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SUPPORT FOR FAMILY FARMS THROUGH THE LAND SOURCE OF INCOME PROGRAM - A CASE STUDY FROM BULGARIA

Case study

BULGARIA

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Introduction

During different stages of the development of Bulgaria, the trends in agriculture vary significantly but its socio-economic role is always important. According to Atanasov et al (2014) family farms are the backbone of agriculture and rural regions in the European Union. In order to achieve the objectives of the Bulgarian sustainable development strategy and those of the Europe 2020 Strategy, it is necessary for all farming systems to work efficiently and minimize their negative environmental impact, to create benefits for the society, to employ good agricultural practices and to maintain farming traditions. In pursuit of these European values the family farms, which are mostly small ones, face a number of difficulties. However, their vitality and flexibility helps them deal with the challenges, in some cases even better than the larger enterprises.

Until 1944, family farms were the basis of both Bulgarian agriculture and the national economy. During the planned economy (1944-1989), the family farm model was replaced by large cooperatives and Agro-Industrial Complexes. The government's policy was aimed at industrialization, which becomes the main priority of the economic policy. A slow but substantial restructuring of agriculture took place (Johnson, 1982). For Bulgaria the changes in the land ownership were important because 75.3% of the population was rural, with predominantly small family farms (National Statistical Institute, 1994). The government took over the cooperative initiative and introduced Soviet-type collectivization in the villages (Stefan, 2010). According to 1946 Law on Labor Land Property, agricultural lands above 20 ha, and for some regions with bigger farms – above 30 ha, were nationalized (State Gazette, 1946). Even though this forceful collectivization met resistance in certain regions, the process continued, and by the end of 1957, 86.5% of all land was included in the labor cooperatives (TKZS) (Panayotov, Nikolova, 1999). In 1962, the process of nationalization of land, livestock and inventory was completed (Nedeleva, 2010). Industrialization caused migration of the rural population, which for the period 1946-1989 reaches nearly 2.4 million people. (Avramov, 2007).

According to Hristov (2018) all that led to reduction of private property and gradual loss of family traditions. Aleksiev and Penov (2006) added that the most popular cooperative form that time – the labor-cooperative, contributed to the achievement of economies of scale and to the development of social capital in the country. The latter was determined by the decision-making body at the local level and the corresponding increase in the level of trust among the participants in the process. In addition, the inclusion in the cooperatives of wealthier farmers, often possessing the necessary knowledge and skills, as well as the increase in the scale of production, led to the realization of better economic results at micro level. This created prerequisites for additional consolidation, including amalgamation of several cooperatives, and later to the emergence of Agro-Industrial Complexes.

However, family farms continued to exist in the form of so-called domestic farms, which played an important role in the intensive crop production and animal husbandry. In the end of the 1970's, the large-scale agriculture had some difficulties related to intensive and labor-

intensive production sectors – fruits, vegetables and livestock. The challenges led to revision of the status of family farms. The government turned to the so-called domestic economy, since the planned economy could not overcome the persistent deficit (Panayotov, Nikolova, 1999). In 1977, the Council of Ministers issued a special "Decree on self-sufficiency of the population with fruits, vegetables, meat, milk, eggs and fish through domestic holdings. According to the decree, the domestic family farm is defined as a form of additional production aimed to satisfy the food needs of the population, using only household members' labor and land provided for personal use, without interfering with their regular participation in the public economy. It was not allowed to use hired labor. At that time private farms represent insignificant share in the total resources, but their strong incentives ensured efficient production. In the late 1970's they contributed not only for meeting household needs but also supplying urban markets with agro-food products (Bachev, 2008). On one hand, those farms ensured the livelihood of households, and on the other they supported the export volumes of the country in terms of fresh fruits and vegetables (Hristov, 2018).

After the collapse of planned economy, during the period of transition to a market economy, family farms had crucial role for ensuring the food security of the country and self-subsistence of the population. In this period, severe challenges and difficulties affected Bulgarian agriculture and rural regions. The land was returned to its owners based on the regulation of The Law on Ownership and Use of Agricultural Lands. The law has been amended many times (65 times as of early 2016) and has been criticized. Boyukliev (2016) claims that despite the numerous changes of the mentioned legislation, it is characterized by lack of a pragmatic approach, as well as with heavy and unclear bureaucratic procedures. In most former socialist countries, land reform ended relatively quickly – until 1993. In Bulgaria it continued almost until 1998. The unclear property rights were a serious obstacle to development of family farms and in addition led to land fragmentation (Di Falco et al, 2010). According to Stefan (2010) the restitution of agricultural land in their real boundaries has fragmented the plots, and has created a serious need for consolidation. Bulgarian agriculture, partly as a result of this fragmentation, has been one of the sectors with severe difficulties to recover after 1990's. The significant reduction of crop and livestock production is seen as one of the negative consequences of the transformation of agriculture in the country. Produced agricultural products in 1997-1998 were nearly 40% lower than in 1989-1991 (Onchev, 2000). After the cessation of the activity of labor cooperatives in the early 1990's, the process of amending the regulations related to land ownership and agricultural development had begun (Aleksiev and Penov, 2006; Hristov, 2018). The transition period is associated with serious transformations of agricultural production systems, organizational changes and changes in sectorial structure. Some of those changes influenced positively the development of family farming in Bulgaria (Beluhova-Uzunova et al., 2018). The restitution of agricultural land, the issues in the country's industry and the high rate of unemployment led to migration to rural areas and the development of family farming. In the 1990's agriculture was considered as an opportunity for self-subsistence and/or an additional source of income.

In the beginning of the 2000's Bulgaria was in a process of negotiations for EU membership. During the pre-accession period (2001 – 2005), the agriculture in the country was dominated by crop production, which formed 66% of the sector's output (Beluhova-

Uzunova et.al, 2018). The animal husbandry, on the other hand, which was leading in the 1980's lost its dominance. The implementation and adaptation to the Common Agricultural Policy was related to serious challenges. The negotiation chapter "Agriculture" for Bulgaria was finalized in 2002. It was the largest and the most difficult one, covering about 50% of the entire EU legislation. (Hristov, 2018).

After the accession of Bulgaria to the EU in 2007, the structural transformation of agriculture in the country led to the dominance of large holdings, while the number of small farms began to decrease. As a result of the European and national policy implementation, the structure of agriculture became unbalanced and polarized. There was a strong differentiation in crop production at the sectorial and regional levels. The share of vegetables, fruits and vineyards was reduced substantially, compared to cereals and oilseeds. Despite the significant concentration of agricultural holdings, after the accession to the EU, livestock farms in Bulgaria remained smaller and more fragmented (Beluhova-Uzunova, 2019). The overall structure of agriculture was unbalanced, with the share of crop production exceeding twice that of livestock production.

In 2014-2020, the Bulgarian agricultural policy through EU funds was directed to priority sectors such as fruits, vegetables and livestock. After the 2013 CAP reform, measures as redistributive payments and financial support for small and young farmers were introduced, with the ambition, to be fairer and more efficiently targeted. Despite the changes, many challenges remained (Beluhova-Uzunova, Atanasov, Shishkova 2020). The farm structure was still unbalanced, with dominance of large holdings that concentrate utilized agricultural area and financial support. By contrast, small family farms were struggling to survive and some of them disappeared.

Nowadays family farms are the most common structure and an essential part of the rural economy. They play a key role for the social development of Bulgaria. According to the 2016 Farm structure survey, the number of family farms was 190 000 (94% of all holdings). They accumulate 22.2 % of utilized agricultural area and 31.3% of standard output. In Bulgaria, 75.4% of all agricultural labor is concentrated in family farms. Bulgarian family farms are vital for the sustainable development of rural areas, although at the political level their importance is not so widely recognized.

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Methodology

The case study method of descriptive type was applied, following the sequence proposed by Soy (1997): (1) the research questions were defined; (2) the information was collected through in-depth unstructured interviews, as well as through the use of secondary sources of information – the database of the Bulgarian Registry Agency, publications and documents on the official website of the Land Source of Income Foundation and its partners and donors; (3) field studies were carried out – on-site visits to the office of the Land Source of Income Foundation, as well as visits to a total of 30 beneficiaries from three of the settlements where the organization works: the village of Chalakovi, the town of Perushtitsa and the village of Padarsko; (5) data were evaluated and analyzed (6) results were described.

a. Agenda Setting

The demographic trends in Bulgaria show the depopulation of the country, especially in rural areas. According to the National Statistical Institute, in 2017 the population in rural municipalities was 2,696,887 people, decreasing by 319,226 between 2010 and 2017. The most significant decline in rural municipality's population was reported in 2011 (-5%). During 2011 – 2017, the number of inhabitants steadily decreased by about 1% per year. For this period, the population in rural municipalities decreased by 11%. For comparison, the population in urban municipalities, decreased for the same period by 3%.

