



Photo credit: VEDA

**Deliverable D.T1.3.1**  
**Country Analysis**  
**of the available government programs**  
**2019**

**Common borders. Common solutions.**

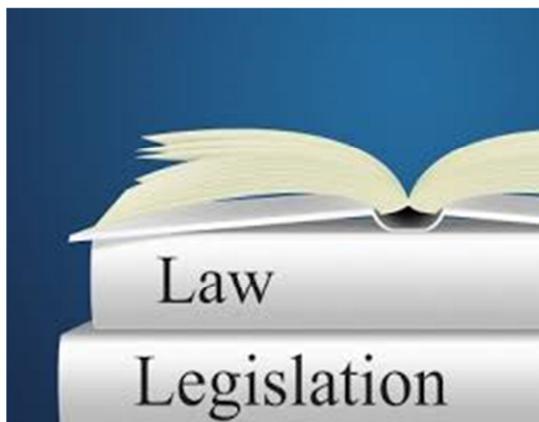
## **DISCLAIMER**

This report was developed by Varna Economic Development Agency (Bulgaria) under the project **“Promoting tea as the engine of growth for the Black Sea Basin Area” – TEAWAY (BSB 541)**.

The document has been produced with the assistance of the European Union under Joint Operational Programme Black Sea Basin 2014-2020. Its content is the sole responsibility of Authors and can in no way be taken to reflect the views of the European Union.

## CONTENT

<b>I. Legal Framework for the Herbs and Medical Plants in Bulgaria</b>	<b>4</b>
The Medicinal Plants Act	4
The Environmental Protection Act, The Biodiversity Act, The Forests Law, Law for Protected Areas	5
<b>II. EU Common Agricultural Policy (CAP)</b>	<b>6</b>
• <b>CAP in Bulgaria</b>	7
Fairer and greener direct payments	8
Farmers at the heart of the food supply chain	9
Supporting key priorities for Bulgaria's rural development	9
<b>III. Rural Development Programme (RDP) 2014-2020 in Bulgaria</b>	<b>10</b>
1.Situation and key challenges	11
2.How the Bulgarian RDP will address these challenges	12
<b>IV. RDP support to producers of herbs, medical and essential-oil plants</b>	<b>15</b>
Sub - measure 4.2. "Investment in processing / marketing of agricultural products"	15
Sub-measure 6.1 "Start-up aid for young farmers"	36
Sub-measure 6.3 "Starting aid for the development of small farms"	39
<b>V. Bridges Loan against Subsidy</b>	<b>41</b>
Micro Financing Institution (MFI) JOBS EAD	
<b>Sources of Information</b>	<b>44</b>



## I. Legal Framework for the Herbs and Medical Plants in Bulgaria

About 200 species of herbs and medicinal plants are collected in Bulgaria. They are used in the pharmaceutical and food industries, in cosmetics and folk medicine and other areas.

In recent years, around 15,000 tons of herbs and medicinal plants have been collected and processed at the points of purchase of herbs, according to the reports of Regional Inspectorates of Environment and Water (RIEW). About 20 species of herbs are actively traded.

In order to preserve the existing species of herbs, the rules for the conservation and sustainable use of the wild herbs' habitats must be followed, as well as the cultivation technologies.

The richness of medicinal plants and the position of Bulgaria as one of the world leaders in the collection and delivery of herbs, substantiates the need to study, preserve, rational and efficient use of the resource of medicinal plants.

**The Medicinal Plants Act** regulates all activities for the conservation and use of medicinal plants. The law regulates the management of activities for the conservation and sustainable use of medicinal plants, including the collection and purchase of the herbs they receive. It describes the obligations of individuals and legal entities and institutions. The main purpose of the law is to provide conditions for long-term sustainable use of medicinal plants on the territory of the country.

There are two ordinances to the Medicinal Plants Act, which introduce the rules and requirements for the collection of herbs, the structure and operation of herbs' collection points and warehouses.

These are **Ordinance No. 2 on the rules and requirements for the collection of herbs and genetic material from medicinal plants, and Ordinance No. 5** on the requirements that must be met by herbs' **collection** points and / or herbs stores.

**Order No. RD-88 / 20.01.2019** of the Ministry of Environment and Waters **determines the quantities of herbs** from natural habitats outside the national parks that are eligible for collection.

**The Environmental Protection Act** governs public relations related to environmental protection for present and future generations and the protection of the environment, human health, conservation of biodiversity in harmony with nature biogeographical characteristics of the country and others.

**The Biodiversity Act** regulates the relations between the state, municipalities, legal entities and individuals on the conservation and sustainable use of biological diversity in the Republic of Bulgaria. Biodiversity is the diversity of all living organisms in all forms of their natural organization, their communities and habitats, the ecosystems and processes that take place in them.

**The Forests Law** regulates the public relations related to the protection, management and use of the forest territories in the Republic of Bulgaria in order to ensure multifunctional and sustainable management of forest ecosystems. Among the purposes of the law are protection and increase of the forest area, maintaining biodiversity and landscape diversity and improving the status of populations of wild flora, fauna and mycotic species, etc.

**Law for Protected Areas** regulates the categories of protected territories, their purpose and the regime of protection and use, declaration and management.

## II. EU Common Agricultural Policy (CAP)



Photo credit: Digitalization Strategy for Agriculture & Rural Areas of Bulgaria

The common agricultural policy (CAP) is Europe's answer to the need for a decent standard of living for 22 million farmers and agricultural workers and a stable, varied and safe food supply for its 500 million citizens. As a common policy for all 28 EU countries, the CAP strengthens the competitiveness and sustainability of EU agriculture by providing direct payments aimed at stabilizing farm revenues, and finances projects responding to country-specific needs through national (or regional) rural development programmes, which also cover the wider rural economy and life in rural areas. The CAP also provides a range of market measures, including tools to address the impact of price volatility and other market difficulties and additional elements, such as quality logos or promotion for EU farm products, which complete CAP action to support farmers. The CAP budget for 2014-2020 is €408.31 billion, with €308.73 billion intended for direct payments and market measures and €99.58 billion for rural development.

## CAP in Bulgaria

### Country Overview



- Covers an area of **110 900 km<sup>2</sup>** of which 81 % is rural. Of the total area, 46.1 % is agricultural land while forests cover 37.4 %.
  - Has a total population of roughly **7 million**, of which more than 2 million (or 37.1%) live in predominantly rural region.
  - Has highly **polarized farm structures** and fragmented land ownership following the land restitution process.
  - Has **rich natural biodiversity** and a significant share of high nature value farmlands and permanent grassland that contribute to preserving biodiversity (34 % of the land that can be used for agriculture).
  - Has nearly half (48 %) of its territory covered by **mountainous/less favored areas**.
- Has a rural economy that is highly **dependent on agriculture**, characterized by high unemployment, an ageing population, poor access/quality of basic services (roads, sewage systems, etc.) and migration towards urban areas, but with good potential for rural tourism development.

In the period from 2014 to 2020, around €7.4 billion<sup>1</sup> is expected to be invested in Bulgaria's farming sector and rural areas through the CAP. Certain key political priorities for which CAP funding should be used have been defined at European level - jobs and growth, sustainability, modernization, innovation and quality. However, Bulgaria also has the flexibility to adapt both direct payments and its rural development programme to its specific needs.

## Fairer and greener direct payments

### **Bulgaria's direct payment allocation for 2014-2020 amounts to around €5.1 billion.**

Farmers in Bulgaria, as they are across the EU, are subject to so-called 'greening' rules, designed to ensure that they farm in a sustainable way and help contribute to the EU's efforts to tackle climate change, biodiversity loss and soil quality. Under this system, 30% of the direct payment allocation, paid per hectare, is linked to three environmentally-friendly farming practices: crop diversification, maintaining permanent grassland and dedicating 5 % of arable land to environmentally friendly measures (so-called 'ecological focus areas').

