

Entrepreneurial Support for Social and Economic Inclusion of Families Living in the Rural Areas of Bulgaria

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Abstract

Despite the positive development of Bulgaria after the EU accession, many families still live with low incomes. Particularly serious is the situation among economically disadvantaged communities in the rural areas of the country. Issues of social and economic inclusion have been discussed in many policy documents. This paper describes the experience of the Land – Source of Income Foundation in helping landless Roma people to start and expand their business and presents a model that can be used for integration of different isolated groups. It calls for cooperation and collective actions at various levels with a focus on local communities.

Key words: socially and economically disadvantaged; entrepreneurial support; social inclusion; income generation

Предприемаческа подкрепа за социално-икономическо включване на семейства, живеещи в селските райони на България

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Резюме

Въпреки положителното развитие на България след присъединяването към ЕС, много семейства все още живеят с ниски доходи. Особено сериозна е ситуацията сред икономически необлагодетелстваните общности в селските райони на страната. Въпросите на социалното и икономическо приобщаване са обсъждани в много политически документи. Тази статия описва опита на фондация „Земята – източник на доходи“ в подпомагането на безимотни ромски семейства да започнат и разширят своя бизнес, и представя модел, който може да се използва за интеграция на различни изолирани групи. Моделът е базиран на сътрудничество и колективни действия на различни нива, с фокус върху местните общности.

Ключови думи: общности в социално и икономическо неравностойно положение; предприемаческа подкрепа; социално включване; генериране на доходи

Introduction

Despite the overall development of Bulgaria in recent years, many families in the country still live with low incomes. Particularly challenging is the situation among the Roma communities. Their prospects for permanent work are limited, and often the only alternative for them is to work abroad. Roma integration issues have been outlined in numbers of policy documents (Council of EU, 2009, 2010; European Commission, 2009, 2010; European Parliament, 2005) and discussed in many publications (Open Society Institute, 2008; European Agency for Fundamental Rights, 2009; Eurostat, 2010). The paper describes the experience of the Land Source of Income Foundation in helping landless Roma families from seventeen settlements from Plovdiv district. The approach has been tested in urban areas, as well.

There is a widespread belief that small farms are less efficient than large ones, because of the economies of scale. Peterson (1997), however, found out that if we take into account some of the measurement problems in agricultural census data, “it appears that small family and part-time farms are at least as efficient as large commercial operators” (p. 13). Also, according to Rosset (1999) small farms provide many benefits such as: (1) diversity in ownership, crop structure, landscape, culture, and traditions; (2) environmental benefits; (3) empowerment of local communities as a result of decentralized land ownership which produces more equitable economic opportunities and higher social capital; (4) provide a place for children to grow up and acquire skills and values that could be passed to the next generation. Small scale and subsistence farming could be a survival strategy not only in low but also in middle-income countries during periods of economic reforms or recessions (Davidova etc., 2009). Small scale farming and businesses are essential not only for isolated groups but also for the local communities.

Research methods

The inductive approach is being used in this research. Its logic is to observe what happens on the ground, formulate conclusions, explain the processes, and draw models. This approach is more likely to lead to evidence-based results and hence is more applicable when socio-economic processes are investigated (Glaser, B. and Strauss, A., 2006). This determines the use of the participatory case study method as the main one in the present study. This allows the identification of key details that are difficult to detect by traditional methods, especially in conditions of scarce information (Stake, R., 1995; Yin, R., 2014). The use of the case study method is a “consistent but iterative process” (Yin, R., 2014, p. 215). The empirical work and research have been done in four main stages: (1) a pilot phase; (2) organizational development; (3) institutionalization; (4) dissemination, and the authors have been key actors in each of them.

Results and discussions

History of the Land-source of Income Programme

During the pilot phase (1997–1999) a framework for providing working capital to small farmers had been experimented in two villages of the Plovdiv region with seventy-five Roma families. They received fertilizers and chemicals and were supposed to return the values of these materials to a special Fund for Regional Development. The families also had ongoing access to individual consultations and training. The participants from one of the villages repaid 62% of the support provided, while from the second repaid only 14%. Due to these results, the program continued only for the first village.