The educational level of family farmers is low and their average age is increasing. According to the 2016 Farm Structure Survey the share of farm managers with only practical experience was more than 90%, while only 2% have higher education. In addition, both the share of young farmers and the share older managers was higher than the EU average. In EU-27, the farmers below 40 were 9.9% and 32.3% of all were those above 65 years of age. Data from the 2016 Farm Structure Survey revealed that in Bulgaria, young farm managers (under 40) in family farms represent 12.66%, and those over 65 years are 35.61% of all farmers. The ageing of family farmers was accompanied with the lack of continuity of the business by the younger generation (Arabyan, 2017). Another issue that farmers had during that period was the fragmentation of land (Beluhova-Uzunova, Shishkova, Hristov, 2021). The plots were too small and difficult to cultivate. According to Eurostat data, the average size of family farms in Bulgaria is 5.25 hectares. In the EU-27, the average size is 10.84 hectares.

Despite numerous information and awareness campaigns about the CAP Pillar I and Pillar II that include commercials on the TV, flyers, posters and information meetings and discussions, provided by the Ministry of Agriculture and the National Agricultural Advisory Service, there is still low activity and lack of real interest to invest and use the potential funding opportunities. In general, many small family farmers do not trust the institutions and continue to believe that European funds are designed only for large commercial farms (Hristov, 2018; Nikolova, 2020). In addition, there are other challenges such as lack of effective producer organizations, underdeveloped short supply chains, difficult access to consultant services, assisting the family farms in the preparation of application documents for subsidies, insurances etc., as well as bureaucracy and complicated application procedures.

Bulgaria is among the EU countries with the highest level of risk of poverty and social exclusion, even though there is a positive downward trend in the percentage of the population

falling into this category. Eurostat data showed significant differences in the risk of poverty and social exclusion between rural and urban areas in Bulgaria. In 2020 the relative share of people at risk of poverty and social exclusion in the country's rural areas is 48.8% compared to 24% in urban areas. Overall, about one third of Bulgarian population is at risk, compared to 23% in the EU-27 (Eurostat statistics Explained, 2021).

A number of programs and projects are implemented to tackle poverty and social exclusion, mainly aimed at supporting family businesses and income generation in rural areas. At the same time, several researchers concluded that the success of individual projects and initiatives was determined by the application of an integrated approach that combines various elements of sustainable development (Kabeer and Castro-Isaza, 2012; Shishkova, 2020). It was emphasized that the access to tangible assets must be carried out in conjunction with the empowerment of the population, which would allow the desired results in the field of ecology and environmental protection to be achieved.

For family farms, access to financial resources is one of the main challenges and often crucial when starting and running a business. Often family farms are very small and do not meet all the requirements of banks, which makes it difficult to obtain the necessary financial resources to expand. They have low creditworthiness, due to the lack of assets that can serve as collateral, as well as due to the high risk in the agricultural sector. Therefore, small family farms rely mainly on their own resources to finance investments and cover production costs. This was limiting their development as the lack of financial support deters investments in land and agricultural machinery (Penov et al., 2012).

In Bulgaria, farmers receive support mainly under the first and second pillars of the Common Agricultural Policy. Investment measures under Pillar II of the CAP require a high share (between 40-60%) of co-financing of investments by farmers. Therefore, small family farms that do not have initial capital and / or the necessary credit guarantees are not able to expand and modernize. Investment activity is also limited by the lack of knowledge in development and management of investment projects (Hristov, 2011; Boshkilov, 2017; Borisov et.al, 2019).

Some farmers consider the process too bureaucratic and risky; therefore they refuse to participate in the Pillar 2 schemes for support. This problem is partially overcome by the bottom-up approaches. Such an approach is LEADER¹/CLLD². These are the EU's most successful instruments, helping to build trust in the local community and empower the population (Pisani and Franceschetti, 2011; Christoforou and Pisani, 2015; Shishkova, 2021). In Bulgaria, this approach is preferred by farmers over direct participation in the Rural Development Program (RDP) measures. This is due to the fact that the trust is significantly higher in local institutions than that in national ones. The importance of the continuous assistance from the LEADER Local Action Groups (LAG) was widely recognized. However, some families from disadvantaged groups still could not benefit from the opportunities provided by LEADER/CLLD, due to the lack of own financial resources to co-finance the

¹ French abbreviation: "Liaison Entre Actions de Développement de l'Économie Rurale" which means, 'Links between activities for the development of rural economy' (https://enrd.ec.europa.eu/leader-clld/leader-toolkit/leaderclld-explained_en)

² Community-led local development (CLLD)

initiatives. That is why, this approach turned out to be more efficient in cases of commercial and more developed family farms in Bulgaria.

The activities of organizations that support landless and low-income families play a crucial role in this sense. The Land Source of Income Foundation applies an integrated approach in the rural areas of Bulgaria. The focus of the activities carried out by this Non-Governmental Organization (NGO) is primarily the sustainable economic and social development of disadvantaged families. The approach is providing support directly to family farms to do business in the sector and is among the successful practices in the country.

b. Program Formulation

The transition to a market economy led to serious challenges in rural areas, particularly among the disadvantaged groups (Penov et al., 2012). Due to the difficult macroeconomic situation in the country during the 1990's associated with hyperinflation, unemployment, issues with food security, these groups had difficulties in accessing resources.

After the transition from planned economy to market economy serious structural and sectoral transformations were observed in Bulgaria, combined with political instability (Beluhova et al., 2018). The government did not manage to build administrative capacity and financial resources to provide alternative business opportunities in the rural regions.

Due to the difficult situation of disadvantaged families, the Dutch non-governmental organization, Novib contacted a group of experts who had experience in developing programs and projects. Novib is a world-wide development organization that mobilizes the power of people against poverty. They work to find practical and innovative ways for people to lift themselves out of poverty and thrive. Based on broad discussions with different stakeholders (NGOs, scientific institutes, representatives of local community), the main challenges facing these population groups have been identified. As such were highlighted low income of rural households, limited access to resources, low level of education and others. Penov et al. (2012) emphasized that the situation in the Roma community was particularly challenging. As a result, the establishment of a pilot program began. The purpose of the pilot phase was to test the effect of different types of instruments in order to establish a practical approach to support marginalized communities in rural areas. It was developed based on a logical framework approach. The basic logic of the model is that it starts with on-the-ground observation. On the basis of these observations, conclusions are formulated and solutions are proposed. According to Penov et al. (2012) and Glaser and Strauss (2006) this approach is more likely to lead to evidence-based results and is therefore more appropriate for research on socio-economic issues in all sectors of the economy. During the pilot phase, the project team implemented a variety of alternatives to support landless families in rural areas. Some of the tested alternatives include schemes for common cultivation of land, donation schemes, and various micro-credit schemes. In addition, different trainings and consultations have been provided. Possibilities for using land from the State Land Fund, for land acquisition of poor and landless families also have been considered. During this period, the main directions for the development of the future model were highlighted. It was observed that at that time, the model had no analogy in Bulgaria.

One of the needed ways for development was related to the challenges caused by the lower educational level of people in rural areas, especially among the representatives of the

Roma ethnic community. In this regard, raising the knowledge of people in these areas was considered as a good option for help and contribution. During the pilot phase another issue was highlighted, the access to finance. For the development of the small agricultural business, families need land, long and short-term assets. At the time when the team started working on the project, banks granted loans for the purchase of similar assets against very high interest rates (significantly over 20%) and the requirements included too high collateral for protection. In general, the only property that families could pledge/mortgage was their home or the agricultural land they cultivated. During this period, the price of housing was very low, due to the low demand for such properties. Also, a primary residence could not serve as a pledge under Bulgarian legislation. The other alternative, the cultivated land was too limited in size to guarantee the loan. In addition, most of the Roma families in rural areas did not have their own land due to the historical development of the ethnic minorities in Bulgaria. Before 1944 they had a nomadic lifestyle and did not own any property. For this reason, during the transition period during the 1990's, when the agricultural land was returned in the real boundaries, Roma families did not receive land. Therefore, these families had very limited access to the official banking system.

