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Local Economic and Employment Development Programme

Fostering SME and Entrepreneurship Development in the Tourism Sector in Bulgaria – An active review

Sofia, Bulgaria 18-22 June 2007

DRAFT REPORT

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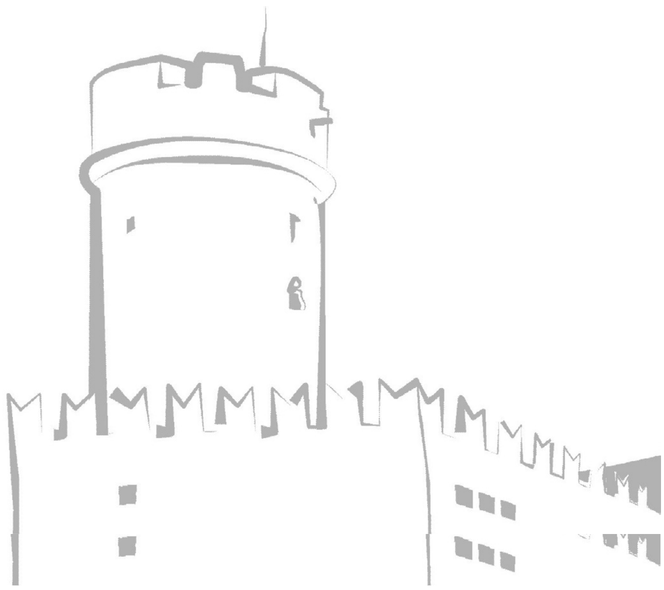

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1 INTRODUCTION

This document is a draft report on Fostering SME and Entrepreneurship Development in the Tourism Sector in Bulgaria **for internal OECD and USAID consultation and discussion**. The current draft report has not been edited and validated by the OECD secretariat, thus there are some duplicated information and the policy recommendations are the experts' proposal for internal discussion and are subject to review. The final report will be available by the end of September 2007.

The report is based on information gained in an international review panel visit undertaken during 18-22 June 2007, as well as comparisons with international experiences and best practices.

The report identifies key strengths and weaknesses of policy design and delivery in the supporting the development of the so called "alternative tourism" and provides first draft policy recommendations.

The document has been prepared by the OECD LEED Trento Centre with the contribution of the following external experts:

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1.1 The issues explored

Being competitive at international level is an important concern for the travel and tourism industry which operates on a global market place. The improvement of competitiveness in tourism relies on a complex mix of internal and external factors. The active review on Fostering SME and Entrepreneurship Development in the Tourism Sector in Bulgaria aims on one hand at upgrading the capacity of local and regional policy makers and practitioners to support tourism development in their areas and to enhance the competitiveness of (small) tourism enterprises, by addressing the necessity to improve the quality of the tourism offer and products. On the other hand it focuses on fostering tourism diversification and entrepreneurship through the development of rural and agro-tourism, as an alternative to the recent development of the mass tourism industry in some regions of the country.

The review provides the opportunity for policy makers at national and sub-national levels in Bulgaria to debate and work with international experts in refining the SME and tourism policy design and delivery

Issues explored include:

1. Policies for fostering SMEs & entrepreneurship development in support of alternative tourism, by focusing on strengths and weaknesses of current approaches to alternative tourism development; developing entrepreneurial learning/skills and business support mechanisms; added value of the tourism offer; a comparison with international good practice.
2. Key policy challenges and needs in support of alternative tourism development in the next 10 years, by focusing on strengths and weaknesses of current approaches to alternative tourism development; on the link of competitiveness, new product development, quality and the overall destination offering; on the comparison with international good practices.
3. Policies for enhancing alternative tourism development, by focusing on strengths and weaknesses of current approaches to alternative tourism development, on opportunities and threats of development of alternative tourism possibilities (agri-tourism, rural-tourism, etc.), and on the comparison with international good practice.

For each of these themes, the report aims to:

1. Identify general tourism policy issues and international good practices.
2. Assess the current policy approach in Bulgaria (strengths, weaknesses and examples of good practice in the country).
3. Provide policy recommendations to address weaknesses and build on strengths.