In the second stage, organizational development (1999–2003), an Argo-information centre, and a limited partnership company have been established. The company included seven program

participants, and its' main task was to provide financial support for purchasing land, agricultural machinery, and materials. The idea was that anyone who received support to become a limited liability partner in the company. The inclusion of program participants ensured transparency in the way the money was spend and helped to develop management skills in Roma people. However, the "limited partnership" has several disadvantages: (1) the lack of legal practice created difficulties in its management; (2) a significant proportion of the decisions required consensus of all members, which made operational work difficult; (3) including a new member required re-registration of the company; (4) an excessive risk was imposed on the manager who was fully liable for the company.

The third stage, institutionalization (2003–2008) began with the registration of "Land Source of Income" Foundation. The Agro-information centre became an internal structure of the foundation. At the same time "Land and Income" LLC (100% owned by the foundation) was also registered, and it took over the provision of financial services. The Foundation works closely with the National Agricultural Advisory Services (the office in Plovdiv) and the regional branch of the Ministry of Agriculture. The Agro-information centre is committed to developing human potential through training, consultancy, and dissemination of information. The "Land and Income" LLC provides access to long and short-term assets.

The fourth stage, dissemination, started in 2010. The leading goal was to help organizations from other regions of the country to carry out similar activities. During this stage, twenty organizations with potential have been identified, ten of them trained, and seven received financial support to experiment with the Land-Source of Income foundation approach. Currently, five of them are successfully implementing it.

The program has been funded by different sourced: (1) donors 'organizations; (2) EU operational programs; (3) national programs; (4) individual donations. Initially, it was supported by N(O)VIB, Netherlands, through SEGA foundation. Additional funding has been attracted from

the Bulgarian Ministry of Justice (2006), the "Lifelong Learning" Program (2007–2009), and OP "Human Resources Development" (2008–2009). The dissemination stage (2010–2020) has been mainly supported by "America for Bulgaria" Foundation and the Trust for Social Achievement. Along with this, additional funding has been provided by individual and corporate donors (Neohim AD and others).

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.

Instruments

Two groups of instruments have been used: for development of human capital and for access to assets. The first group includes: (1) provision of consultancy services (agricultural, economic, financial, and legal); (2) specialized trainings; (3) dissemination of information. All of the above are free of charge for the families supported. Consultancy assistance is provided in the office and on the field. Agronomists periodically visit participants and provide advices on how to improve agricultural practices. Also, the families receive economic, financial, and legal advice for the business they wish to start or run. The families get legal assistance regarding contracts for renting or purchasing land, solving problems with state and municipal institutions, etc. Specialized trainings are also organized on vegetable production, plant protection, viticulture, horticulture, and other topics. Their purpose is to raise the knowledge level of the families.

Three financial tools are used to provide access to assets: (1) for purchasing land, (2) for long term assets, and (3) for short term assets. All of them 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 money. Charging interest protects the fund from inflation and provides the possibility to cover operation costs. The collateral protects the resources of the program. In most cases, the land purchased is used as collateral. Since participants are mostly landless and low-income families who have no property to serve as collateral, the entry point in the program is purchasing land. Once families begin to pay back the installments for land, they can apply for short-term assets, but only up to the value of already repaid installments for the land.

Results

Since the beginning of the program specialized agrotechnical, economic, and legal consultations have been regularly provided to the participating families. However, more detailed information started to be gathered after 2010 and is presented on Figure 1.

Encouraging young people to implement innovative practices is done in two ways – through the official school system and by individual work with the children in the family.

The first approach promotes the formal training of Roma children in vocational agricultural schools through their involvement in various student initiatives implemented in five schools. The second approach encourages children to plant new varieties of vegetables and fruit trees on the family farm or start raising promising breeds. Also, educational field trips for the children were organized to leading farms, research institutes, fairs, and exhibitions. The experience gained by young people has played a positive role in improving the cultivation and the business practices of their families.

For the period 2000–2019, the LLC has provided support to 180 families (Fig. 2) and has 380 contracts with them (Fig. 3). On average, each family has been supported twice. The total amount of money invested is 463 881 BGN (Fig. 4). The main share of 192 612 BGN has been used for purchasing land, 154 088 BGN for long-term assets, and 117 180 BGN for short-term assets. With the increasing proportion of installments paid back for land, the amount of support allocated to long and short-term assets increased.