Another option that was explored during the pilot phase was the advisory support. The reason for this was related to the fact that during the planned economy (1944-1989) families worked in large cooperatives under the guidance of an agronomist. The business development after the transition however required independent decision-making, which was based on skills that these families did not have.

Therefore, the three elements of the model – training, financial support and consultations were marked as essential for family farming in the rural regions of Bulgaria. As a final result, Land Source of Income Program was created with a focus on the development of economic initiatives carried out by disadvantaged families through an Integrated Model for Supporting Small Business in Rural Areas (Penov et al., 2012; Penov and Georgiev, 2021). The main priorities of the program were: (1) providing access to land for families who have adopted agriculture as a permanent livelihood; (2) formation of practical skills in families for effective agricultural activity through conducting consultations and trainings; (3) providing families with access to finance through the application of financial mechanisms for fixed assets and working capital for agriculture (Penov et al., 2012).

The model consists of two main components: (1) human resource development and (2) access to tangible assets (Figure 1). The first component develops resource efficiency skills, while the second component helps families accumulate assets. Both components are applied simultaneously (Penov and Georgiev, 2021).

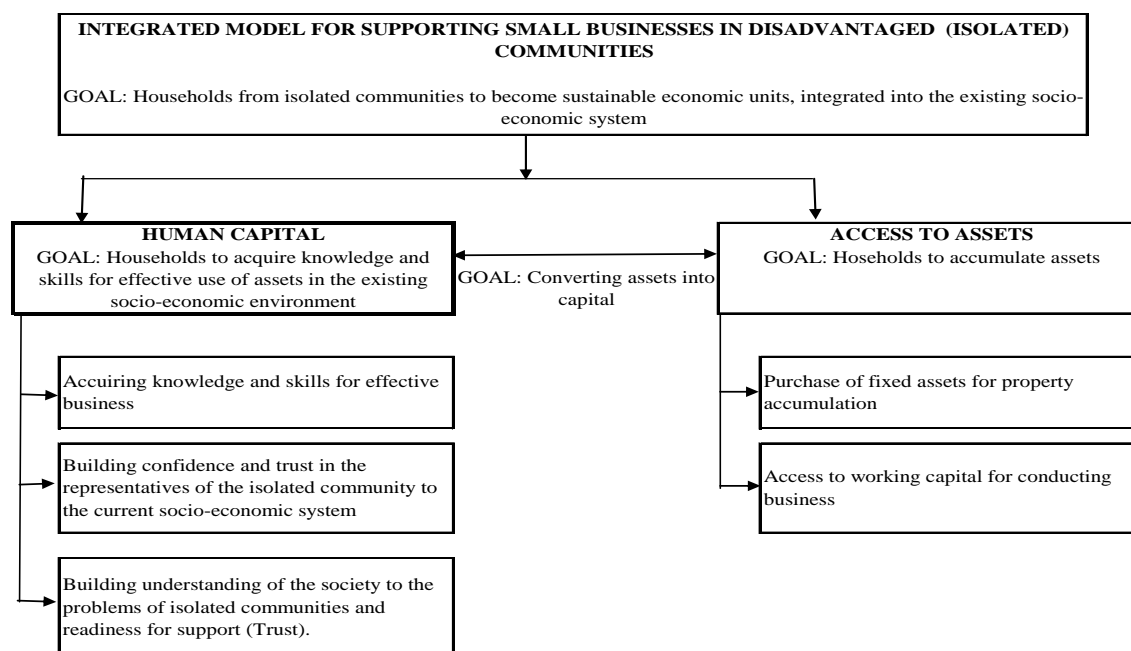


Figure 1: The elements of the Model
 Source: Land Source of Income Foundation (2017)

1. Human potential development:

For the development of human potential, it is necessary to provide specialized expert support: (1) specialized consultations, (2) specialized trainings and (3) access to information related to agricultural production. Specialized consultations in the work process (learning by doing) are the most actively used tools in the model. They form technological knowledge and skills in families by solving specific practical problems. Specialized trainings are conducted in the form of thematic courses and seminars. Thus, longer-term goals are pursued, related to acquaintance with new productions and technologies, methods and means for business planning and management. Access to up-to-date information is provided through the distribution of specialized technological, economic and legal publications. These publications are used to promote self-expansion.

(1) Specialized consultations

The provision of specialized consultations is carried out by the Agro-information Center, which is an internal structure of the Land Source of Income Foundation. Based on the specific needs of the farmers, the specialists in this center (experts in different fields - agronomy, economy, engineering, livestock breeding, law etc.) provide access to the relevant knowledge and skills for the families involved in the program. Producers can be consulted either at the office of the Agro-information Center or be visited on site by the specialists. Since the consultations consider particular problem that individual farmers are facing, they are given to the individuals (or to the members of the particular family). If several families are facing a similar problem, consultations can be given in small groups. When families are supported with new and more innovative equipment, they are trained to use the equipment properly and efficiently.

The agronomists in the Center monitor the agricultural activities of the families

participating in the program's financial schemes. They also periodically visit the participants and consult them how to improve the condition and practices in crops production.

Each family receives economic, financial and legal advice for implementation of different activities. The ideas proposed by the farmers for the development of their holdings are analyzed by the economists at the Agro-information Center. They recommend tips and paths for their implementation. If the ideas are seen to have a potential and the families are considered to have the ability for implementation, the initiatives are also financially supported by the program. Legal advice is also free of charge for the families. They receive a variety of legal assistance related to their communication with national, regional or local institutions.

(2) Specialized trainings

The specialized trainings are organized at least once a year by experts of the Agro-information Center for all participants in the program. Thematic seminars on vegetable production, plant protection, viticulture, fruit growing, animal breeding and other are also organized. The aim of the specialized trainings is to improve the theoretical knowledge of the participants in the program in the field of agriculture, as well as their entrepreneurship skills and abilities for successful business planning, and that of the short thematic seminars - to contribute to solving important problems that families face in the process of their current activities. Specialized trainings are organized in villages where larger groups of program participants are concentrated. Parts of the specialized trainings take place in the professional agricultural high schools, located in nearby villages. Traditionally, the Foundation maintains a good professional relationship with these schools. Encouraging young people to implement innovative practices is done in two ways – through the official school system (student initiatives, motivation meeting with Roma girls) and by individual work with the children in the families (youth initiatives for boys and girls). The latter are oriented towards achieving generation renewal and women empowerment.

(3) Access to information

For the access of specialized information in the field of agriculture, as well as for practices supporting the activities of farmers, various publications are used, which are specially adapted for small scale farming and families with little agricultural experience. In May 2001, the first booklet in the Land Source of Income series was published.



Figure 2: Brochures issued in support of family farms

Source: Land Source of Income Foundation website

By the end of 2010, more than 18 brochures with technologies for growing different crops had been issued. In recent years, the foundation has also been preparing standard technological maps for the cultivation of various agricultural crops, as well as standard business plans for investments in various types of crops. Technology maps and business plans can be adapted by farmers according to the size and needs of their holdings.

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Figure 3: Technological maps and business plans developed in support of family farms

Source: Land Source of Income Foundation website

2. Access to tangible assets

Families' access to tangible assets is ensured through financial services for: (1) purchase of land, (2) long term assets (small tractors, farm equipment and other) and (3) short term assets (fertilizers, plant protection products and other). All financial services have three main components: (1) personal contribution, (2) interest charged, and (3) collateral.

The purpose of the personal contribution is to select candidates who are willing to invest and risk their own financial resources. At the same time, this serves as a limiting factor that prevents families from undertaking too risky activities and investments. A fixed interest rate is applied. The role of the interest charged is to protect the accumulated funds from inflationary processes and to cover part of the operating costs for the provision of financial services. The collateral protects the resources of the program in case some of the participants cannot meet the payments. In most cases, the land that is purchased through the program is used as collateral.

The implementation of the financial schemes

Since the participants in the program are mostly landless and low-income families who do not have property to serve as a guarantee of the allocated funds, the initial participation scheme is that of the purchase of land, therefore for new participants, the first stage usually begins with the purchase of land. Once families start paying off the property, they can apply for the short term and long-term assets schemes.