During the review mission two regions were visited:

- Stara Planina
- Bansko

and meetings were held at national level, among the others, with the with the Bulgaria State Tourism Agency, the Ministry of Culture, the National Association of Municipalities; the Bulgarian Association of Regional Development Agencies; the Bulgarian Industrial Association, etc. In the regions, meetings were held with regional authorities and tourism associations.

1.2 Working method

This review was carried out through peer review by an international panel comprised of OECD, USAID Bulgaria and tourism and SME development experts from OECD countries (Australia, France, Greece, Italy and UK).

Assessments have been based upon collection and use of local policy documents and reports, on qualitative information obtained from local interviews and through comparison with practices and evaluations from other countries. Emphasis is placed on examining the main strengths and weaknesses of the entire policy framework and identifying options for adjusting strategy and delivery mechanisms.

1.3 Structure of the report

This report is composed by three chapters prepared by the review panel members following the study visit to Bulgaria on:

- Fostering SMEs & entrepreneurship development in support of alternative tourism in Bulgaria.
- Alternative tourism in Bulgaria: diversification and sustainability.
- Key policy challenges and needs in support of alternative tourism development in Bulgaria.

Finally, preliminary conclusions are offered.

2 GENERAL INFORMATION ON TOURISM SECTOR IN BULGARIA

The aim of this introduction about the actual situation of the tourism sector in Bulgaria is to provide the readers with a summarised overview of the current situation, challenges and policy initiatives planned, or recently started by the Bulgarian government in the field of tourism. The following information is based on existing reports, studies and policy reviews, and directly cited from these documents.

2.1 Economic conditions of tourism development at national level

Tourism in Bulgaria is both a large and a fast growing sector, being amongst the drivers of the national economy growth in the last decade. In 2005, tourism has contributed directly to 4.5% of GDP and 3.9% of employment (111 thousand jobs), and having in mind the indirect effects – to 15.9 % of GDP and 13.6% of employment (400 thousand jobs). (OPRD, 2007)

Tourism contribution in Bulgaria is slightly above the average for EU-25 (direct contribution – 3.8% of GDP and 4.1% of the employment and indirect – 10.1% of GDP and 11.5% of employment) and significantly higher than for the Central and Eastern Europe (direct contribution to GDP 2% and to the employment – 1.7% and indirect – 9.1% to GDP and 7.4% to the employment).

After 1999, and especially after 2000, most of the tourism indicators have improved significantly and in many years featured a 2-digit annual growth rates:

- The bed-capacity of accommodation facilities increased by 22% and reached 242 thousand beds by an average annual growth rate of 3.1% for 1998-2005. As a result of the privatisation process almost all accommodation is private and the structure of the tourist sector has become strongly fragmented and dominated by small and medium-sized enterprises.
- The number of tourist arrivals (transit not included) has grown by more than 80% and reached 4.8 millions by annual growth rates after 2000 between 4.5 and 17.9%. Slightly higher is the growth of visitors for the purpose of recreation that reached 4.1 millions (twice more than in 1998-99). Reflecting both the increased demand and standard of accommodation, the revenues from international tourism as well as the net revenues (less the expenditures for travel of Bulgarians abroad) have increased more than 2.2 times with an average annual growth of 18% reaching €1 955 millions and €914 millions respectively. In this way, tourism is accounting for 14% of the export and 56% of the export of services in 2005. The positive balance of tourism has an impact on reducing the huge deficit of the balance of payments by 26% in 2005 (and in previous years even by 50%).

- Despite the significant growth of the inbound tourism, the inland tourism is growing significantly slower. This is due to the fact of continuing decline of domestic tourism: nights spent by Bulgarians decreased by 16% compared to 1998 (5.5 Mio.). The reasons should be sought both in the suppressed demand and the increasing outbound travel: 4.2 millions trips abroad were carried out in 2005 (63% growth compared to 1998), 30% of which (1.2 millions) – for the purpose of recreation. The main destinations for holiday travels in 2005 were Turkey (39%), Serbia and Montenegro (17%) and Greece (9%). (OPRD, 2007)

