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**ДОСТЪП ДО ФИНАНСИРАНЕ ЗА ДРЕБНИТЕ СЕЛСКОСТОПАНСКИ  
ПРОИЗВОДИТЕЛИ В ЮГОЗАПАДНА БЪЛГАРИЯ И КАЧЕСТВО НА  
АДМИНИСТРАТИВНОТО ОБСЛУЖВАНЕ**

**ACCESS TO FINANCE FOR SMALLHOLDER FARMERS IN SOUTH-WESTERN  
BULGARIA AND QUALITY OF ADMINISTRATIVE SERVICES**

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**Abstract.** This research attempts to reveal the level of utilization of European funds by the smallholder farmers in rural areas in South-western Bulgaria, their problems and levels of satisfaction by the administrative services they receive. The survey was held in the spring of 2013. It collects data directly from the beneficiaries of these European programs. For the purpose of the survey data was collected through interviews with key participants with the help of local assistants. Topics like: potential corruption, problems in completing documents, administrative services quality and others were investigated. The research is focused on a small rural-mountainous area in the Western Rhodopes. The results and conclusions could be a good base for improving the work of national administration in the area. The results revealed some problems that could be overcome.

**Key words:** Rural areas, Farmers, Administration, EU funding, Bulgaria

## **INTRODUCTION**

Bulgaria is the poorest member of the European Union. It was accepted in 2007 and the expectations were that the country will quickly catch up the average European levels<sup>1</sup>. This remained unattained and not only catching up isn't observed, but the gap between the country and the old-members of EU is continuously growing. In search of the reasons this survey was focused to the poorest regions of the country. These are undoubtedly the mountainous, rural areas, where people predominantly are employed or self employed in agriculture.

South-western Bulgaria is the territory of the highest mountains on the Balkan Peninsula. Here are situated Rila, Pirin and The Western Rhodopes. The agro-climatic conditions are harsh. Farmers rely on external financing to sustain their farms. It is very important that the administration works properly. This research attempts to reveal the administrative services quality, and to discover flaws that exist.

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<sup>1</sup> Bulgarian chamber of commerce and industry: "One hundred days after Bulgaria joined European Union, expectations of our companies in the economic environment in the country remain optimistic and begin to fulfil".

## METHODS OF RESEARCH

Survey was held in two municipalities in South-Western Bulgaria, which were very suitable for the purpose. These were Yakoruda and Sarnitsa. Area A includes the villages: Bel Kamen, Smolevo, Avramovo and Konarsko in municipality of Yakoruda, Province of Blagoevgrad (Fig. 1-A). Area B includes the village of Medeni Polyani, municipality of Sarnitsa, Pazardzhik province (Fig. 1-B).



**Figure 1.** Municipalities in which studies were conducted: 1-A Municipality of Yakoruda (red); 1-B Municipality of Sarnitsa (blue).

Even officially declared as a mono-national country, Bulgaria has some big minorities. The areas, researched in this survey are predominantly populated by the Bulgarian-Muslims minority called “pomatsi. These people are known as very humble and hardworking, but still largely living in poverty. They have a positive natural growth, which is exceptional in Bulgaria. The levels of education, however, are lower than the average. The reason, as often pointed, are the family traditions and religion. Their impact is stronger on young women, rather than men. After joining European Union these people obtained potential access to additional funding through agricultural programs. However, in many conversations was discovered that there was ultimately a lack of enthusiasm among them. In best cases they shared, that these funds are insufficient. Many of them declared they do not receive any European finances at all. On the other hand, almost all the people shared, that they receive the direct payments from the government per hectare of agricultural area. The reasons for this disproportion were very interesting. The survey was widened by questions about the agricultural farms, the number of family members working in, predominant activities, sorts and breeds etc.