As one of the newer EU member states, until the end of 2020 Bulgaria will apply a simplified system for allocating direct payments to farmers – known as the single area payment scheme or SAPS. This system links the amount of basic income support for Bulgarian farmers to the area of land declared by each farmer in a simpler form than the main direct payment payments scheme applicable in most other EU countries. The Bulgarian authorities earmark 13 % of the direct payments allocation (the maximum permitted) for voluntary coupled support – i.e linking payments not only to the number of hectares farmed but also to specific products or processes, in this case beef and veal, fruits and vegetables, milk and milk products, sheep meat and goat meat, and protein crops. Bulgaria has also opted for redistributive payments that allow it to achieve a fairer distribution of the support between farmers by reducing 5 % direct payments for amounts above €150 000 on an individual farm (excluding the first 30ha declared). In addition, all payments are capped at €300 000.

Bulgaria also applies the small farmers scheme, a simplified system of support for the smallest beneficiaries, with a maximum annual payment of €1 250 per farmer. This scheme reduces the administrative burden on farmers with the smallest holdings, as well as reducing their obligations with regards to cross-compliance (i.e. the obligation to meet certain environmental standards to receive their payments) and exempting them from greening rules.

## Farmers at the heart of the food supply chain

Through the CAP, the EU also supports producer organizations that can help farmers to get better organized and to market their products more effectively, strengthening their position in the food supply chain.

## Supporting key priorities for Bulgaria's rural development

For 2014-2020, a total contribution of more than €2.9 billion (€2.4 billion from the EU, including €28 million transferred from the Bulgarian allocation for direct payments, €0.5 billion in national funding) has been allocated for measures that will benefit Bulgaria's rural communities.

The 2014-2020 rural development programme for Bulgaria focuses on the **following priorities**:

- improving the competitiveness of the agricultural sector and farm viability and ensuring quality food production (around 24 % of the funding)
- preserving ecosystems and the sustainable use of natural resources in agriculture, forestry and food processing (around 46 %)
- the economic and social development of rural areas – creating jobs, reducing poverty, improving social inclusion and quality of life (around 30 %).

These objectives are part of broader priorities on increasing innovation and tackling environment and climate-related issues.

In order to improve the competitiveness of Bulgarian farms, funding will be used to support advice and training for farmers; given the polarized farm structure in Bulgaria, a specific programme to boost the competitiveness of small farms has also been created.

### III. Rural Development Programme 2014-2020 for Bulgaria



Photo credit: VEDA

The Bulgarian Rural Development Programme (RDP) was formally adopted by the European Commission on 26 May 2015, outlining Bulgaria's priorities for using € 2.9 billion of public money that is available for the period 2014-2020 (€ 2.4 billion from the EU budget, including € 28 million transferred from the Bulgarian envelope for CAP direct payments and € 0.5 billion of national funding).

Under the first objective of improved competitiveness and balanced development of the country's agri-food and forestry sectors, about 3 500 agriculture holdings and about 120 companies active in the forestry sector are expected to receive investment support. More than 4 000 small farmers will receive support to develop their farms and 1 630 young farmers will receive start up aid to launch their businesses. Under the second objective of protection and sustainable management of ecosystems, efficient use of natural resources and mitigation and adaptation to climate change, support for conversion and maintenance of organic farming will cover about 46 000 ha (out of which

23 000 ha will cover conversion to organic farming). Agri-environment-climate measures will be implemented on 113 000 ha and 60 000 ha in designated Natura 2000 areas will benefit from compensatory support.

Under the third objective of socio-economic development of rural areas, more than 4 200 jobs will be created through diversification and development of small enterprises, and another 600 jobs via the implementation of local development strategies. One third of the rural population will benefit from improved infrastructure.

Support for Rural Development is the 2nd Pillar of the Common Agricultural Policy, providing Member States with an envelope of EU funding to manage nationally or regionally under multi-annual, co-funded programmes. In total, 118 programmes are foreseen in all 28 Member States. The new RD Regulation for the 2014-2020 period addresses six economic environmental and social priorities, and programmes contain clear targets setting out what is to be achieved. Moreover, in order to coordinate actions better and maximize synergies with the other European Structural & Investment Funds (ESIF), a Partnership Agreement has been agreed with each Member State highlighting its broad strategy for EU-funded structural investment.

Here below is a brief overview of how the challenges and opportunities faced by Bulgaria are addressed by the RDP.

## **1. SITUATION AND KEY CHALLENGES**

Bulgaria covers an area of 110 900 km<sup>2</sup> of which 81 % is rural. Of the total area, 46.1 % is agricultural land while forests cover 37.4 %. The total population is 7.28 million – of which 39 % live in rural areas. In 2012, 58.8 % of the working-age population is employed, however the level of employment in rural areas is lower (50.7 %) and the areas are characterized by higher poverty and population decline compared to urban areas.

The agricultural sector contributes to 6 % of the country's Gross Value Added (GVA) and 18.3 % of the work places, while the food industry has a share of 3.8 % in the GVA and 3.4 % in the employment. The structure of agricultural holdings is polarized - although an average holding in Bulgaria utilizes 12 ha of land, 91 % of the country's 370 500 agricultural holdings have less than 5 ha. The average economic size of an agricultural holding is € 6 847. 23 % of farms are in the range of € 2 000 – € 7 999 and they contribute to 24 % of the agricultural employment. Certain traditional agricultural sectors (such as fruit and vegetables, and livestock) are underperforming and experiencing structural difficulties. In addition to the need for technological modernization, there is a necessity to promote short supply chains, restructuring of small farms, and generation renewal in agriculture in order to ensure stronger productivity growth and the creation of new jobs.

The Bulgarian ecological network Natura 2000 covers 34.4 % of the country's territory. 504 600 ha are classified as High Nature Value (HNV) areas. Nitrate Vulnerable Zones (NVZ) cover 34.5 % of the territory and 69 % of agricultural areas. However, land abandonment or intensification of agricultural production create risk for biodiversity, inefficient use of natural resources and negative impact on water and soil. As of 2012, only about 12 000 ha of the total agricultural land was certified for organic farming, but this figure is increasing every year. In 2011 the share of renewable energy in the total energy consumption was at 13.8 % (a 16 % target to be reached by 2020). 57 % of Bulgarian forests are included in Natura 2000 and forest fires are a considerable risk, leading to loss of biodiversity and increased emissions.

Other challenges include depopulation and lower economic activity in rural areas, accompanied by poor quality of basic services for the rural population and outdated public infrastructure, social and cultural facilities.

## **2. HOW THE BULGARIAN RDP WILL ADDRESS THESE CHALLENGES**

In addressing these challenges, Bulgaria's RDP will fund actions under all six Rural Development priorities – with a particular emphasis on Competitiveness of agri sector and sustainable forestry as well as Social inclusion and local development in rural areas. A thematic sub-programme will be

implemented to help the sustainable development of small farms. The focus of each priority is explained briefly below.

#### Knowledge transfer and innovation in agriculture, forestry and rural areas

Under this priority the RDP aims to support knowledge transfer and information actions, advisory services, farm management and farm relief services and co-operation. Around 4 800 people will be trained to increase the knowledge and skills of those employed in the agricultural and forestry sectors. Total number of co-operation actions will be 470 while 20 Operational Groups under the European Innovation Partnership will receive support.