Agriculture can provide a relatively decent income to Roma families, but it only occurs once or twice a year. However, when the harvests are weak, or the prices are low in a given year, fam-

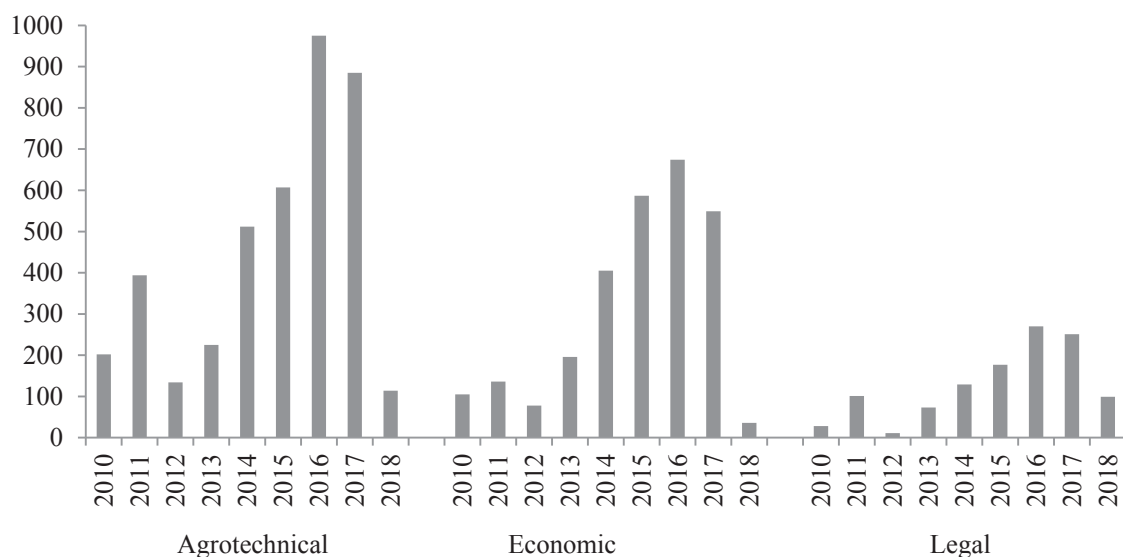


Fig. 1. Number of consultations provided the Plovdiv region (2010–2018)

Source: Land Source of Income foundation.

ilies can experience severe financial problems. Furthermore, they need to have confidence that they can meet their monthly expenses during the

year. Therefore after 2005, the LLC began to support also non-agricultural economic initiatives for small family businesses.