Table 1: Basic conditions of the financial schemes of the Model

Conditions		Land	Long-term assets	Short-term assets
Personal contribution	(%)	20	30	Up to 50
Annual interest	(%)	6	7	7
Duration	(Years)	Up to 5	Up to 3	Up to 1
Collateral		Land	Land, a promissory note	Land, a promissory note

Source: Penov et al., 2012

c. Program adoption/endorsement

The Land Source of Income Program is aimed primarily at landless and low-income, but enterprising Roma families in rural areas who want to secure a living. Its main purpose is to help these families to become landowners and receive a long-term income from it. The model created by the Foundation's team complies with the restrictions of national legislation and is constantly redefined in parallel with legislation changes. The main reason for the establishment and development of the model is that the challenges and issues with minorities and disadvantaged group are significant and according to the Foundation team these do not receive attention at the national level. The team members examined numerous national agricultural and rural development programs and projects, programs aimed at increasing employment among marginalized communities, agricultural advisory programs, and

microcredit programs for small and medium-sized businesses. They concluded that the instruments applied in the country are fragmented. There is a lack of an integrated model to provide support. The different types of family farms have different needs – some are related to training, others have skills but rather need financial support or consulting support for more specific problems – communication with institutions, particular agro-technical and economic advice to optimize their activities.

The team of specialists that developed the Pilot Program later became the founders of the Land Source of Income Foundation. The goal was to create a model for developing disadvantaged communities in the rural areas of Bulgaria. The model and its components suggest implementation by the non-governmental sector due to the need for closer interaction and communication with families and immediate actions for purchasing short-term assets. The latter is a prerequisite for this type of program to be complementary to those implemented by the government and to assist in achieving the goals set at the national level (Shishkova, 2017).

Decision making process

The procedure for selection of participants and initiatives to be supported includes the following main steps: (1) socio-economic analysis of the project proposal for an initiative; (2) discussion of the possibilities for the development of the relevant business by the specific family and the availability of the necessary knowledge to implement the initiative; (3) applicant's history (for participants who have benefited from the previous phases of the program) within the program (implementation of previous initiatives and recovery of funds provided for their implementation); (4) a meeting of the Board together with the team members and a final decision.

The legal form of contracts

After the economic initiative proposed by the family is approved, the asset is purchased by the Foundation and immediately sold to the participant. The family and the Foundation sign a contract for the purchase of the asset. It specifies the dates on which the participants have to make their down payments, the sanctions in case of non-fulfilment of the obligations and some general legal issues. At the moment of signing the contract, the family pays its own personal contribution to the Foundation. The rest of the amount is paid for a period up to 5 years (table 1) according to the pre-agreed financial plan. It is important to point that no money is provided to the families but they receive the assets, purchased by the Foundation.

Supporting non-agricultural small family business initiatives

Agriculture can provide a relatively good income for Roma families, but it is received once or twice a year. In occasions of a bad harvest or low prices, families experience serious financial challenges. In addition, they need to meet their monthly expenses during the year. For this reason, the *Land Source of Income* Foundation gradually begins supporting non-agricultural activities of the families (small shops, fast food places, hair dressing shops, tire repairing shops etc.). In most cases these small businesses are not related to the agricultural activities of the families, however, businesses related to the agricultural activities are also

considered as possible options. The main logic is families to receive a more balanced income, on one hand, and on the other, the family's activities to be diversified, which allows more successful risk management.

For this type of initiatives, a detailed business plan is prepared by the Foundation's economists and lawyers in partnership with the family wishing to implement their business idea. The business plan covers both the expected return from the project and a detailed analysis regarding the application of the initiative in the specific settlement (competition, suppliers, own building (rental premises), legal requirements for the implementation of the relevant activity, and others). This leads to: (1) better adaptation of the idea to the specifics of the area; (2) optimization of required resources due to more accurate planning; (3) compliance with the legal framework in the implementation of the initiative by the family.

d. Program Implementation

The development and implementation of the program went through four stages: (1) pilot phase (1997 – 1999); (2) first Stage (2000 – 2003) Setting up the main structural parts; (3) second Stage (2003 – 2007) Institutionalization; (4) Third Stage (2007 – 2011) European Funds as a tool for Program Development; (5) Fourth Stage (2011 – present) Dissemination of experience.

At all stages of the program's development, the main goal was: families to become independent economic units, which is achieved by: (1) providing them with access to material assets and (2) increasing the level of human and social capital of their members.

Pilot phase (1997 – 1999)

The financing of the pilot program was provided by the Dutch non-governmental organization Novib. During this period, a scheme was developed and implemented for the provision of capital for agriculture in two villages of the Plovdiv region. At the start of the pilot project, places were chosen where there would be a critical mass of people to participate in the program (landless and low-income families engaged in agricultural activity). Also, during this stage, it was important that there was enough agricultural land in the State Land Fund in the area to support the process of land acquisition for Roma families. An important prerequisite for the implementation of the program is the facts that in the region of Plovdiv, 65% of the Roma families live in villages. At the same time, 90% of Roma families are landless (do not own any agricultural land). This forces them to look for land to rent, or to be workers in the larger farms (Penov et al., 2012). The pilot phase started in December 1997 and was carried out by the C.E.G.A Foundation - Creating Effective Grassroots Alternatives-Sofia, in cooperation with the Regional Development Foundation Roma - Plovdiv and with the consulting assistance of the Institute for Market Economics - Sofia. C.E.G.A. Foundation is a non-profit organization registered under the Bulgarian Persons and Family Act in 1995 and re-registered in 2002 according to the new Act on legal entities with non-profit purposes as an organization working for public benefit. The aim of this NGO to encourage capacity building in different levels and to stimulate the changing of attitudes and improvement of policies for social inclusion of disadvantaged communities (C.E.G.A., n.d.). The role of C.E.G.A. Foundation is related to the expertise of the organization in local development and local self-government (community involvement in local government). After 2010 with the

completion of project financing by Novib S.E.G.A. Foundation ended its participation in the project. The aim of Regional Development Foundation Roma Plovdiv is to contribute for the development of the Roma community and encourage the integration and socialization of Roma in society, based on civil participation in solving problems of local importance. This foundation is the first Roma non-governmental organization in Bulgaria. It was established in 1992 as the Roma Social Assistance Foundation (Roma, n.d.). The main objective of it was to provide expertise to Roma communities. After the pilot phase, the organization ended its participation in the project because it was interested in working with Roma communities in big cities rather than in rural areas.

The Institute for Market Economics (IME) is the first independent economic policy NGO in Bulgaria. Its aim is to encourage free market solutions in order to overcome challenges faced by Bulgarian citizens. This mission has been in the center of its work since the Institute was registered as non-profit legal entity in 1993. The NGO's objectives are to provide independent survey and analysis of the government's economic policies and to stimulate discussions among market economics on relevant policy issues (Institute of Market economy, n.d.). The role of the IME was to develop various instruments for the economic development of marginalized communities in rural areas under the national legislation. After the end of the pilot phase, IME ended its participation in the project due to the completion of their tasks.

The financial support provided during the pilot phase (between 30 - 425 euros per family) is returned to a specially created Regional Development Fund. During this period, 75 landless Roma families from the two villages were supported. A mandatory condition for re-participation in the program is reimbursement of the funds received by the families. In the first year, the return on funds in one of the villages reached 62%, while in the other it was only 14%. Due to low returns, the participation of families from the second village was terminated. In the second and third year, a group of Roma families with skills and persistence in agricultural activity was formed in the first village.

During the pilot phase, participants had access to specialized agro-technical, economic and legal information, provided through individual consultations, workshops and trainings.

First stage – Setting up the main structures (1999-2003)

Based on the experience during the pilot phase, the first stage of the program was developed. It started in 1999, with the establishment of the Agro-Information Center. The analysis of the activities during the pilot phase showed the need of special center for training and consultations. The newly created structure started offering a wide range of consultations, specialized information and training that were wider than in the pilot phase. A year later, a limited partnership company also was established. It includes 7 reliable families – participants in the pilot phase. From that moment on, anyone who purchased land with the support of the company becomes its limited liability member. The main task of the limited partnership company was to provide financial support for the purchase of land, agricultural machinery and short-term assets for Roma families occupied in field of agriculture. During this phase, both structures function under the direct management of the C.E.G.A. Foundation. However, Land Source of Income Foundation (LSIF) was founded in Plovdiv as independent organization registered in the Commercial register and register of non-profit legal entities.