Researching people from minorities requires a special approach. Bulgarian Muslims are at first mistrustful to people from outside. They confess Islam in a Christian country. Pomatsi people are occasionally a target of radical Islamic influence attempts or by religiously-oriented political parties. Reliable information was needed about the conditions, under which these people live, work and apply for European funds. In order to



**IV. Funding of economic activities and quality of administrative services.**

1. Do you receive financing for agricultural activities?  
 yes     no

2. Specify the measures or programs that you have applied for and that you receive funds:

Program for Rural Development

MEASURE 121	<input type="checkbox"/> applied	<input type="checkbox"/> received
MEASURE 311	<input type="checkbox"/> applied	<input type="checkbox"/> received
MEASURE 312	<input type="checkbox"/> applied	<input type="checkbox"/> received

State Fund "Agriculture"  
direct payments per area

<input type="checkbox"/> applied	<input type="checkbox"/> received
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Fishes and Aquaculture

<input type="checkbox"/> applied	<input type="checkbox"/> received
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Agricultural market mechanisms

<input type="checkbox"/> applied	<input type="checkbox"/> received
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SAPARD

<input type="checkbox"/> applied	<input type="checkbox"/> received
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State aid

<input type="checkbox"/> applied	<input type="checkbox"/> received
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Other .....

3. Did you use any assistance in applying for funding:  
 yes     no

4. Please specify what assistance:  
- licensed consulting assistance  
- consultant of the municipality  
- consultant from The state fund "Agriculture"  
- consultant of the Ministry of Agriculture  
- other .....

5. What amount of money or percentage of the overall funding have you paid for consulting assistance?  
.....  
.....

6. How long did it take the procedure from application to receipt of the funds?  
.....  
.....

7. What difficulties or obstacles did you encounter during the application and receipt of the funds?  
.....  
.....

8. Did you use additional accounting services arising from the application and receipt of the funds?  
.....  
.....

9. Did you encounter corruption practices or proposals? Please, specify:  
.....  
.....

10. To what extent are you satisfied with the work of the administration involved in financing?  
.....  
.....

11. To what extent or rate the funds you received covered your expenses? (Not counting the yield received)  
.....  
.....

12. You will apply for funds in the next programming period?  
.....  
.....

13. What should be improved in the work of administration?  
.....  
.....

**Figure 2.** Author's questionnaire used in the survey

The potential obstacles that occur by anonymous surveys were also considered<sup>1</sup>. The local assistant was included as a measure for increasing honesty and correctness while gathering information.

We did not meet any obstacles during our fieldwork. Most of the people were glad to share any information that is connected with their everyday life and activities.

## **RESULTS AND DISCUSSION**

### **Participants, conditions, sorts and breeds**

We examined 32 farming families. There were 16 farms in Yakoruda and 16 in Sarnitsa. All of the farmers live in small villages with an average population number of 500 to 1000 people. The basic economic activity is agriculture. The altitude of residence is between 1300 and 1500 metres height.

The predominant types of crops grown by the families are: potatoes, oat, barley, beans, orchards, tomatoes, cucumbers and others.

These crops are best suitable to the soil and climatic conditions of the region. The soils are predominantly brown forest soils. The original vegetation is coniferous and mixed coniferous and deciduous. The climate is mountainous in the upper parts and transitional-Mediterranean in the lower parts.

The predominant types of animal breeds are: Cattle – between 1 and 20 in a farming family; Sheep – between 5 and 50; Goats – between 1 and 10; Poultry (chicken and turkeys) – between 2 and 20<sup>2</sup>.

The force, used for land cultivation is predominantly animal. The horse team is the only force for 75% of the respondents. Other 25% declare that they use tractors for land tilling.

These are the bigger farm families (who own 20 cows, 50 sheep etc.). Nearly 25% also use milking machines and mowers.

In every farm most of the family members are active participants in the agricultural work. Their experience is solid: usually between 7 and 25 years.

### **Financing of agricultural activities**

This aspect of research was the key point as it reveals if all the farmers enjoy external financing or there are limitations. An object of interest is also if this financing is easy-to-receive, and if it is satisfactory. The presence or absence of corruption practices was also very important question.

As seen on Figure 3, it is obvious, that most of the farmers depend on external financing to be able to sustain farms. It is not a surprise.