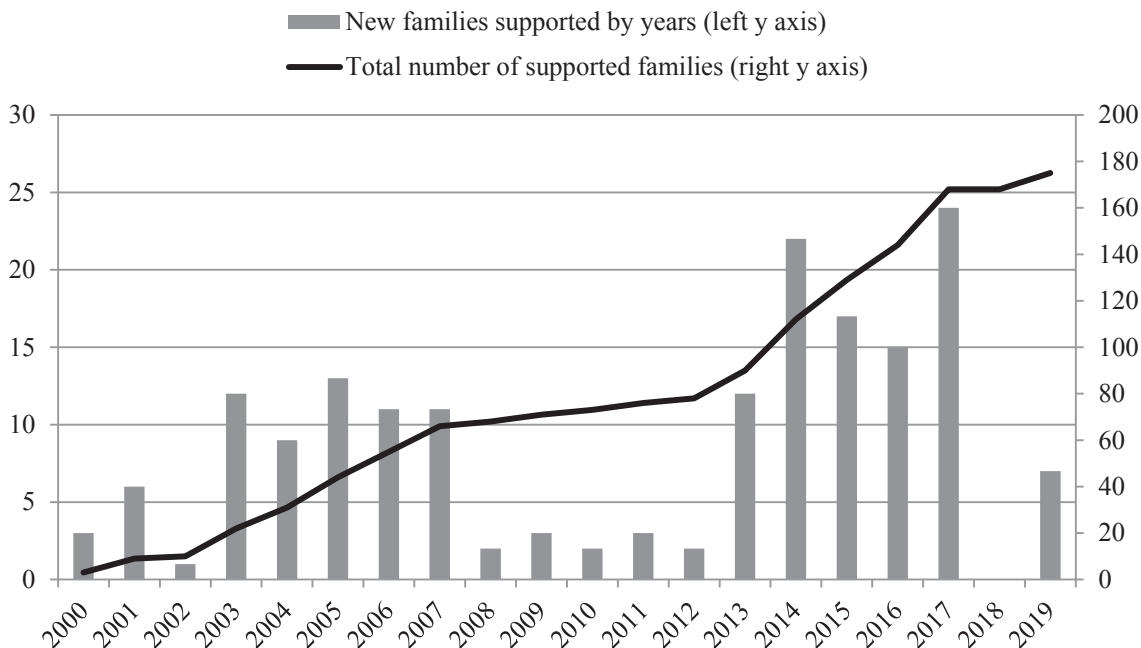


Fig. 2. Number of families receiving financial support in the Plovdiv region 2000–2019
Source: Land-source of income foundation.

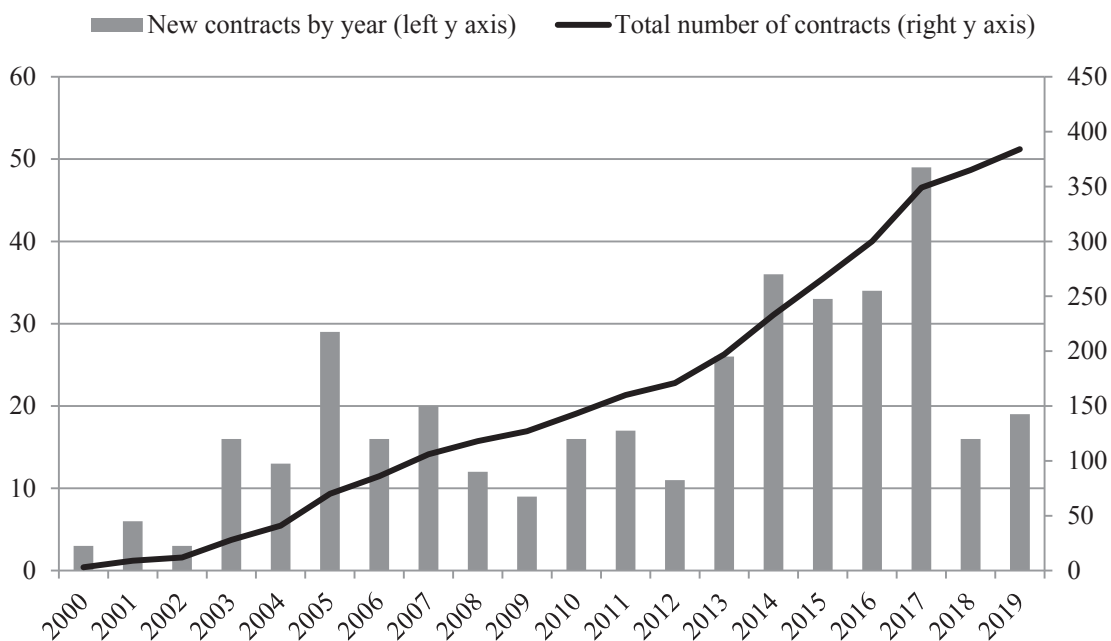


Fig. 3. Number of contracts signed with the families the Plovdiv region 2000–2019
Source: Land-source of income foundation.