#### Competitiveness of agri sector and sustainable forestry.

The number of holdings to be supported for investments will be 3 500 (1 %) while the number of beneficiaries receiving start up aid for development of small farms will be 4 060. 1 630 (0.44 %) agricultural holdings will receive start-up aid for young farmers. Support is also foreseen for improving the economic performance of 120 companies active in the forestry sector.

#### Food chain organisation, including processing and marketing of agricultural products, animal

##### welfare and risk management in agriculture

450 agricultural holdings (0.12 %) will receive support for participating in local markets and short supply chains as well as in producer organizations. 1 555 operations will be supported linked to investments for production or marketing of agricultural products, as well as 40 producer groups involving 170 agricultural holdings.

#### Restoring, preserving and enhancing ecosystems related to agriculture and forestry

Support for conversion to organic farming will cover 23 000 ha and another 23 000 ha will be supported for maintenance of the organic farming activities. Agri-environment-climate sub-measures will be implemented on 113 000 ha. 60 000 ha in designated Natura 2000 areas will benefit from compensatory support. Payments for areas with natural constraints are planned to cover 310 000 ha

mountain areas and 220 000 ha of other areas facing significant natural constraints. As regards forestry, € 8 750 000 public funding is planned to be spent on forest-environmental and climate activities and forest conservation.

### Resource efficiency and climate

Renewable energy production will be supported via 335 investment operations, and another 505 will target improved energy efficiency in the agricultural sector and food processing industry. Investments in live-stock management in view of reducing GHG and/or ammonia emissions (manure treatment) will affect more than 18 000 Livestock Units (1.6 % of the total). Over 2 000 ha of agricultural and forest land will be under management contracts contributing to carbon sequestration and conservation.

### Social inclusion and local development in rural areas

More than 4 200 jobs will be created through diversification and development of small enterprises, and another 600 jobs via the implementation of LEADER local development strategies. Investments for diversification into non-agricultural activities will be provided to 1 600 enterprises. On third of the rural population will benefit from improved infrastructure.

Support for will be provided to 60 Local Action Groups under LEADER to implement local development strategies covering 23 % of the rural population. 1.64 % of the rural population will benefit from improved access to ICT (New Generation Access broadband infrastructure).

The **four biggest RDP measures** in budgetary terms (total public funding) are:

- € 841 million allocated for Measure 4: Investments in physical assets
- € 626 million allocated for Measure 7: Basic services and village renewal in rural areas
- € 276 million allocated for Measure 13: Payments in areas facing natural or other specific constraints
- € 271 million allocated for Measure 6: Farm and business development

## RDP support to producers of herbs, medical and essential oil plants



Photo credit: Stark.bg

### Sub - measure 4.2. "Investment in processing / marketing of agricultural products"

#### Territorial scope

The territorial scope of projects involving investments in the processing of products of Annex I to the Treaty on the Functioning of the European Union is the territory of the Republic of Bulgaria. The territorial scope of projects involving investments in the processing of products listed in Annex I to the Treaty on the Functioning of the European Union into products other than Annex I to the Treaty is the territory of rural areas.

#### Objectives of the grant awarded under the procedure and expected results

Assistance under the procedure is aimed at achieving the objectives of Sub-measure 4.2. "Investment in processing / marketing of agricultural products" under measure 4 "Investments in tangible assets" of RDP 2014-2020 to improve the overall activity, economic efficiency and competitiveness of food processing enterprises through:

1. better use of factors of production;
2. introduction of new products, processes and technologies, including short supply chains;
3. improving the quality and safety of food and its traceability;
4. compliance with European Union (EU) standards;
5. improving environmental protection.

### **Total amount of the grant under the procedure**

The total amount of the grant under the procedure through selection of project proposals under sub-measure 4.2. Investments in processing / marketing of agricultural products from measure 4 "Investments in tangible assets" is in the amount of BGN equivalent to 166 243 000 BGN.

### **Minimum and maximum amount of grant for a specific project**

1. The minimum amount of the total eligible costs for a project is BGN 29 337.
2. The maximum amount of the total eligible costs for the sub-measure for the whole period of implementation of the RDP 2014 - 2020, including when applying with an integrated project for one applicant, is BGN 3 911 600.
3. The maximum amount of the total eligible/ sub-eligible expenditure for collective investment projects submitted by producer groups or organizations, including when applying with an integrated project for the whole period of application of the RDP 2014 - 2020 for one applicant, is 3 911 600 BGN.
4. The maximum amount of the total eligible costs of the sub-measure for the period of application of the RDP 2014 - 2020 may not exceed BGN 3 911 600, for applicants and / or beneficiaries, who are mutually partner and / or affiliated undertakings within the meaning of the Small and Medium Enterprises Act.
5. Where a candidate under items 1a and 1c of section 11.1. Applicant eligibility criteria participates in a collective investment entity that is a candidate / beneficiary under this sub-measure, the maximum amount under items 2, 3 and 4 includes the amount of eligible costs of the collective

investment project, calculated in proportion to the cases with which he participates in the capital of the legal entity for collective investment.

6. When in a collective investment applicant under item 1b of Section 11.1. "Eligibility Criteria for Applicants" has a member who is a beneficiary or a candidate for previous admission under this sub-measure, the maximum amount under items 2, 3 and 4 includes the amount of eligible project costs of the participant, calculated in proportion to the case, with which participates in the capital of the applicant for collective investment.

### **Co-financing rate**

1. The maximum grant intensity, depending on the category of the applicant company and the place of project implementation, is as follow:

- for projects submitted by micro, small or medium-sized enterprises involving investments in the processing / marketing of agricultural products into products falling within the scope of Annex I to the Treaty is 50 per cent of the total eligible expenditure
- for projects submitted by large enterprises, the financial contribution is 40 per cent of the total amount of eligible expenditure for financial support.

Rural areas:

SMEs 50%

Large enterprises 40%

Outside rural areas

SMEs 50%

Large enterprises 40%

2. The maximum grant intensity for projects submitted by micro, small or medium-sized enterprises involving investments in the processing of products listed in Annex I to the Treaty into products other than Annex I to the Treaty shall be 50% of the total eligible costs of the project.

Rural areas:

SMEs 50%

Large enterprises Not eligible for support

Outside rural areas

SMEs Ineligible for support

Large enterprises Ineligible for support

### **Eligibility criteria for applicants**

1. Persons who, at the date of submission of the project proposal are:

- a) farmers may apply for a grant ;
- b) recognized producer groups or organizations or those approved for financial assistance under measure 9. "Establishment of producer groups and organizations" by RDP 2014-2020;
- c) sole proprietors and legal entities other than the candidates under item 1, b. "A" and 1, b. "B".

2. Applicants must be registered under the Commercial Act or the Cooperatives Act.

3. Farmers under item 1a at the date of submission of the project proposal must meet the following conditions:

- a) be registered as farmers in accordance with Ordinance No 3 of 1999 on the establishment and maintenance of a register of farmers (Official Journal № 10 of 1999);
- (b) the minimum standard production volume of their farm is not less than the lev/BGN/ equivalent of EUR 8000.

4. The minimum standard production volume of the agricultural holding under item 3, b. "B" shall be evidenced by a model declaration in accordance with Annex No 3 for the calculation of the minimum standard production volume of the holding during the current marketing year at the time of application and:

- (a) registration of the land cultivated by the applicant and the animals in the Integrated Administration and Control System (IACS); or
- b) a document for ownership or use of land or orders under Art. 37c, paragraph 4, 10 and 12 of the

Law on Ownership and Use of Agricultural Land, which is involved in its calculation; or

c) the questionnaire forms of the farmer / questionnaire issued by the farmer in accordance with Ordinance No 3 of 1999 on the establishment and maintenance of a register of farmers.

