

This series of informative fiches aim to present, in summary, examples of practices and approaches that EU Member States and Regions have put in place in order to implement their Rural Development Programmes in the current period. These examples want to contribute to the understanding of what has worked well and less well in the delivery of the 2007-2013 RDPs and as far as possible, draw lessons in the view of future improvement of the programmes.

## A young farmer diversifies into rural tourism activities in Bulgaria



### BACKGROUND AND SCOPE OF THE PROJECT

The project was implemented by a 24-year-old farmer, Tzanko Stoytchev. Even though he does not come from a farming family, his parents are agronomists and influenced his interest, further developed during his universities studies in economy and finance. In 2008, he started his farming activity by cultivating a 2.5 hectares apple orchard, inherited from his grandfather in the village of Ostritza, within the Rousse region. In 2009, he applied for measure 112 'Setting up of young farmers' which helped him modernize and expand his farm, adding 0.5 hectares for growing vegetables. As a young farmer, he participated in some training activities organised under measure

**Keywords:** Tourism, rural tourism, farm diversification, young farmers

**EU Member State:** Bulgaria

**Specific Location:** Ostritsa Village, Dve Mogili Municipality, Russe District

**Main beneficiary:** Tzanko Stoytchev, young farmer

**RDP Measure:** Measure 311: Diversification into non-agricultural activities

**Funds Allocated:** Total project cost: €165,650

EAFRD contribution: €82,160

National contribution: €20,540

Private contribution: €62,950

**Implementation Period:** 25/10/2010 – 25/1/2012

111 'Vocational training' with the aim to acquire professional qualification in agriculture.

In 2010, Tzanko Stoytchev decided to apply for RDP funding in order to diversify his agricultural activity into tourism. The idea was to renovate the family house, located next to the farm in the Ostritza village and to convert it into a guest house. Financial support from measure 311 represented a possibility to preserve the house, which was in a very bad state. Of course this more personal motivation was combined with a strong intention to diversify his agricultural activity, not being it always profitable, particularly because of the frequent drops in prices of apples. Furthermore, this decision was reinforced by some considerations about the touristic potential of the area. In fact, the Rousse region is characterised by a very attractive landscape, good conditions for fishing and hunting and by a rich cultural-historical heritage. Several interesting sites can be visited, such as the Rusenski Lom Nature Park, the Orlova Chuka Cave (the second biggest in the country), the monastery 'Sv. Marina', the fortified city of Cherven, the Rock Monastery 'St. Dimitrius Basarbovski', the Rock-hewn Churches of Ivanovo (included in the UNESCO's list of world cultural heritage). Furthermore the village is very close to the city of Ruse and to the biggest Bulgarian port along the Danube river. The area has a high potential in terms of development of tourism activities, but accommodation and other tourist facilities are lacking, particularly when rural tourism is concerned.



The project overall goal was to support long-term cost-effective entrepreneurs by diversifying agricultural activities (fruit and vegetables farming) with non-agricultural activities (offering tourist services). The specific project objectives were to renovate the old family house; build additional accommodation facilities; find new sources of income, and; provide job opportunities for locals.

## Current practices across the EU27



### DEVELOPMENT AND PLANNING

Before taking the decision to apply for measure 311 of the Bulgarian RDP, the beneficiary evaluated the options available to support the implementation of the project. Personal financial resources would not have been sufficient to implement the project, without taking out a bank loan. The opportunity offered by measure 311 appeared to be the most convenient, also because of his farmer status. In addition, measure 311 was more accessible than other measures, such as measure 312 for instance, which had a much higher number of applications and consequently higher competition.



Applying for measure 311 implied running a feasibility study and preparing a business plan, which had to include outcomes generated by touristic activities. The beneficiary was assisted by a professional consultant to prepare the application respecting all requirements envisaged by the measure call. The study concluded that the region was characterised by a lack of services related to rural tourism, in particular a lack of accommodation. The few services available were targeting the lower market segment, while the intention of the beneficiary was to position his guest house within the highest market segment. Costs related to the feasibility study and in general to the services offered by the consultant were eligible to be reimbursed as project costs. The project included the costs related to the preparation and execution of the architectural and construction plan. Furniture and other needed equipment were, on the contrary, paid by the beneficiary's own resources. The construction plan included specific provision in terms of material to be used and reutilization, as far as possible, of the original material.