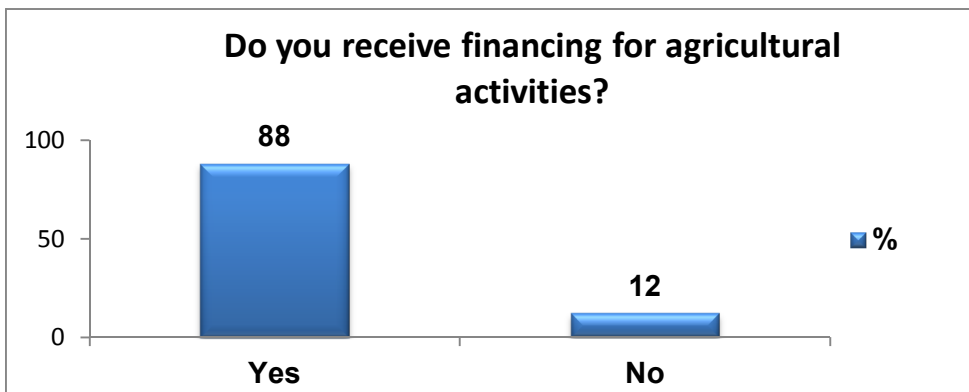
The good news here is that there are a high percentage of people who receive funding. In general, the situation suggests a good-working administration, which ensures payments for nearly all farming families, since so many farmers receive external funding. This, however, is in contrast with the fact, that these people still live in poverty and

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<sup>1</sup> Goldberg. R., Crandall. R. – "How Anonymity in Surveys Impacts Validity"

<sup>2</sup> Note: The reason that there aren't any pigs bred here is due to the Islamic religion of the population. Pigs are completely absent in these villages.

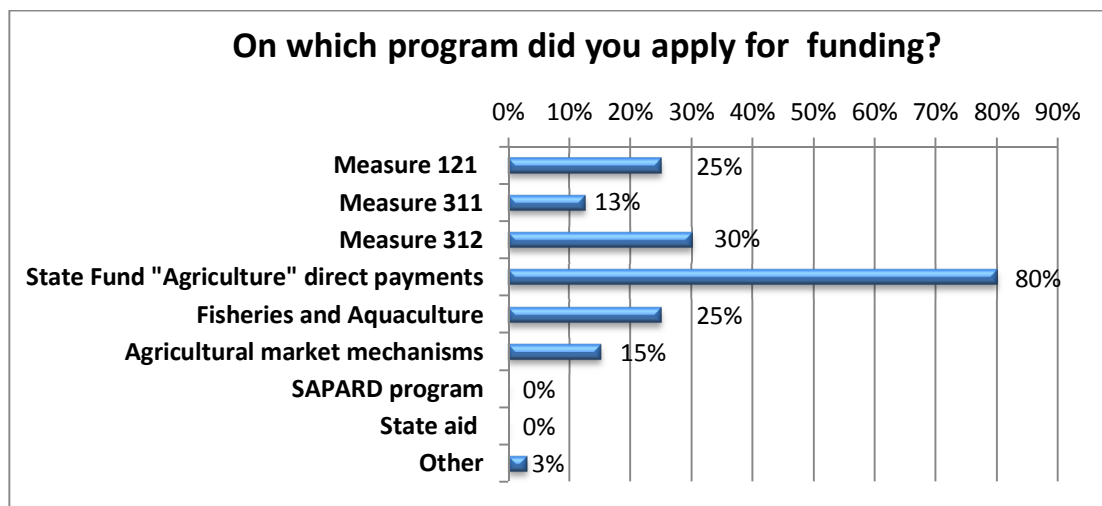
underdevelopment. In other words, some funding arrives to nearly everybody, but it is quite insufficient. This fact sets topics for discussion on a regional and national governmental level. National standards for financial assistance must be increased. This will open a way for development, reinvestment and modernization of small farms.