5. The land cultivated by the applicant, which participates in the calculation of the minimum standard production volume of the agricultural holding, shall not contradict the provision of Art. 33b of the Farmers Support Act.

6. For the sole traders who are not registered as farmers under the order of Ordinance No 3 of 1999 on the establishment and maintenance of a register of farmers, the circumstances under item 1, b shall be recognized. "A", item 3 and item 4 as individuals.

7. For sole proprietorships which are not registered or registered in the current or the year preceding the year of application, as farmers under the order of Ordinance No 3 of 1999 on the establishment and maintenance of a register of farmers, acknowledge also the circumstances under item 1, b. "A", item 3 and item 4 of the natural person who is the sole owner of the capital.

### **Eligibility criteria for applicants**

1. According to Art. 25, paragraph 2 of the Law on the Management of the Funds of the European Structural and Investment Funds may not participate in the selection procedure and no financial assistance shall be granted to persons for whom circumstances exist for exclusion from participation in a procurement procedure according to Art. 54 of the Public Procurement Act or who have not complied with an order of the European Commission to recover the unlawful and incompatible state aid granted to them. Applicants are required to declare that they do not fall into any of the categories referred to in Art. 25, paragraph 2 of ZUSESIF and Art. 7 of Decree No.162 / 2016 (Annex No.

4). Potential applicants cannot participate in the project selection procedure and receive a grant if:

1.1. have been convicted by a judgment which has the force of res judicata, unless rehabilitated, for a crime under Art. 108a, Art. 159a - 159g, Art. 172, Art. 192a, Art. 194 - 217, Art. 219 - 252, Art. 253 - 260, Art. 301 - 307, Art. 321, 321a and Art. 352 - 353f of the Penal Code;

1.2. have been convicted by a judgment which has the force of res judicata, unless rehabilitated, for an offense similar to those referred to in paragraph 1 in another Member State or a third country;

- 1.3. have tax obligations and compulsory social security contributions within the meaning of Art. 162, paragraph 2, item 1 of the Tax and Social Insurance Procedure Code and the interest thereon, to the state or to the metropolitan municipality or to the municipality at the seat of the applicant, or similar obligations established by an act of a competent authority, in accordance with the legislation of the country in which the applicant is established, unless deferred, deferred or secured obligations are admitted or the obligation is by an act that has not entered into force;
- 1.4. there is inequality in the cases under Art. 44, paragraph 5 of the Public Procurement Act;
- 1.5. it has been established that:
- (a) they have produced a false document relating to the verification of the lack of grounds for the removal or fulfillment of the selection criteria;
  - (b) have not provided the information required in order to verify the lack of grounds for the removal or fulfillment of the eligibility or selection criteria;
- 1.6. has been established by a penal decree or court decision that, in the execution of a public procurement contract, they have violated Art. 118, Art. 128, Art. 245 and Art. 301 - 305 of the Labor Code or similar obligations established by an act of a competent authority under the law of the country in which the applicants are established;
- 1.7. there is a conflict of interest that cannot be resolved;
- 1.8. have been declared bankrupt or in bankruptcy proceedings or in liquidation proceedings, or have concluded an out-of-court agreement with their creditors within the meaning of Art. 740 of the Commerce Act, or have ceased their activities and, in the case of the applicant being a foreign person, find themselves in a similar situation arising from a similar procedure under the law of the State in which they are established;
- 1.9. have failed to comply with an order from the European Commission to recover the unlawful and incompatible State aid granted to them;
- 1.10. the persons representing the applicant, the members of the management and supervisory bodies and of other persons empowered to exercise control in the decision-making process of those bodies:
- 1.10.1 have been in employment or employment relationship in the RA or MA - within one year of termination of the relationship;
  - 1.10.2. are related persons within the meaning of § 1, item 1 of the additional provisions of the Law on Prevention and Establishment of Conflict of Interests with a person holding a public position in

the MA of RDP 2014 - 2020 or in the RA, which participated in the approval of a project proposal or when processing a request for payment under the concluded administrative contract for the provision of financial assistance;

1.10.3. is a person who falls within the cases under Art. 21 or 22 of the Conflict of Interest Prevention and Establishment Act;

2. The grounds referred to in 1.1, 1.2 and 1.7 also apply to the persons representing the participant or the candidate, the members of the management and supervisory bodies and to other persons having the power to exercise control in decision-making by those bodies.

3. Item 1.3 shall not apply where the amount of unpaid taxes or social security contributions is no more than 1 percent of the amount of annual total turnover for the last completed financial year. Prior to the conclusion of the administrative contract, the declared circumstances shall be proved and verified by the RA regarding the same:

a) with official documents issued by the respective competent authorities for the circumstances for which such documents are issued, in compliance with the requirements of Art. 2, paragraph 1 of the Law on Electronic Governance.

(b) with declarations, for all other circumstances that have not been declared at a previous stage, or where a change has already occurred in the circumstances already declared.

4. No financial assistance shall be provided for projects involving investments for the processing of agricultural products into non-agricultural products other than Annex I to the Treaty or cotton for applicants falling into any of the categories defined in Art. 1 (5) and (6) of Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agriculture and forestry and rural sectors compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union and repealing Commission Regulation (EU) No 1857/2006 (OJ L 193, 1 July 2014), hereinafter referred to as 'Regulation (EU) No 702/2014.

5. With the exception of Article 30, this Regulation shall not apply to:

(a) aid schemes which do not explicitly exclude the payment of individual aid in favor of an undertaking subject to an outstanding recovery order following a previous Commission decision,

declaring the aid illegal and incompatible with the internal market;

(b) ad hoc aid in favor of an undertaking subject to an outstanding recovery order following a previous Commission decision declaring an aid unlawful and incompatible with the internal market.

6. This Regulation shall not apply to aid to undertakings in difficulty with the exception of:

(a) aid for the elimination and compensation of damage caused by natural disasters in accordance with Article 30, aid for the eradication of animal diseases in accordance with Article 26 (8), and aid for the elimination and destruction of dead animals in accordance with Article 27 (1) (c), (d) and (e);  
(b) aid for the following events, provided that the enterprise has become an enterprise in difficulty as a result of the losses or damage caused by the event in question:

(i) aid to compensate for losses caused by a climatic event that could be equated with a natural disaster in accordance with Article 25;

(ii) aid for the costs of eradicating plant pests and repairing and compensating for damage caused by animal diseases and plant pests, in accordance with Article 26 (8) and (9);

(iii) aid to repair forest damage from fires, natural disasters, adverse climatic events that can be equated with natural disasters, other adverse climatic events, plant pests, catastrophic events and climate change events, in accordance with Article 34 (5) (d).

5. No advantage shall be given, and the advantage shall be revoked when it is established that the aid applicant or its members have artificially created the conditions after 1 January 2014 necessary to obtain that advantage contrary to the objectives of European law and the Bulgarian legislation in the field of agriculture.

6. The financial assistance shall not be granted to applicants / beneficiaries of the assistance who are not independent enterprises within the meaning of Art. 4, para. 2 of the Small and Medium-Sized Enterprises Act, which were found to have been incorporated or transformed after 1 January 2014 in order to obtain an advantage contrary to the purpose of the sub-measure under the RDP 2014 - 2020, including for the purpose of obtaining financial aid in excess of the maximum amounts specified in these guidelines.