The decision to establish the limited partnership company was made because this structure has important advantages – it encourages social capital development, local community engagement and enables the use of various mechanisms to guarantee the provided loans. The inclusion of the supported participants in the company provides transparency and strong possibilities for monitoring and helps to develop management skills in family farms.

However, in the end of the period, the experts from the program concluded that "limited partnership" form is not suitable due various reasons. First, the lack of legal practice created difficulties in its administration. Second, a significant part of the decisions making process must be taken by the general assembly, which, with an increase in the number of participants, makes the operational work more complicated. Third, the inclusion of each new member in the program requires re-registration of the company which is long and complicated procedure. Fourth, the manager has unlimited liability for the company's activities, which creates too high risk for the person.

Second stage - Institutionalization (2003-2007)

This phase began in the middle of 2003, when Land Source of Income Foundation (LSIF) was founded in Plovdiv as independent organization registered in the Commercial register and register of non-profit legal entities. The Agro-Information Centre started to operate under foundation direct management. At the same time, a Limited Liability Company (LLC) (100% owned by the Foundation) was established, also under the direct management of the Land Source of Income Foundation. The aim of the LLC was to implement the financial schemes (previously operated by the Limited Partnership Company). This helped for the better management of the financial support tools for families.

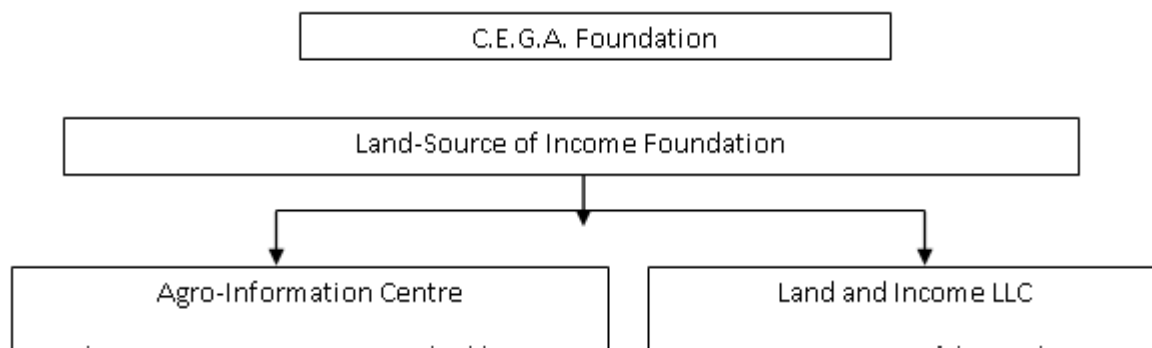


Figure 4: Organizational structure of the Program (2003-2010)

Source: Penov et al., 2012

During this period, pilot financing of non-agricultural initiatives also began, using the existing two schemes for the purchase of long-term and short-term assets. This enables the diversification of income sources for families and expands the scope of the program and included families aiming to diversify their small businesses outside of agriculture as well and/or start non-agricultural activities.

In the statute/constitutional act of the LSIF (2003:2), it is written that: *The Land Source of Income Foundation works for the development of rural areas by promoting participation in local economic initiatives, and the main priorities in its work are: (1) Financial support of local economic initiatives; (2) Dissemination of information and*

provision of advisory assistance for the implementation of sustainable economic initiatives among disadvantaged communities; (3) Building and strengthening local partnerships for project preparation and implementation; (4) Increasing the capacity of local institutions and organizations for the development of rural areas.

Land Source of Income Foundation is managed by a managerial board, which is led by a chairman. The foundation has two structures: an Agro-Information Centre and a Limited Liability Company (LLC). The Agro-Information Centre is an internal structure of the foundation and helps for the development of human potential by organizing trainings, providing consultations and information. The access to tangible assets is provided by the LLC. Decisions on the allocation of funds under the financial schemes is taken after consultation with the group of experts in the relevant fields - agronomy, animal breeding, economics, and other experts that are part of the foundation team.

The Foundation works closely with the National Agricultural Advisory Service, as well as with the Agricultural University - Plovdiv, to provide professional consultations and advice to the families participating in the program.

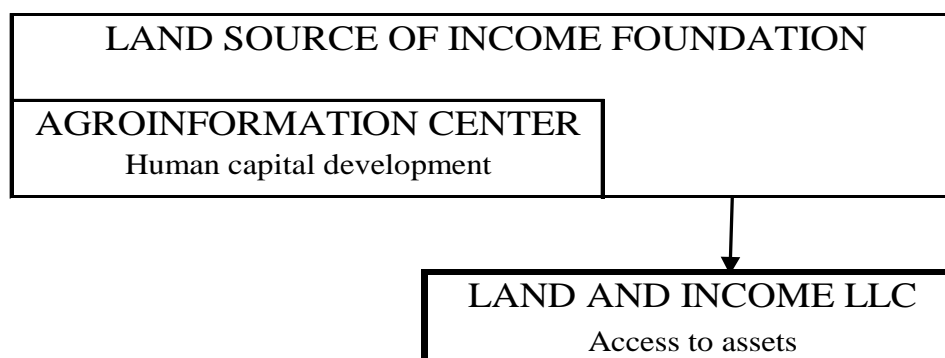


Figure 5: Organizational structure of the Land Source of Income Foundation;
Source: LSIF (n.d.)

The projects carried out by the foundation over the years contribute to the development of integrated model for supporting small businesses in disadvantaged communities (Figure 1).

Different types of trainings an on-the-spot agro-consultancies



Source: *Land Source of Income* Foundation website

Third Stage (2007 – 2011) European Funds as a Tool for Program Development

In 2007 Bulgaria joined the European Union. After the accession the experts from the Land Source of Income Foundation recognized new opportunities for supporting disadvantaged families from the structural funds and operational programs of the EU. Each operational program includes different measures. The measures are instruments of economic and social policy. Part of the measures of the operational programs are aimed at developing human resources, and another - at supporting investments in various sectors of the economy. However, the implementation of the model to support disadvantaged families requires implementation of two tools: (1) development of human potential; (2) assisting the investment process.

Operational programs create new opportunities for developing the model and provide new possibilities, however, new challenges for the organizations applying the approach also were observed. These challenges are related to the administrative capacity of the foundation in assisting the application process and the famers' capacity for co-financing and communication with institutions.

