Digital Inclusion Index (DESI) ranks the country 26th in the EU (ahead of Greece and Romania).



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Therefore, one of the priorities for the development of the economy is the implementation of innovations, which are the basis of economic growth. Technological innovation and the development and introduction of innovative products are slow to enter SMEs operating in rural areas. Rural municipalities can create conditions for promoting business development by building business technical infrastructure, for example as the already established practice of industrial zones around large cities and industrially developed municipalities.

In the next programming period, cohesion policy will continue to invest in the SME sector. In rural areas, investment in innovation and technological production will contribute to the diversification of their economies beyond typical agricultural activities. Diversification of the economic structure in rural areas creates additional employment and the benefit is in limiting the outflow of young people and reducing the risk of depopulation and poverty.

The Strategy of the Operational Program "Innovations and Competitiveness" (OPIC) 2014-2020, as part of the implementation of the European Structural and Investment Funds (ESIF) in Bulgaria according to the Partnership Agreement 2014-2020, is closely related to the goal of growth and employment (Growth and Jobs) and Bulgaria's contribution to the achievement of the three mutually complementary types of growth according to Europe 2020: (1) smart growth, by building an economy based on knowledge and innovation; (2) sustainable growth, by promoting a greener and more competitive economy with more efficient use of resources; (3) inclusive growth, by stimulating an economy with high levels of employment, leading to social and territorial cohesion.

5. EU funding calls in Bulgaria (including LEADER in LAG Gotse Delchev-Garmen-Hatzidimovo)

During the programming period 2023 - 2027, the lead fund for the implementation of the CLLD approach is the European Agricultural Fund for Rural Development through the provision of funding from the Strategic Plan for the Development of Agriculture and Rural Areas. The implementation of operations selected within the Community-Led Local Development strategies will also be financed with funds from the European Social Fund + (ESF+) and the European Regional Development Fund (ERDF).

Support from the ESF+ and ERDF will be implemented through the provision of



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financial resources for the CLLD strategies from the Competitiveness and Innovation in Enterprises, Human Resources Development, Education and Environment programs.

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In Bulgaria there is the Strategic plan for the development of agriculture and rural areas 2023-2027 and the Rural development program 2021-2027.

6. Recording of stakeholders (in the two areas of the project in Bulgaria but even more wide with regard to regional or national policies)

Northwest State Enterprise

The enterprise manages the state forest territories in the districts of Vidin, Montana, Vratsa and Pleven and parts of the districts of Lovech and Sofia, according to the administrative division of the Republic of Bulgaria.

North Central State Enterprise

The enterprise manages the state forest territories in five administrative districts -



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Gabrovo, Veliko Tarnovo, Ruse, Silistra and Razgrad.

Northeast State Enterprise

The enterprise manages the state forest territories in four administrative districts - Shumen, Varna, Dobrich and Targovishte.

Southwest State Enterprise

The enterprise manages the state forest territories in seven administrative districts - Blagoevgrad, Kyustendil, Sofia city, Sofia region, Pazardzhik, Pernik and Lovech.

South Central State Enterprise

The enterprise manages state forest territories in four districts - Smolyanska, Plovdivska, Pazardzhiska and Kardzhaliyska.

Southeast State Enterprise

The enterprise manages the state forest territories in five administrative districts - Burgas, Sliven, Stara Zagora, Haskovo and Yambol.

Kabiyuk State Enterprise

The oldest state farm in Bulgaria under the administrative management of the Ministry of Agriculture and Food. It breeds rare and native Bulgarian animal breeds.

"Agrovodinvest" EAD, Sofia

"Agrolesproekt" EOOD, Sofia

"Vrana" EAD, Sofia

"Vrana" EAD is mainly engaged in: production of animals, seed and planting material, ecologically clean commodity production, processing, procurement, storage and sale of products of animal and plant origin, repair of machines and equipment,



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consultations and training of executive and farm personnel, commercial activity in the country and abroad, real estate leasing and others.

Zeminvest EAD, Sofia

"Zeminvest" JSC has the main subject of activity: investor control in construction and design, activities on land division and consolidation /expert assessments/, organization, implementation and control of agricultural sites, independent construction supervision of design and construction, management of microdams and reservoirs , management of numerous objects of agricultural importance throughout the country (former TKZS), search, acceptance and legalization of state property.

"Variety Seeds - Elite" EAD, Sofia

"Variety seeds - Elite" EAD is the main subject of activity: selection activity, variety maintenance selection along the chain of the entire production process, production, procurement and storage of planting material and other goods, trade in seeds and planting material.

7. Recording of responsible legislative bodies

The Parliament

Council of Ministers

The Governing Body of the Strategic Plan for the Development of Agriculture and Rural Areas for the Period 2023 - 2027

The Ministry of agriculture and food

Agriculture Fund



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Sources:

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<https://www.mzh.government.bg/bg/politiki-i-programi/>

SOCIAL - ECONOMIC ANALYSIS OF THE DEVELOPMENT OF RURAL AREAS

INSTRUCTIONS TO THE LOCAL INITIATIVE GROUPS ON THE REQUIREMENTS FOR COMMUNITY-LED LOCAL DEVELOPMENT STRATEGIES AS PART OF THE STRATEGIC PLAN FOR THE DEVELOPMENT OF AGRICULTURE AND RURAL AREAS FOR THE PERIOD 2023-2027.

The future of the Common Agricultural Policy- Bulgaria's vision



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