## Eligible activities

1. By sub-measure 4.2. "Investments in processing / marketing of agricultural products" support projects that lead to improvement of the overall performance of the enterprise by:

- a) introduction of new and /or modernization of the existing capacities and improving the use and / or
- b) implementation of new products, processes and technologies, and / or
- d) reduction of the cost of production, and / or
- e) compliance with newly introduced EU standards, and / or
- f) improved cooperation with raw material producers, and / or
- g) preserving the environment, including the reduction of harmful emissions and waste, and / or
- h) improving energy efficiency in enterprises, and / or
- i) improving the safety and hygiene conditions of production and labor, and / or
- j) improving the quality and safety of food and their traceability, and / or
- k) improving the possibilities of organic food production by processing primary agricultural organic products.

2. Financial assistance shall be granted for investments in the following selected productive sectors related to the processing / marketing of agricultural products:

- (a) milk and milk products, including poultry eggs, with the exception of the production, processing and / or marketing of products, resembling / replacing milk and milk products;
- (b) meat and meat products;
- (c) fruits and vegetables, including mushrooms;
- (d) bee honey and bee products, with the exception of the production, processing and / or marketing of products resembling / replacing bee honey and bee products;
- (e) cereals, mills and starches, with the exception of the production, processing and / or marketing of bread and pastry;
- (f) vegetable and animal oils and fats, with the exception of the production, processing and / or marketing of olive oil;
- (g) industrial and medical crops, including oil rose, herbs and cotton**, with the exception of the production, processing and / or marketing of tobacco and tobacco, sugar and confectionery;

- (h) prepared feeding stuffs for farm animals (feed);
- (i) grape must, wine and vinegar.

3. Financial assistance shall be granted for investments and for the production of energy through the processing of primary and secondary biomass of plant and animal products, with the exception of biomass of fishery products, subject to the requirements of points 25-33 of Section 13.2 activity eligibility 'and provided that the energy will be used for own consumption related to the activities falling under some of the sectors referred to in item 2.

4. The products of the eligible sectors for processing and / or marketing of which are applied for must be described in Annex I to Art. 38 of the Treaty on the Functioning of the European Union, hereinafter referred to as "Annex I to the Treaty", set out in Annex 5 to these Conditions of Application.

5. The conformity of the projects with the sectors is determined on the basis of the agricultural products for which processing and / or marketing is applied for, as well as the final products obtained.

### **Eligibility conditions for the activities**

1. No financial assistance shall be granted for projects involving investments that do not comply with the provisions of the Environmental Protection Act, the Biodiversity Act or / and the Water Act.

2. No financial assistance shall be granted for projects involving investments in the processing of agricultural products into non-agricultural products other than Annex I to the Treaty or cotton for projects which:

- (a) are submitted by applicants for large enterprises, or
- (b) are not made on the territory of rural areas according to Annex 1 to these Conditions of Application.

3. Projects submitted by recognized producer groups or organizations or those approved for financial assistance under measure 9 "Establishment of producer groups and organizations" of the RDP 2014 - 2020 must be directly related to the main agricultural activity of each member and with the primary for the group / organization.

4. No financial assistance shall be granted if the applicant has received public financial assistance from the national budget or from the budget of the European Union for the same investment costs.
5. In order to be eligible, applicants shall submit a business plan in accordance with Annex No 6, which shall contain a detailed description of the planned investments and activities for a 5-year period and, in the case of investments for the execution of construction works, a 10-year period.
6. The business plan must show the improvement of the activity of the applicant's farm or farm or of the members of the producer groups or organizations by implementing the planned investments and activities and achieving one or more of the sub-objectives and in accordance with the principles of sound financial management, publicity and transparency.
7. The business plan must demonstrate the economic viability of the project and the farm or the enterprise for a period of 5 years, and in the case of projects involving investments in construction works for a period of 10 years, the achievement of the indicators set out in Annex No 6 to the measure's application pack.
8. An integrated project business plan must demonstrate that its implementation leads to better financial results from the applicant's business than if the operations or activities are performed individually, and the performance of the integrated project business plan must not exceed less than 10 percent of indicators according to Annex 6.
9. The business plan presented by the producer group / organization must demonstrate the improvement of the members' farms and the group / organization's core business by implementing the planned investments and activities and achieving one or more sub-objectives, and show that investments and activities benefit the whole producer group / organization.
10. The planned amount of production produced by the applicant must cover at least 50% of the processing plant's capacity for the technological project support activity.
11. The minimum production output is calculated arithmetically over the monitoring period.

12. The applicant must prove the presence of at least 50% of the raw material base provided by types of basic agricultural raw materials according to the production program for the first forecast year of implementation of the business plan, and in the case of projects with declared priority under item 1, letter "d "Of Section 15" Eligible audiences "- for the monitoring period.

13. At least 30 percent of the total raw material base specified in the production program for the first forecast year after the commissioning of the investments included in the project must come from own production and / or from registered farmers.

14. In the case of providing a raw material base under item 12 of slaughterhouses, the raw material must be accompanied by proof of origin from registered farmers.

15. Applicants with investments in the production of pelleted feed must demonstrate 100% of the finished product's realization for the entire period of implementation of the business plan.

16. The projects shall be executed on the property - the property of the applicant, and when the property is not the property of the applicant, documents for the established right of construction on the property for a period of not less than 6 years for applicants micro, small or medium enterprises and 8 years for applicants of large enterprises from the date of submission of the project proposal, when a temporary right of construction was established - in the case of applying for construction costs for the construction of new construction, upgrading and / or construction existing building for which a building permit is required under the Spatial Planning Act.

17. The projects are executed on the property - the property of the applicant, and when the property is not the property of the applicant, the projects shall be accompanied by a document for use of the property for a period of not less than 6 years for the applicants micro, small or medium-sized enterprises and 8 years for applicants of large enterprises as of the date of submission of the project proposal - in the case of applying for the costs of:

(a) the purchase and / or installation of new machinery, equipment and facilities necessary to improve the production and / or renovation of buildings; and / or premises ions for which no building permit is required under the Spatial Planning Act;

b) construction works outside the cases under item 16.

18. The document referred to in item 17 (a) is not required when applying for support for the purchase of specialized vehicles and mobile processing facilities that:

- (a) are not permanently attached to land, buildings or premises;
- (b) because of their nature or purpose, they are not used indoors.

19. the project, including costs for construction works shall apply:

- a) capturing facility / equipment and / or architectural plan of the building, structure, facility, which will be built, repaired or updated when the envisaged construction no approved investment project is required under the Spatial Planning Act;
- b) approved investment project, made in the phase "Technical project" or "Work design (working drawings and details)" in accordance with the requirements of the Spatial Planning Act and Ordinance No. 4 of 2001 on the scope and content of investment projects ( promulgated in the Official Journal, issue № 51 of 2001; amend., issue 85 and 96 of 2009, issue 93 and 102 of 2014 and issue 13 of 2015);
- c) detailed quantitative accounts for the envisaged construction works, certified by an authorized person;
- d) a building permit when its issuance is required under the Spatial Planning Act;
- e) the opinion of the chief architect that the construction does not require the issuance of a building permit when its issuance is not required under the Spatial Planning Act.

20. Projects involving the costs of movable objects shall be accompanied by a placement permit issued in accordance with the Spatial Planning Act. Permission to place is also required in the case of submitted project proposals for mobile processing facilities for the processing of products listed in Annex I to the Treaty on the Functioning of the EU into products other than Annex I to the same contract, indicating that the facility will be located on the territory of a rural municipality from the Rural List - Annex No. 1 to these guidelines.