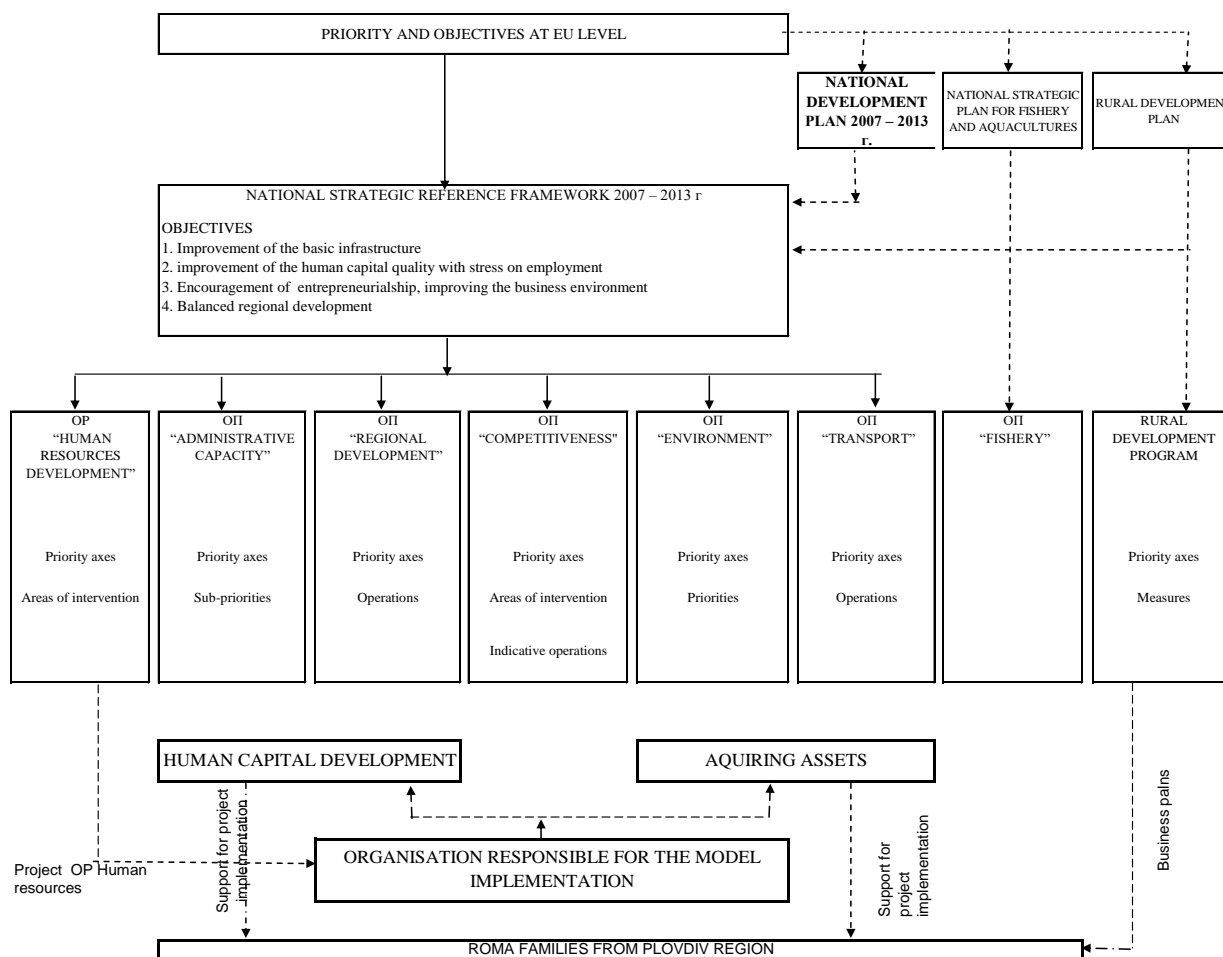


Figure 6: Opportunities for Financing the Model through European Funds
Source: Penov et al., 2012

Rural Development Programs are also considered as a tool for financial support allocation. In addition to the schemes supporting the participants in the Program, the Foundation's team observed opportunities to orient the already successful participants to

other schemes and programs implemented in Bulgaria. A prerequisite for the process was that several participants were significantly expanding their activities and the funds provided by the Foundation are not sufficient to support their larger projects because the financial resources available in the fund are limited.

In this regard, in 2008 the LSIF team looked towards the LEADER/CLLD approach. According to Penov et al. (2012), indirect support of the local community could be achieved through the creation of the Local Action Groups (LAGs). For this reason, the LSIF team, through additional information campaigns, supports the creation of two LAGs in the areas where the families participating in the program are concentrated. Unfortunately, at that early stage of the implementation of the relevant measure from the RDP 2007-2013, the strategies of the respective two LAGs were not approved for funding. After that, the Foundation team began to provide additional consulting support to help projects development for the independent participation of families for investment support under the other RDP measures. The results of the interviews conducted with representatives of the Foundation, as well as the document analysis reveal that this consulting support actually contributed financially much more than the funds allocated by the Foundation (Box1). That is why this type of consulting assistance is pointed out by the foundation team as very important, especially, considering the serious administrative burden for small family farms when participating in investment support measures (Hristov, 2018).

Box1

Between 2009 and 2018, ten business plans have been developed and financed by the Rural Development Program and this allowed these Roma families to invest over 500 000 BGN. This amount is more to what the Land Source of Income Foundation has been able to provide during the last ten years of its work. This set a new direction in the Foundation's activities – strengthening consultancy and technical support for the small farmers in the Plovdiv region in developing and implementing business plans for the RDP and applying for direct payments.

Source: Penov and Georgiev, 2021

Stage four “Dissemination of experience” (2011 – present)

In 2010, the Foundation began to disseminate the Integrated Model for Supporting Small Businesses at the national level. The model had a long process of implementation in different municipalities of Plovdiv region. Today the program works in 12 of the 18 municipalities of the Plovdiv District. As a result of the experience in Plovdiv district, Land Source of Income Foundation is currently a partner with five non-governmental organizations in different regions of Bulgaria. This enables the Model to be tested and adapted for diverse/different socio-economic conditions.

In order to disseminate the model in other regions, an analysis of potential partners for its implementation in the country was initially conducted. Based on survey made by experts of the foundation list of 52 organizations across the country has been compiled. On the basis of research of the available information for organizations, qualitative and quantitative analysis

was made. As a result, 21 potential partners were selected. They were invited to participate in the program. Among the main criteria for their selection are the following main characteristics of the organizations:

- The organization is active and has significant experience in past and ongoing projects
- The organization works with Roma communities
- The organization is engaged to some extent with the economic development of Roma community and/or supports entrepreneurship in Roma communities.

Fifteen of the invited organizations were interested in participating in the program. The experts of the foundation sent them in-depth questionnaires to assess their capability to participate in the program. The organizations that returned the completed questionnaires (14 organizations) were visited on site. In-depth interviews were conducted with their representatives. As a result, 10 organizations were assessed as suitable for implementing the model and were invited to participate in a series of trainings related to the specifics of implementing the model. After completing the trainings, six organizations continue to the next stage and start implementing the model in their regions.

In two of the organizations, the model began to be implemented successfully, and four abandoned it for various reasons. Among the main reasons for the issues with the adaptation of some of the initially selected partners are: (1) illness of the Chairman of the board of the partner organization (2) lack of motivation (3) difficulties with the implementation of a model as a result of the increased administrative requirements for small businesses

In 2013, new partners of the foundation were identified. Three new organizations were selected, trained and quickly started partnership. The selection process in this stage was faster and easier, since the potential candidates for applying the model were already identified from the previous stage. Some of the mistakes made in the previous phase were also overcome. According to the foundation team as mistakes can be outlined selection criteria for the organization, the topics and form of the trainings, some specifics of the regions. The main criteria for the new choice were not that much the experience of the organizations in participating in projects, rather than the access and knowledge to the issues of the local community. Since organizations go through training process in field of economics, finance as well as in applying the model, they do not encounter serious difficulties in its implementation. Also, all organizations work closely with LSIF and with the other partners and can use the existing expertise in complicated situations.

As a result, the Integrated Model for Supporting Small Business is currently being successfully implemented by the Land Source of Income Foundation, as well as 5 partner non-governmental organizations throughout the country: Association LARGO, city of Kyustendil, Kyustendil District; Future Foundation, city of Rakitovo, Pazardzhik District; World Without Borders Association in the city of Stara Zagora, Stara Zagora District; Asthma Patients Foundation in the city of Yambol, Yambol region and New road Association, village of Hayredin, Vratsa district.

An important lesson that the members of the Land Source of Income Foundation team derived from the two stages of the model's dissemination was that a key success factor in the implementation of the model had been the good knowledge and commitment of the organizations to the issues in the local community, rather than a good economic and financial background.

Funding sources

The Land Source of Income Program receives support from various sources: (1) donor organizations; (2) EU operational programs; (3) national programs (programs for employment, programs for integration of segregated communities, programs to increase education and qualification); (4) individual donations.

The Foundation was initially supported by Novib, through the S.E.G.A. Foundation (Penov et al., 2012). Since Bulgaria accessed the EU in 2007, Novib (that was originally supporting poverty reduction in developing countries) was not able to support the project any longer. In 2006, due to the forthcoming end of the Novib project support, Land Source of Income Foundation began to look for other opportunities to apply the Integrated Model for Supporting Small Businesses. In order to secure the financing of the activities, the team began to participate in various European and national operational programs. Considering the complexity of the model, the various components have to be financed through projects under various operational programs managed by the Ministry of Education, the Ministry of Justice, and the Scientific Research Fund. During the fourth phase financial support for the dissemination of the model in Bulgaria is provided by the America for Bulgaria Foundation and the Trust for Social Achievement Foundation (both organizations are directed to socio-economic and cultural development, mainly in disadvantaged areas of the country). The support was provided on a project basis. The Land Source of Income Foundation also relies on the voluntary work of established specialists in the fields of development, law, and finance to keep its model up-to-date in accordance with national and European legislation. A number of individual donations (from small and large businesses, personal donations, etc.) are also received to implement the activities under the Land Source of Income Program.

Effects of the Land Source of Income Program

The number of supported families in Plovdiv region is increasing gradually. In the beginning of the *Land Source of Income Program* the number was relatively small. However, the program proves its success and especially after the accession to the EU. For the analyzed period the total number of supported families is increasing over 62 times.