During the planning phase the beneficiary did not identify specific risks for the implementation of the project, apart for that related to the possibility to benefit from the advance payment. Access to advance payment is possible only against the provision of a bank guarantee, which could create delays in the implementation and results in higher costs for the beneficiary. For this reason, he decided to advance the resources needed and to obtain the funding only when the project was completed.

The beneficiary followed all phases of the implementation, solving the problems that arose and trying to respect the approved time schedule. The State Paying Agency (SPA) monitored the implementation of the project activities. The beneficiary was assisted in the preparation of all documents to be submitted to the SPA by the consultant.



### IMPLEMENTATION OF THE PROJECT

The renovation of the old house (including the barn) and the construction of the swimming pool were the main activities implemented within the project. Six rooms with bathrooms and two suites were built on the first floor, while the ground floor includes a kitchen and the dining hall, a storing room, a living room with fireplace, a kitchen at guests' disposal and restrooms. Original material was reutilised when possible. The swimming pool was built in front of the house, within the garden, and it includes a heating system and a small pool for children for a total capacity of 100 m<sup>3</sup>.

The approval of the project took almost one year. The application was submitted in December 2009 and approved in October 2010. This delay obliged the beneficiary to do some works in the old house to prevent further deterioration of the building. The foundations had to be reinforced. These interventions had to be communicated to the SPA, which monitored the work and, before approving the project, ensured they were not interfering with the realisation of the project itself.



## RESULTS OF THE PROJECT IMPLEMENTATION

The activities were completed as planned and the time schedule was respected. The guest house was opened to visitors in 2012. The beneficiary developed also a website, where potential customers can find information about the guest house and book their holiday (<http://www.chernilom.com>). Furthermore, the renovation of the guest house created two more jobs.



Within the first year, the guest house was quite successful. In addition, the beneficiary opened a restaurant - a project that was not included in the original plan. In the end, the tourism related activity has become much more profitable than the farm, in terms of business' sustainability. Even though part of the vegetables produced are used by the restaurant and about half of all apples are sold to the guest house's visitors, the beneficiary is still hesitating between maintaining the agricultural activity or dedicating full time to tourism. The first three years as farmer were profitable,

but important changes in the market have affected the agricultural business. Tourism seems, on the other hand, a growing sector in the area, since rural tourism facilities are still lacking.



## LESSONS LEARNT

### Factors that contributed to the success of the project

- \* The beneficiary's strong motivation and vision to develop his own business were important elements to the success of the project. His background in economics and finance represented also an important advantage for him.
- \* Availability of family financial resources can reduce the need to apply for a bank loan and consequently facilitate the implementation of the activities.
- \* Knowledge of the market targeted combined with a good feasibility study is an important basis to plan and implement a project. The region is attractive in terms of cultural and natural heritage and it was lacking tourist facilities. The beneficiary identified a possible niche market to be developed, namely rural tourism facilities for a certain type of clients, and based his project on this analysis.
- \* The availability of financial support from the RDP and the possibility to include the costs of a professional consultant were also important factors of success. The assistance received by the consultant was important to overcome the numerous difficulties encountered during the implementation phase.



### Factors that impeded the success of the project

- \* Lack of experience in implementing RDP supported project and lack of information brought the beneficiary to make several planning mistakes, some of which resulted in increased project costs. The beneficiary was obliged to subscribe for a bank loan because he could not afford anymore to co-finance the project.
- \* The delay in the approval of the project obliged the beneficiary to do some maintenance works in the old house to prevent its further deterioration. The works were done at the beneficiary expenses and had to be checked by the SPA in order to ensure that the conditions to approve the application were still met.

- \* When enquiring about the possibility to subscribe for a loan, the beneficiary was not aware of the existing agreement between some banks and the SPA according to which beneficiaries of RDP funds could obtain more convenient bank loans to co-finance their project. Knowing this piece of information in advance would have saved him time.
- \* Although the measure offered the opportunity to receive advance and interim payments, the beneficiary preferred not to benefit from these advantages. The access to advance payments is subordinated to the provision of guarantee, which would have added additional administrative procedures to be fulfilled and additional costs. Interim payments are granted only if specific intermediate results, planned at the beginning of the project, are fulfilled. Given these rules the beneficiary assessed the possibility to benefit from these payments as too risky for the success of the project and its completion within the planned timeframe.
- \* The final approved costs were reduced of about 10% compared to the initially approved budget. The SPA motivated this reduction with the fact that costs are evaluated against the list of eligible standard costs the SPA has to use. These standard costs are not public but internal to the SPA, this reduces the capacity of beneficiaries to properly plan the implementation of the project and expose them to unexpected reduction of budget.