21. For projects involving only declared aid costs for the purchase and / or installation of new machinery, equipment and facilities needed to improve production for which an indoor project is required under the technological design, the applicant shall provide a title or document proving the legal basis for use for at least 6 years from the date of submission of the project proposal, the

buildings or premises where they will be installed or installed and for a period of 8 years - for applicants EMI enterprises.

22. The projects shall be accompanied by a technological design, a scheme and a description of the technological process and a description of the annual capacity of the processing enterprise by types of production set out in the production and commercial program of the business plan.

23. Project activities and investments for which a license, permit and / or registration is required to carry out the activity / investment under Bulgarian law shall be supported only if the relevant licenses, permits and / or document certifying the registration are presented.

24. Financial support is also provided for investments in the production of energy from renewable energy sources.

25. Investments under item 24, including projects with investments for the production of electricity and / or thermal energy or energy for cooling and / or production of biofuels and bioliquids, shall be supported if they are for own consumption and do not exceed the necessary amount of energy to cover the needs of the enterprise. The capacity of the installations must not exceed 1 MW.

26. In the case of combined heat and power production, the capacity of the installation must correspond to the useful heat required for the activities of the undertaking.

27. In the production of electricity from biomass, installations must produce at least 10 per cent of heat.

28. Investment projects for the production of biofuels and bio liquids shall be supported provided they meet the sustainability criteria set out in Art. 37 - 40 of the Renewable Energy Act.

29. Bioenergy used, including biofuels, raw materials for cereals and other starch-rich crops, sugars and oilseeds and raw materials used for feed, shall not exceed 20 per cent of the total raw materials used for such production. .

30. The condition under item 29 does not apply to waste products from crops not used for feed.

31. The project proposal shall be accompanied by an analysis certifying the fulfillment of the conditions of items 25-30 prepared and agreed by a competent person with competence in the relevant field.

32. In the production of bioenergy, the applicant must demonstrate the availability of raw materials for the period of implementation of the business plan.

33. Financial assistance for the conversion of products of Annex I to the Treaty into products other than Annex I of the Treaty or cotton shall be granted in accordance with the requirements of Regulation (EU) No 702/2014.

34. Applicants for financial aid whose investments fall within the scope of Regulation (EU) No 702/2014 shall provide a declaration of the amount of State aid received in the form set out in Annex 7.

35. For the application for assistance submitted prior to the announcement of this admission, for which the applicants request a transfer request, the activities and expenses incurred after the submission of the application for assistance and expenses under Art. 30, para. 1, item 11 of Ordinance No. 20 of 27.10.2015 on implementation of sub-measure 4.2. "Investments in processing / marketing of agricultural products" from measure 4. "Investments in tangible assets" of the Rural Development Program for the period 2014 - 2020 (SG, issue 84/2015) if made no earlier than January 1, 2014. Expenditures for construction works performed after submitting the application for support and before submitting the request for transfer are eligible if they have been incurred after the on-site visit under Art. 36, para. 2 of Ordinance No. 20 of 27.10.2015 on the implementation of sub-measure 4.

36. The following shall not be supported as a separate project or activity:

- (a) demolition of old buildings and production facilities;
- (b) investments in intangible assets;
- (c) marketing of the product (s) only, except where the project is for a producer market and / or where those products are the result of processing of agricultural products by the applicant.
- (d) the purchase of specialized vehicles.

37. Collective investment projects under this selection procedure are eligible for support only if they are submitted by recognized producer groups / organizations.

### **Inadmissible activities**

1. Expenditure included in the operational programs of applicants - fruit and vegetable producer organizations in accordance with Ordinance No. 11 of 2007 on the conditions and procedure for recognition of fruit and vegetable producer organizations and their associations and the conditions and procedure for approval and amendment of the approved operational programs (promulgated, SG 42/2007);
2. Activities eligible for assistance under Art. 1 of Ordinance No. 2 of 2014 on the Terms and Conditions for Granting Financial Assistance under the National Program for Support to the Wine Sector for the Period 2014 - 2018 (promulgated, Pfficial Journal No. 34/2014; amend. ., Issues 60 and 89 of 2014) for the production of wine products under Annex No. 1 of the Wine and Spirits Act;
3. Activities related to the production and storage of olive oil and table olives;
4. Activities, assisted under Art. 6 of Council Regulation (EC) No 1952/2005 of 23 November 2005 on the common organization of the market in hops and repealing Regulations (EEC) No 1696/71, (EEC) No 1037/72, (EEC) No 879/73 and (EEC) 1981/82 (OJ L 314, 30 November 2005);
5. Activities related to the processing and / or marketing of fish and fishery products;
6. Where the rules of the Common Organization of the EU Agricultural Markets or direct support schemes financed by the European Agricultural Fund for Agricultural Guarantee impose restrictions on production or EU support at the level of individual farmer or individual holding, investment which would increase production beyond these limits are not supported;
7. No financial assistance shall be granted for projects involving investments which do not comply with European and national legislation.

## Eligible costs

1. Construction, acquisition and modernization of buildings and other real estate related to production and / or marketing, including those used to protect environmental components;
2. Purchase, including through financial leasing, of new machinery, equipment and equipment necessary to improve the manufacturing process of processing and marketing, as well as their installation;
3. Purchase of land necessary for the implementation of the project in connection with the construction and / or modernization of buildings, premises and other immovable tangible assets intended for production activities;
4. Purchase of buildings, premises and other real estate necessary for the implementation of the project intended for production activities in the territory of a rural area according to Annex No 1;
5. The purchase, including through financial leasing, of specialized vehicles, including refrigerated ones, for the transportation of raw materials or finished goods used and manufactured by the enterprise;
6. Construction / upgrading, including equipment of applicant-owned laboratories located within the enterprise and directly related to the needs of the production process, including through financial leasing;
7. Tangible investments to achieve compliance with newly adopted Union standards in accordance with Annex 8, including through financial leasing;
8. Costs of complying with internationally recognized standards for management systems, costs of introducing good manufacturing practices, quality management systems and preparation for certification in enterprises only when these costs are part of the applicant's overall project;
9. Purchase of software related to the applicant's processing activity, including through financial leasing;

10. For know-how, acquisition of patent rights and licenses, registration of trademarks and processes necessary for the preparation and implementation of the project;

11. Costs related to the project, incl. costs of feasibility studies, fees, fees for architects, engineers and consultants, cost-effectiveness consultancy for projects carried out both during the preparation of the project and during its implementation, which may not exceed 12 percent of the total eligible project costs included in items 1 - 10.

### **Conditions for eligibility of costs**

1. Financial assistance under this procedure shall be provided within the limits of the available RDP 2014-2020 funding in the form of reimbursement of eligible costs actually and actually paid.

2. The eligible costs under item 11 of Section 14.1 "Eligible costs" may not exceed the following amounts:

(a) for consultancy and legal services related to the preparation and management of the project, as part of the costs under item 11 of Section 14.1 "Eligible costs" may not exceed 5 percent of the eligible costs under items 1 - 10 of Section 14.1 "Eligible costs", but not exceeding BGN 68 453;

(b) the cost of preparing a technical and / or work project, including the preparation of a technology project related to the eligible investment costs of the project, as part of the costs referred to in point 11 of Section 14.1 "Eligible costs", may not exceed 2, 25% of the eligible costs under items 1 - 10 of Section 14.1 "Eligible costs";

c) the cost of construction supervision related to the eligible investment costs of the project as part of the costs under item 11 of Section 14.1 "Eligible costs" may not exceed one percent of the eligible costs under items 1 - 10 of Section 14.1 "Eligible costs";

d) the costs related to the eligible investment costs of the project feasibility study, energy audit, environmental impact assessment, fees for architects and engineers, as well as beyond those under items 1, 2 and 4, as part of the costs under 11 may not exceed 1.5 percent of the eligible costs under items 1 - 10 of Section 14.1, "Eligible costs".