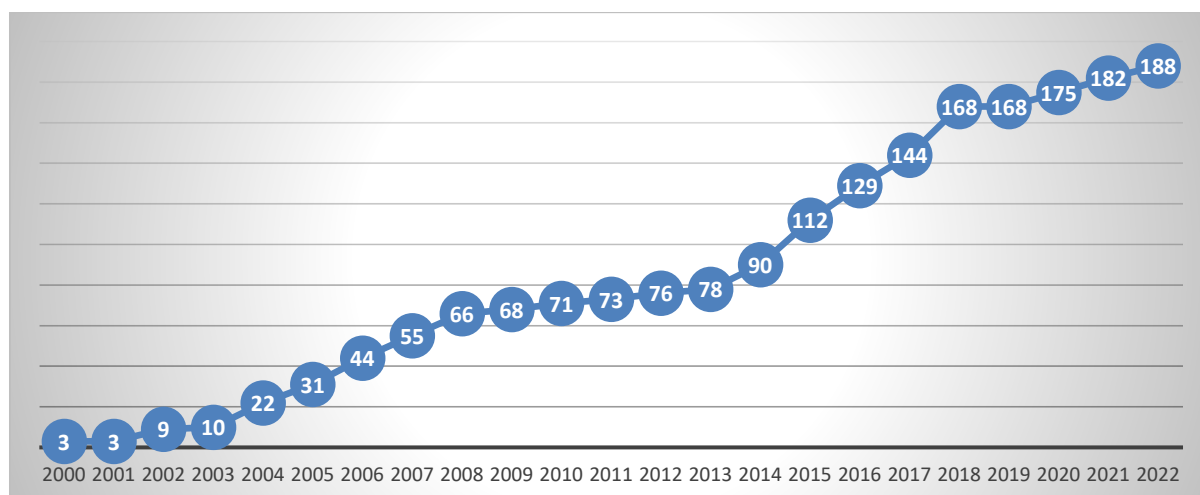


Figure 7: Number of supported families in Plovdiv region
Source: Land Source of Income Foundation website

For the period 2000-2021, BGN 552 642 were allocated under the program. The biggest share is allocated for land, followed by short-term assets and long-term assets.

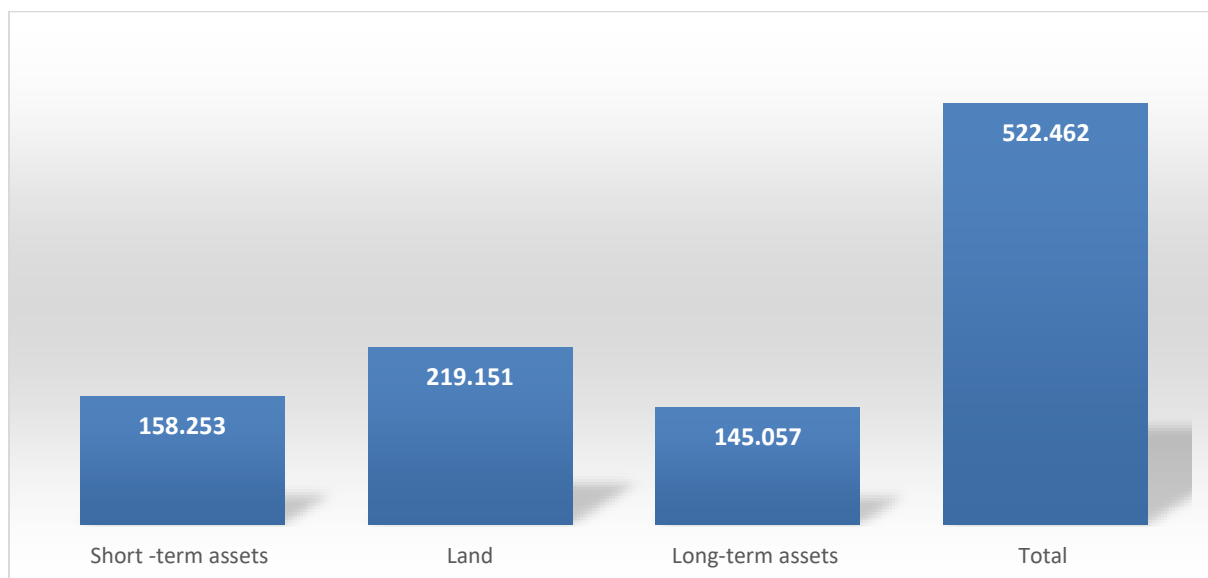


Figure 8: Financial support provided to beneficiaries in Plovdiv by sources (2000-2021)
Source: Land Source of Income Foundation website

The highest share of the land of total value on the provided support can be explained with the specifics of the model. The participants are mostly families with low income who do not have property as a guarantee of the allocated funds. Therefore, the initial participation scheme is that of the purchase of land.

There is variation in number of consultancy support (Figure 9).

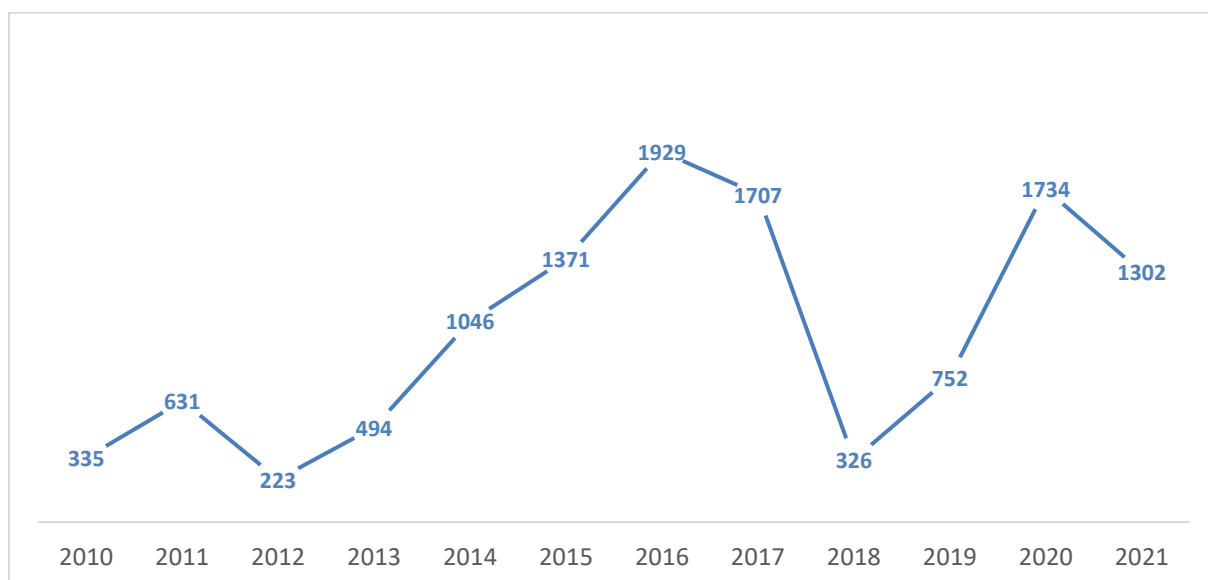


Figure 9: Number of provided consultancy support in Plovdiv region
Source: Land Source of Income Foundation [website](#)

The dynamic of the consultations can be explained with the project participation of the Foundation. In the periods when the Land Source of Income receives more financial funds by various donors or projects, more consultancy support is provided.

Recognition

- **CAP communication award 2013**



Source: Land Source of Income Foundation [website](#)

The Land Source of Income Foundation was awarded with the Special Jury Award at the prestigious European Commission's CAP Communication Awards 2013.

- **Innovative farmer of the year 2017- Social innovations**

For the social innovation, as well as for successful implementation of Land Source of Income Program in a number of areas, the Foundation received the first prize in Innovative farmer of the year 2017.



Source: Land Source of Income Foundation [website](#)

e. Program monitoring and evaluation

Since participants in the program are primarily landless and low-income families who have no property to serve as collateral, the starting point in the program is purchasing land. Once families begin to pay back the instalments for land, they can apply for purchasing agricultural machinery and short-term assets.

This approach has several advantages. First, the conditions under which families work are close to the real market in Bulgaria. Second, the risk is shared between the organization providing the funds and the participants in the program.