**Figure 3.** Percentage of smallholding farms, which receive external finance for agriculture

The next milestone was to reveal the source of these financial funds.

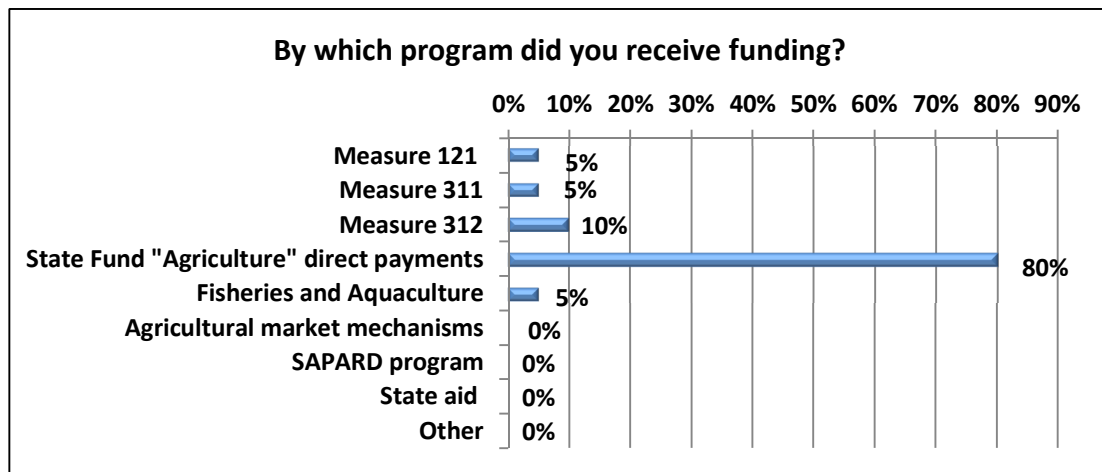
As revealed by Figures 4 and 5, most of the farmers in the area rely on the State fund "Agriculture" and its direct payments. The fund pays proportionally on the agricultural area that is cultivated. This is obviously the easiest and most accessible way to receive finances for agricultural activities here in the mountainous areas in Bulgaria.



**Figure 4.** Applying for funding on agricultural programs<sup>1</sup>

<sup>1</sup> Note: The group "Other" in Figure 4 concerns mushroom production

According to the results shown on Figures 4 and 5 there is a considerable difference between the programs farmers apply and the programs farmers received finance. The only exception is the program for direct payments of the State fund "Agriculture", where the success rate is 100%. This led to the conclusion that probably the work of state administration in the area is not as good or effective as it seemed in the beginning.



**Figure 5.** Funding received by agricultural programs

**Measure 121** is executed by Operational Programme - "Development of Rural Areas". It is about "Modernization of Agricultural Holdings". It includes investments, directed at environmental protection are considered priority

**Measure 311** is also executed by Operational Programme - "Development of Rural Areas". It is about "Adding value to agriculture/forestry products".

**Measure 312** is also executed by Operational Programme - "Development of Rural Areas". It is about "Diversification into non-agricultural activities".

**SAPARD program** is Special Accession Programme for Agriculture and Rural Development, established in June 1999 by the Council of the European Union to help countries of Central and Eastern Europe deal with the problems of the structural adjustment in their agricultural sectors and rural areas, as well as in the implementation of the "acquis communautaire" concerning the Common Agricultural Policy (CAP) and related legislation.<sup>1</sup>

It is notable, that all other programs are less preferred. Their funding is also more complicated and the documentary is running longer. On the other hand, they ensure additional money, so necessary for the farmers.

Facing the results shown on Figures 4 and 5 we can generally assume, that in the mountainous-rural areas in the South-western Bulgaria people almost DO NOT receive

<sup>1</sup> Ministry of agriculture and forests, European Union funds in Bulgaria  
<http://investbg.government.bg/en/pages/eu-funds-in-bulgaria-216.html>



any money from Measures 121, 311, 312, Fisheries and Aquacultures, SAPARD, or state aids.