2. The costs for the purchase of land, buildings and other real estate related to the project activities under items 3 and 4 of Section 14.1 "Eligible costs" may not exceed 10 percent of the total eligible costs under item 1 and 2 and items 5 - 10 of Section 14.1 "Eligible costs".
3. The expenses under item 11 of Section 14.1 "Eligible Expenditure" shall be eligible if they have been made no earlier than 1 January 2014, regardless of whether all related payments have been made.
7. The activities and costs of the project, with the exception of the costs referred to in item 11 Section 14.1 "Eligible costs", shall be eligible if they are made after the submission of the project proposal, regardless of whether all related payments have been made.
8. Costs for the purchase of land, buildings and other real estate - real estate related to the project activities are eligible for financing up to the amount of their tax assessment valid at the date of submission of the project proposal. If, at the date of acquisition, the tax assessment is of a lower value, expenditure up to that amount is eligible.
9. The purchase by financial leasing of assets is eligible provided that the beneficiary of the aid becomes the owner of the asset concerned no later than the date of submission of the application for interim or final payment for the same asset.
10. The paying agency shall evaluate the reasonableness of the proposed cost of financing under items 1-11 of Section 14.1 "Eligible costs" by comparing the proposed cost with the reference costs identified by the PA for eligible assets and services and / or comparing the presented offers.
11. A list of the names of the assets, activities and services for which reference costs have been determined is attached to these conditions of application, Appendix 9.
12. For each cost declared under item 1 - 11 of Section 14.1 "Eligible Expenditure", which is included in the list under item 11 at the date of submission of the project proposal, the applicant submits an independent tender in the original, containing the name of the tenderer, the period of validity of the tender, the date of issue of the tender, signature and seal of the tenderer, detailed technical

specification of the assets / services, price in levs or euros with value added tax (VAT) indicated. The paying agency shall make a comparison between the amount of the designated reference expenditure and the applicant's financing proposals, approving the financing up to the lower amount.

13. For each cost declared under item 1 - 11 of Section 14.1 "Eligible Expenditure", which was not included in the list under item 11 at the date of submission of the project proposal, the applicant shall submit at least three comparable independent tenders in original, containing the name of the tenderer, the period of validity of the tender, the date of issue of the tender, signature and seal of the tenderer, detailed technical specification of the assets / services, price in levs or euros, VAT included. The applicant shall also submit a decision on the selection of the supplier / contractor, a request for a tender in accordance with annex 10, and, if he has not selected the lowest tender, a written justification for the reasons for his selection. In these cases, the PA shall make a comparison between the amount of expenditure indicated in each of the tenders submitted,

14. In the cases referred to in items 12 and 13, the tenderers, when resident must be entered in the commercial register and the tenderers - non-residents, must submit a legal document in accordance with their national legislation. Tenderers of construction works, local and foreign persons, must be entered in the Central Professional Register of Builders in accordance with the Law on the House of Builders and be able to carry out construction and / or individual types of construction and assembly works in the respective category in accordance with the requirements of Art. . 3, paragraph 2 of the Law on the House of Builders. The requirement for entry in the Commercial Register does not apply to the National Agricultural Advisory Service, natural persons providing services under item 13.

15. Where the applicant has submitted comparable tenders for the cost claimed, despite the fact that the cost is included in the list under item 11, the PA shall make a comparison between the amount of expenditure indicated in each of the tenders submitted and the amount of the specified reference expenditure, approving to finance the expense to its lowest amount. Where the applicant has provided a reasoned justification for the choice made, the comparison shall be made between the amount of the reference expenditure identified and the amount of the proposed cost of financing and the PA shall approve the cost to the lower amount.

16. The requirements under items 10-15 shall not apply to the expenses for the purchase of land, buildings and other real estate declared for financing.

17. For the expenses under item 11 of Section 14.1 "Eligible costs" incurred before the date of submission of the project proposal, the applicants who are contracting authorities under Art. 5 and 6 of the Public Procurement Law, upon submission of the project proposal, submit a certified copy by the Contracting Authority of all documents from the procedure for selection of contractor (s) carried out in accordance with the requirements of the Public Procurement Act.

18. For candidates who are contracting authorities under Art. 5 and 6 of the Public Procurement Act, the reasonableness of the expenditure can be assessed by comparison with certain reference costs.

### **Ineligible costs**

1. Purchase of second-hand equipment, machinery and equipment;
2. Value Added Tax (VAT), with the exception of non-recoverable VAT, when it is actually and definitively paid by applicants other than the persons exempt from tax under Art. 3, paragraph 5 of the Law on Value Added Tax;
3. Leasing, except financial leasing and compliance with the requirement under item 7 of Section 14.1 "Eligible costs";
4. Operating expenses incl. maintenance costs, rentals, insurance;
5. Bank fees, guarantee costs, interest payment and refinancing;
6. In-kind contribution;
7. research to develop new products, processes and technologies;
8. Retail;
9. HACCP (Hazard Analysis and Critical Control Point) certification and other internationally recognized standards;
10. Purchase of new machinery and equipment, incl. computer software, above their market value;
11. Expenditures made through cash payments;
12. Interest and commissions, profit of the leasing company, refinancing interest expenses, operating and insurance expenses under the leasing contract, in the case of financial leasing;

13. For project proposals that have been artificially created to receive the aid in order to obtain an advantage contrary to the objectives of the measure;
14. For investments that are a mere replacement;
15. For the costs of construction works performed before the on-site visit under item 7 of Section 21.1 "Preliminary evaluation of project proposals";
16. For assets or activities insofar as they exceed the reference cost specified.

## Sub-measure 6.1 "Start-up aid for young farmers"



Photo credit: VEDA

Sub-measure 6.1 "Start-up aid for young farmers" of measure 6 "Farm and enterprise development" of the Rural Development Program 2014-2020.

### 1. Aims of the sub-measure:

Projects that contribute to the objectives of sub-measure 6.1 "Starting aid for young farmers" are supported, including:

- facilitating and supporting the process of setting up viable and sustainable farms or taking over existing farms from young people;
- promotion of employment.

## 2. Who can apply for sub-measure 6.1?

Eligible candidates are:

- individuals;
- sole traders (sole proprietors) and sole proprietors limited liability companies (EOODs) registered under the Commercial Law;

## 3. What are the eligible activities for support?

Sub-measure 6.1 "Start-up aid for young farmers" is not investment, ie. it is not linked to direct financing of investment costs, but is aimed at supporting the process of creating viable and sustainable farms or taking over existing holdings from young people, as well as promoting employment and job creation.

## 4. How much is financial support?

The total amount of financial assistance per applicant is no more than the BGN equivalent of EUR 25,000, divided into two payments as follows:

- first payment in the amount of BGN 12,500 equivalent - to be made after the conclusion of the financial assistance contract;
- second payment in the amount of BGN 12 500 equivalent - it is made when after verification the PA determines the exact implementation of the business plan.

The applicant himself determines the end date of the business plan verification period;

The business plan must prove:

- the viability of the farm;

- increasing the economic size of the holding from its original size by at least BGN 4,000, as measured in the SPO, at the latest by the end of the period specified in the business plan for verifying its implementation.
- the business plan must show that the applicant will maintain a farm size of at least EUR 8000 as measured in the CSP for the period from the date of application for support until the planned increase.
- the business plan must contain an explicit description of the periods of the relevant marketing year in which the applicant plans to plant / sow the crops throughout its implementation period, as well as information on the minimum number of plants per unit area for fruit, vineyards, perennial essential oil crops (including oil rose, lavender and peppermint), nurseries and nurseries for permanent crops and ornamental crops.
- the activities and / or investments in tangible and intangible assets included in the business plan must be relevant to the particular activity of the holding.
- the business plan must include at least one investment in tangible and / or intangible assets.