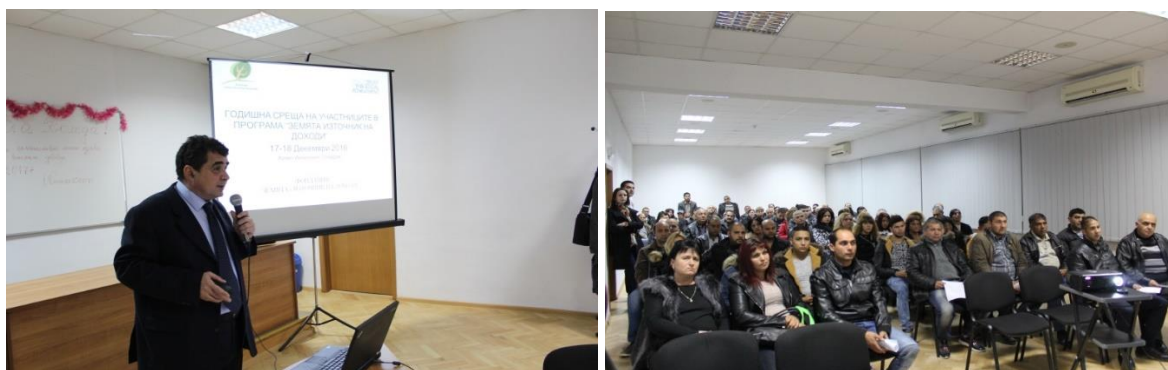
Periodic on-site consultations for program participants provide opportunities for continuous monitoring of family farm's activities. There are records on the number and the type of consultations (agronomy, economical or legal) given to each participant in the program on a monthly basis. During the on-site visits, the specialists in the relevant fields consult the farming families on the more successful way for implementation of their practices. At the same time, they monitor the activity of producers (development of plants, quality of soil, level of contamination with pests and diseases). This is an opportunity to prevent and take actions in case of any issues. In this way, the risk of non-return of the invested funds is minimized.

Transparency and publicity in the use of funds is ensured through various instruments. An independent external auditor conducts an audit of the activities of the Land Source of Income Foundation every year.

The Foundation's annual accounts are published in the electronic database of the official "Commercial Register and the Register of Non-Profit Legal Entities" administered by the Ministry of Justice. This register is public, which makes the foundation's activities transparent to the whole society.

The board of directors of the Foundation reports annually to the families that participate in the Land Source of Income Program. This is done during specially organized annual meetings of to which all program participants are invited.

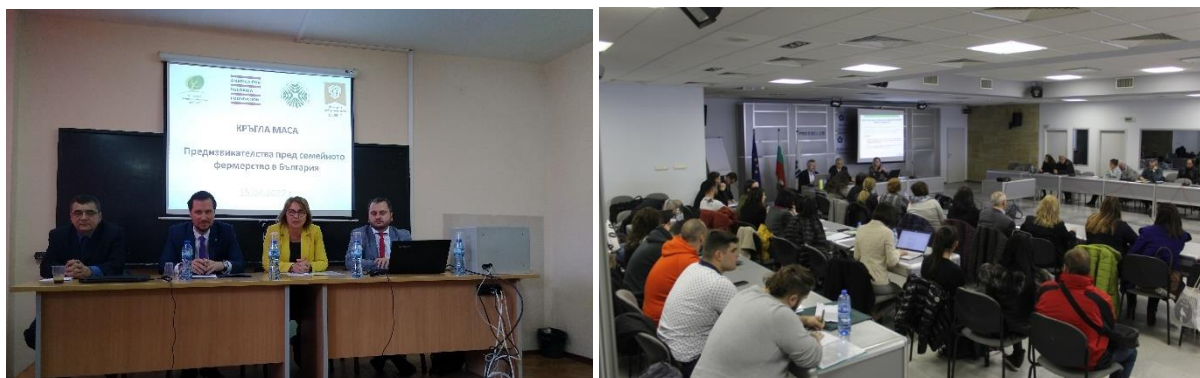
Annual meeting of the participants



Source: Land Source of Income Foundation website

Annually, the Land Source of Income Foundation organizes a round table on the problems of family farming. Representatives of the scientific community, local government, national institutions, non-governmental sector, partner organizations, project beneficiaries and media are invited to it. At these meetings, the achieved results are presented and potential opportunities for more successful support of family farming are discussed.

Annual round table on the problems of family farming.



Source: Land Source of Income Foundation website

Conclusions and recommendations

Family farming in Bulgaria plays a key role in the reduction of risk of poverty in rural areas and keeps their vitality. However, institutional support is more focused on larger holdings which accumulate higher amount of the support under the CAP Pillar I and Pillar II. In addition, applying to the measures of the Common Agricultural Policy and the EU's Operational programs is difficult for people with no regular income or who do not possess property that can be used as collateral for bank loans. Therefore, the Land Source of Income Program is a good opportunity to support agricultural initiatives of disadvantaged and poor rural families. In addition, the NGO provides consultations to its beneficiaries related to the development of projects under European funding, as well as the entire process of their subsequent implementation and reporting.

The Program encompasses two main components. The first component is associated with the development of human capital based on learning by doing approach, as well as increasing the level of social capital of families. The second component is related to access to assets. The latter creates conditions for sustainable development of family farms and opportunities for growth. This is possible through the application of financial schemes taking into account the specifics of the purchased assets. Based on the sustainable business program, the Land Source of Income Foundation has managed to help nearly 200 families in the Plovdiv region and more than 100 families throughout the country, thus totaling almost 1000 supported direct and indirect beneficiaries.

The success of these schemes and the preservation of the Program Fund is due to the requirement for an own contribution by the recipient of the assets at the time of signing the contract. This requirement allows families to limit the value of their initiative to an amount for which they can provide their own contribution. However, the following can be outlined as the main challenges to the implementation of the Integrated Model for Supporting Small Business: (1) Due to its complexity, the model requires significant capacity and high expertise in the organizations that implement it; (2) The implementation of the model is related to maintaining a fund and providing highly qualified consultancy assistance to the beneficiaries, which are expensive processes and require the implementation of many additional activities in order to cover the costs of the organization; (3) The NGOs carrying out activities on the implementation of the model must have a high authority in the community.

The program is developing successfully and provides opportunities for disadvantaged communities in Bulgaria. The number of organizations successfully implementing the model in the country is increasing, as well as the number of participating families is expanding, which proves the success of the model.

The representatives of the Foundation stated that the most important lesson learned from the implementation of the model is that a key driver for successful program adaptation is knowledge and engagement of the organization with the issues of the local community.

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QUESTIONNAIRES

In-depth unstructured interviews

I. Questionnaire 1 – Team of Land Source of Income Foundation

1. How did you get involved in this project? Tell us a little more about the individual phases that the Program went through?
2. From what sources do you finance the activities of the Foundation during the various stages of the development of the model?
3. How did you choose the settlements in which to start the pilot phase? What activities started the pilot phase of the project?
4. In which areas of the Plovdiv region do you currently work?
5. How many families/beneficiaries are supported in the Plovdiv region?
6. How a decision is made to support a given beneficiary or a given initiative. Is there any procedure?
7. In how many regions of the country is the model spread? How many partner organizations do you work with? How did you choose the organizations you partner/work with?
8. What activities do partner organizations support?
9. How many families/beneficiaries are supported by partner organizations in the country?
10. How is the monitoring and control of the organization's activities carried out?
11. How is the monitoring and control of the supported participants/initiatives carried out?

II. Questionnaire 2 – Participants in the Program of Land Source of Income Foundation

1. How long have you been participating in the Land Source of Income Program?
2. How did you learn about the Program, who referred you to it?
3. What was your initial farm size when you joined the program? How much land are you currently cultivating?
4. Do you have any other employment besides your farm? What is the relative share of your employment and the employment of your family in the farm/business? And what share of income do you get from the farm/business?
5. How did you start participating in the program? What assets did you purchase?
6. Did you have any difficulties in carrying out your activity? How did the foundation team help you?
7. What is the balance for your family between training, financial support and counseling assistance? How often do you apply for financial support? How often do you contact the Foundation for advice? What consultancy support do you most often use - agronomic consultancy, economic consultancy or legal consultancy?
8. Have you received funding under the Rural Development Program? If you received funding, how did the Foundation help you participate in the program? If you participated, what were your main difficulties in participating?
9. Do you participate in the direct support measures for agriculture? Does the Foundation help you with this involvement?



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