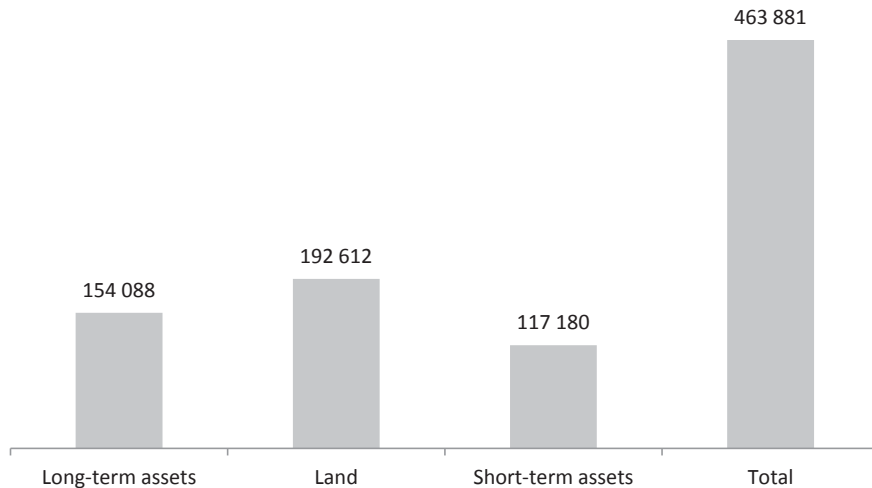


Fig. 4. Financial support for long-term assets, land and short-term assets 2000–2019 the Plovdiv region

Source: Land-source of income foundation.

The integrated model

Based on this experience a model for supporting business initiatives of disadvantaged families has been developed. It targets families who: (1) do not possess assets for ensuring a stable income; (2) are willing to take risks associated with running own business; (3) wants to become independent producers by acquiring the necessary for business resources. Such families have limited access to financial resources because they do not meet the loan requirements of financial institutions.

The main objective is households from disadvantaged communities to become independent economic units integrated into the existing socio-economic system. The integrated model consists of two main elements: the development of human potential and access to assets (Fig 3). The first component develops skills and knowledge for effective use of resources, while the second helps families to accumulate assets. The two components are applied together.

For the development of the human capital, three instruments are used: (1) specialized agro-technical, economic and legal consultations (2) thematic training, and (3) provision of information. The specialized on the spot consultations, which is a form of learning by doing, is the most actively used tool. It allows the acquiring of knowledge and skills by solving problems.

Specialized training is organised in the form of thematic workshops and seminars. They aim at speeding the adoption of new products, technologies, and innovative methods for business management. Access to information is provided by specialized publications and websites. They are used to stimulate the self-study process.

The access to assets is provided through two specially developed financial instruments: (1) for purchasing long-term assets, and (2) for purchasing short-term assets. Both have four elements: (1) initial installment provided by the supported families; (2) interest rate; (3) fixed repayment period; (4) collateral. Funding for short-term assets is provided after the family has received support for long-term assets and has started to repay. Initial installment helps in selecting the families that are willing to take the risk of running their own business. The interest rate charged protects the funds of the organization from inflation and may cover part or all of the operational cost. The fixed repayment period introduces financial discipline. The collateral protects the funds in case of default in repayment. Depending on the local legislation, the financial support can take the form of (1) credit, (2) lease (3) deferred payment (4) a conditional donation.

Since the model integrates two types of support – training and financing, this requires the use

of three types of organizational structures with specific functions and tasks: (1) for the model general administration and management; (2) for the development of human potential; (3) for providing access to assets. Activities related to the model management, the development of human potential, and the provision of assets can be realized in various ways, such as: (1) in one organization with internal entities; (2) one organization with specially created separate entities; (3) separate organizations working in partnership. These functions can be performed either by a non-governmental organization (NGO) or by a municipal or state institution.

Conclusions

At present, there are different financial services for supporting small businesses in Bulgaria. Unfortunately, almost all set tough conditions on potential participants, especially to those who have no regular income and do not possess property which can be used as collateral. Programs offering preferential terms for buying assets do not provide continuous expert support for start-up businesses. Programs that fund expert support normally do not provide funds to purchase assets, which is the approach of the model presented in the paper. The policy for integration of disadvantaged groups goes beyond application of a single instrument such as provision of education, training, or access to assets. They require several instruments to be applied at the same time.

This paper presents an integrated model that combines human potential development with financial assistance. The development of the human potential is done through learning by doing, specialized courses and access to specialized information for self-education. The financial support ensures the acquisition of assets and property. Both components applied together help the disadvantaged people to turn the assets into capital which brings income. This creates the material conditions not only for sustainable business development but also increases the possibility of future integration of these families into the official economic system.

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