##### **5. Who will receive priority when applying?**

Priority is given to:

- projects of applicants who have completed secondary or tertiary education in the fields of agriculture, veterinary medicine and / or economic education with agricultural focus;
- projects involving activities carried out in the livestock and / or fruit and vegetables sectors;
- projects of applicants whose holdings are in the process of conversion to organic production or have switched to organic production;
- projects that create jobs and jobs.

Compliance with the selection criteria shall be assessed at the date of submission of the aid application, in accordance with the application and the documents annexed thereto.

## Sub-measure 6.3 "Starting aid for the development of small farms"



Photo credit: Stark.bg

Sub-measure 6.3 "Start-up aid for the development of small farms" of measure 6 "Development of farms and enterprises" of the Rural Development Program 2014-2020.

### 1. Aims of the sub-measure:

- the economic development and strengthening of small farms as sustainable and viable units;
- accelerating the modernization and technological upgrading of small farms;
- improving environmental protection and combating climate change.

### 2. Who can apply for sub-measure 6.3?

- individuals over the age of 18;
- sole traders (sole proprietors), sole proprietors limited liability companies (Ltd.) or limited liability companies (Ltd.) registered under the Commercial Law;
- cooperatives registered under the Cooperatives Act.

### 3. What are the eligible activities for support?

The financial support is free of charge and is provided for the sustainable development and growth of small farms.

No financial assistance is provided for activities related to tobacco production. No financial assistance is granted to farms that continue to grow tobacco after the end of the marketing year in which the grant agreement was concluded.

#### **4. How much is financial support?**

The total amount of financial assistance per applicant is no more than the BGN equivalent of EUR 15,000. The financial assistance shall be granted for a maximum period of five years and provided that the business plan submitted to the application for aid has been correctly implemented.

The aid is paid in two stages:

1. first payment in the amount of BGN 10 000 equivalent - after the conclusion of the financial assistance contract;
2. second payment in the amount of BGN 5,000 - when the correct implementation of the business plan is established after the verification.

The deadline for implementation of the business plan is set out in the contract for the provision of financial assistance in accordance with the end date of the verification period set in the business plan.

#### **5. Who will receive priority when applying?**

Priority will be given to projects by farmers who:

- at the time of application for support they have registered holdings and kept animals or grow crops in the fruit and vegetables sector and / or the essential oils sector according to a list of names of animal and plant species. This list include **MEDICAL AND AROMATIC CULTURES:**

**Annuals:** Anise, coriander, caraway, savory, valerian - a biennial culture, basil, white thorn (silibum), chamomile, marjoram, tatul, black merudia, etc.

**Perennial:** Oilseed rose, lavender, mint, marshmallow, oregano, echinacea, yellow poppy, winter green, hyssop, thyme, medical rose, wormwood, pyrethrum, Rosemary, salvia, famous, rosehip, etc.

- own holdings which have switched to organic production of agricultural products and foodstuffs within the meaning of Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labeling of organic products and repealing Regulation (EEC) 2092/91 (OJ L 189/1 of 20 July 2007) (Regulation (EC) No 834/2007);
- own an agricultural holding located entirely in a mountainous area in accordance with the Ordinance on defining the criteria for disadvantaged areas and their territorial scope, adopted by Decree No 30 of 2008 (SG, issue 20 of 2008).

## V. Bridges Loan against Subsidy

The bridges loan against subsidy is provided by the **Micro Financing Institution (MFI) JOBS EAD**, created in 2010 as a part of the group of the Bulgarian Development Bank. Its main purpose is to facilitate the access to financing of the micro and small businesses, agricultural producers, freelancers, craftsmen and others who develop or start new business on the territory of the country. Through MFI JOBS EAD using effective models and practices in the area of microfinance we create conditions for successful development of the micro business.



The main purpose is a long term providing of financial services to the micro and small enterprises.

In this way MFI JOBS EAD improves their access to financial services, contributes to the creating and retaining of workplaces, reduces their “exclusion” from the market of financial services and helps the target groups to develop their own business ideas.

## 1. Product Description

### Investment loan

- Long-term loan to finance approved investment costs under a contract with the State Fund for Agriculture (SFA).
- A prerequisite is the existence of a contract with the State Securities Fund under an approved project for the provision of grants.

### Bridge credit for VAT payment

- Provision of a credit line for payment of VAT under the project financed under item 1.

## 2. Target group

- New and existing MFI Jobs clients eligible for lending, farmers - natural persons registered as farmers, legal entities, sole traders, cooperatives cultivating agricultural land (own or leased).
- Financing of companies / farmers with no financial and business history is allowed, provided that solvency third parties (FL and / or YU) are met under the requested financing, who meet the requirements of the MFIs and will jointly guarantee the loan servicing.

## 3. Size

### Investment loan

- Up to BGN 300.000 / (their equivalent in EUR) and subject to the following condition:
- Up to 90% of the value of the investment project excluding VAT.
- Minimum amount of self-participation - 10% of the value of the investment project excluding VAT.
- It is permissible for the client's self-participation to be less than 10% (respectively, the loan amount is greater than 90% of the investment amount), provided that additional collateral of essential importance for the client is provided (sole or basic production base, personal property in which the

client lives, etc.), providing a coverage of the credit exposure (investment loan and VAT credit) of at least 150%.

### **Bridge credit for VAT payment**

- Up to 90% of the VAT due on the approved expenses, according to the contract concluded between the borrower and the State Tax Fund and the applicable tax legislation.

### **4. Currency**

BGN, EUR

### **5. Adoption**

#### **5.1. Delivery time**

#### **Investment loan**

- Negotiable, but not more than 12 months from the date of the loan agreement.  
In the case of financing the purchase of FTA, the absorption deadline corresponds to the delivery and testing deadline (if any) and commissioning.
- In the course of construction, acquisition and improvement of real estate, the term may not be longer than the term according to the project timetable provided.

### **Bridge credit for VAT payment**

- Negotiable, but not exceeding the term of the investment loan.

#### **5.2. Method of absorption**

#### **Investment loan**

- Once or in parts.
- Cashless on the account of the borrower at the Bank.

## Source of Information

- European Commission, Bulgaria CAP in your country, Publication
- European Commission, Factsheet on 2014-2020 Rural Development Programme for Bulgaria, Publication
- The Medicinal Plants Act, Bulgaria Official Journal № 96 / 01.12.2017
- The Environmental Protection Act, Bulgaria Official Journal № 36 / 03.05.2019
- The Biodiversity Act, Bulgaria Official Journal № 98 / 27.11.2018
- The Forests Law, Bulgaria Official Journal № 17 / 26 .02.2019
- Law for Protected Areas, Bulgaria Official Journal № 1 / 03.01.2019
- Ordinance No. 2 / 20.01.2004 of the Ministry of environment and water on the rules and requirements for the collection of herbs and genetic material from medicinal plants, Bulgaria Official Journal № 14 / 20.02.20104
- Ordinance No. 5 / 19.07.2004, Bulgaria Official Journal № 85 / 28.09. 2004
- Order No. RD-88 / 20.01.2019, Ministry of Environment and Waters, document
- 2014-2020 Rural Development Programme for Bulgaria, Ministry of agriculture, food and forest, document
- National Guarantee Fund web-site, <http://www.ngf.bg/>