#### Resolution of problems/difficulties:

The above-mentioned problems were solved thanks to the commitment of the beneficiary and also with the help of the consultant, which took care of most of the administrative and bureaucratic tasks; he prepared the documents needed for submitting the project proposal.



### WHAT'S NEXT?

After a full year of operational activity, the economic results of the guest house were considered satisfactory by the beneficiary. Hence, given its success, the beneficiary considered abandoning the agricultural activity. Indeed, after the first three positive years (till 2011), the farming activity experienced some difficulties, mainly related to the market and the drop in the prices of apples. Agriculture is not profitable any longer, while the tourism activity is creating revenues. The positive aspect of being also a farmer is that the agricultural products can be used in the restaurant or sold to visitors. Nevertheless, the beneficiary is considering the option to dedicate all his efforts to tourism and developing its business by offering additional services and recreational activities to guests.

The beneficiary plans to diversify the services that he offers beyond his initial plan targeting higher market segment customers, such as building a gym and a paintball area, buying an all-terrain vehicle, etc. He also would like to expand the guesthouse. This could be done with the planning of other EU funded projects.





## SUMMARY

After two years being a farmer, the young entrepreneur Tzanko Stoytchev decided to diversify into non-agricultural activities. His farm, located in the village of Ostritza, Rouse region, produced apples and vegetables. The region is characterised by an attractive landscape and several sites of natural and cultural interest. In spite of this, tourist facilities are not developed in the area. Having an old house on his farmland, Tzanko decided to apply for RDP fund under measure 311 to reconvert the house into a guest house and start a tourism business. The project's overall goal was to support long-term cost-effective entrepreneurship by diversifying agricultural activities with non-agricultural activities. The main activities implemented were related to the renovation of the old house, which included six rooms with bathrooms, two suites, a kitchen at guests' disposal, a restaurant with a connected kitchen, a living room and a 100 m<sup>3</sup> swimming pool. The guest house 'Cherni Lorn' was completed in 2012 and it has been active for more than one year with very good economic results.

The beneficiary's decision of applying for RDP funds was driven on the one hand by the intention to diversify the business and on the other hand by the desire to restore the old house where he spent his childhood.

### *Tips/lessons related to the beneficiary:*

#### At the project inception phase:

- ◆ In small and local projects, beneficiaries need to have a thorough knowledge of their area and the type of services/facilities needed together with good motivation and genuine interest to develop something useful and successful.

#### At the project planning and development phase:

- ◆ Planning as precisely as possible the budget of a project is essential to avoid changes during the implementation phase and the need to find additional funding to cover the project costs.
- ◆ Securing co-financing is important to deal with possible delays in payments from public administration.

#### At the implementation phase

- ◆ High level of engagement to face unexpected problems and the capacity to find solutions are important. Furthermore, advisory services may be of great help particularly to deal with administrative procedures.

### *Tips/lessons related to Managing Authorities and other public sector actors:*

- ◆ Provide target information and ensure its dissemination in relation to access to funding to potential beneficiaries.
- ◆ Provide advisory services to beneficiaries but also organise capacity building training for civil servants, so they can better guide beneficiaries through the procedures and provide them with targeted information.
- ◆ Make standard eligible costs public would help beneficiaries to better plan their projects and simplify the administrative requirements for beneficiaries.
- ◆ It would be good in the process of programming and delivery systems setting that the MA considers on the benefits of:
  - \* funding young farmers with the aim to diversify their agricultural activities when their main agricultural activities has not reached a stage of viability and if there is a risk of the non-agricultural activity becoming predominant and furthermore the only one;
  - \* funding construction activities solely with the aim to develop tourism (the funding is granted based on criteria not related to the final products or results but based on compliance with implementing the approved activities);
  - \* providing financial support to develop rural tourism where there are not specific conditions set to support this and without any further requirements for developing specific tourism products in the field of rural tourism.