Data for other agricultural areas in the country is not obtained in this survey, because its areal is focused here. Using data from other regions can help improving of governmental policies after comparison of results. At the present moment we do not have similar data for other regions. Nevertheless, such comparison is of great importance, because the rural-mountainous areas are the poorest parts of Bulgaria, together with the North-western and South-eastern regions.

### Obstacles in financing and corruption practices in agricultural programs

The results, received in the final stage of the survey concern some very delicate information. Corruption monitoring is based on two principal approaches. In the first of them is registered the performance of corruption of representatives of various political, economic and social groups. This is done either by obtaining anonymous confessions of involvement in acts of corruption or by the giving of information about achieved corruption pressure. Using this approach provides the closest to reality idea of the intensity of the corruption behaviour<sup>1</sup>.

How long did it take from the procedure of application to receiving the funds	6 months 30 %	7 – 8 months 40 %	9 months 30 %	
Did you meet any corruption practices, when applying for funding?	No 80%		Yes 20%	
To what extend are you satisfied with the work of administration?	Unsatisfactory 20 %	Satisfactory 20 %	Good 10 %	Excellent 50 %
To what extent the funds received covered your expenditure (not counting the value of the received production)?	Up to 50 % (10 % of the people)	50 to 70 % (60 % of the people)	70 – 90 % (20% of the people)	100 % (10 % of the people)
Are you going to apply for financing again?	Yes 85 %		No 15 %	

Table 1. Obstacles in financing and corruption practices in agricultural programs

People who live in small villages are not willing to share anything about corruption practices, being afraid of eventual consequences by the administration in future financial

<sup>1</sup> Center for the Study of Democracy, <http://www.anticorruption.bg/artShowbg.php?id=1432>



periods. However, we investigated the average periods between applying and receiving finances and also asked people questions about corruption and their level of satisfaction by the work of the state and regional administration. The results are shown on Table 1.

First thing to point attention at is the period between applying and receiving finances. The procedure lasts averagely 7 to 8 months. This is quite long. Small farmers are limited in their abilities for long-term planning. They could suffer unexpected spends while waiting for the public finances, which could lead them to bankrupt. All the people shared unofficially, that they feel these terms are quite protracted. All of participants wish these procedures to speed up. The roots for potential corruption are probably hidden exactly in this situation. On the other hand people are satisfied with the financial sums received. This fact makes them optimistic for future periods and they declare willingness for application in future agricultural programs. These are the good news.

## CONCLUSIONS

Problems in the rural-mountainous areas are very complex. They are not limited to agricultural funding only. The demographic situation is also very worrisome. The age structure of the population in Bulgarian villages is worsening constantly, as people are growing older averagely year after year, due to low birth rate and migration<sup>1</sup>. The local administration is lacking capacity, and the central administration is less and less accessible for the older population of the villages. They don't understand modern procedures and documentary. The agricultural programs seem more and more difficult for application.

As seen from the results of the survey, people are predominantly satisfied with the work of administration. However, in about 20 % of the cases corruption practices were noticed. They occurred mainly in requests for money in order to expedite faster documents and procedures. People, who declared, that they are not going to apply or participate in another program again, are 100 % among the people, who met corruption practices. These facts are very strong and affective. They set up challenges to the government and the state administration. Besides, these 80% who declared not meeting any corruption practices could be just afraid to talk about it. We did a lot to avoid subjectivism in our survey, as mentioned in methods of research.

In general, farmers from mountainous areas enjoy external finances largely, but the amount of funds is insufficient. People declare relatively high percentage of expenditure covering, however, if these funds were sufficient we probably wouldn't see horse teams as a major force for land cultivation. In the second decade of the 21<sup>st</sup> century this is unthinkable! Problems in the rural and mountainous areas are very serious and they require complex measures by the state. Little has been done so far. The results of this survey must be regarded as a starting point for new initiatives for sustainable and long-term improvement of the living standard of the population in these areas.

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<sup>1</sup> National Statistical Institute, Population and demographic processes in 2014

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