Table 1. Main indicators on tourism development in Bulgaria

	1998	1999	2000	2001	2002	2003	2004	2005	Growth 1998-2005
International visitors, '000*	**5 240**	**5 056**	**4 922**	**5 104**	**5 563**	**6 241**	**6 982**	**7 282**	**39.0%**
annual growth, %	-30.5%	-3.5%	-2.7%	3.7%	9.0%	12.2%	11.9%	4.3%	
International tourists[1], '000*	**2 667**	**2 491**	**2 785**	**3 186**	**3 433**	**4 048**	**4 630**	**4 837**	**81.4%**
annual growth, %	-10.5%	-6.6%	11.8%	14.4%	7.8%	17.9%	14.4%	4.5%	
Total nights spent in accommodation facilities[2], '000*	**11 762**	**10 127**	**10 494**	**11 210**	**11 827**	**13 762**	**15 315**	**17 124**	**45.6%**
annual growth, %	0.1%	-13.9%	3.6%	6.8%	5.5%	16.4%	11.3%	11.8%	
Nights spent by foreigners	5 197	4 382	5 170	6 190	7 055	9 142	10 304	11 624	123.7%
annual growth, %	-5.1%	-15.7%	18.0%	19.7%	14.0%	29.6%	12.7%	12.8%	
Nights spent by Bulgarians	6 565	5 745	5 324	5 020	4 772	4 620	5 011	5 500	-16.2%
annual growth, %	4.6%	-12.5%	-7.3%	-5.7%	-4.9%	-3.2%	8.5%	9.8%	
Number of beds in accommodation facilities[2], '000*	**199**	**187**	**190**	**173**	**178**	**186**	**213**	**242**	**21.7%**
annual growth, %	3.8%	-6.3%	1.6%	-8.6%	2.6%	4.9%	14.3%	13.8%	
Bed-occupancy rate[3], %*	**28.8%**	**26.3%**	**25.9%**	**27.1%**	**28.5%**	**32.4%**	**33.7%**	**35.4%**	**22.9%**
Average length of stay of international tourists[1]	**1.9**	**1.8**	**1.9**	**1.9**	**2.1**	**2.3**	**2.2**	**2.4**	**23.3%**
Net revenues from international tourism, Mio Euro**	**406**	**385**	**582**	**491**	**430**	**589**	**714**	**914**	**125.3%**
annual growth, %	-36.2%	-5.2%	51.1%	-15.5%	-12.5%	37.0%	21.3%	28.1%	
GDP in tourism (direct), Mio Euro***	**456.8**	**404.3**	**549.2**	**554.6**	**605.7**	**729.4**	**862.7**	**968.9**	**112.1%**
annual growth, %	72.9%	-11.5%	35.8%	1.0%	9.2%	20.4%	18.3%	12.3%	
% of the national GDP	4.0%	3.3%	4.0%	3.6%	3.7%	4.1%	4.4%	4.5%	
Employment in tourism (direct), '000***	**75.8**	**61.2**	**65.5**	**66.2**	**65.4**	**99.8**	**110.5**	**114.2**	**50.6%**
annual growth, %	59.6%	-19.3%	7.0%	1.1%	-1.2%	52.5%	10.7%	3.3%	
% of the national employment	3.4%	2.9%	3.4%	3.1%	3.1%	3.5%	3.8%	3.9%	
Capital investment in tourism (public & private), Mio Euro***	**165.7**	**274.3**	**300.6**	**400.3**	**405.0**	**454.8**	**554.0**	**683.7**	**312.6%**
annual growth, %	6.1%	65.6%	9.6%	33.2%	1.2%	12.3%	21.8%	23.4%	
% of total investment	11.1%	14.9%	13.9%	14.4%	13.4%	13.2%	13.6%	14.9%	

1 less the transit visitors; 2 incl. rest homes; 3 rest homes not included. * National Statistical Institute data; ** Bulgarian National Bank data; *** World Travel and Tourism Council data (data for 2000-05 are estimates).

Source: OPRD 2007-13 (2007); on-line document, downloadable at www.mrrb.government.bg/docs/doc_619.doc

2.2 Institutional and local actors involved in tourism development

2.2.1 *Ministry of Economy and Energy*

The Ministry of Economy and Energy has the engagement to implement the state policy in the field of tourism and to co-ordinate the activities of the ministries and other institutions towards its implementation. The major priorities of its activities are the inter-state relations in the field of tourism, the regulatory provision for the tourist activities, national marketing and advertising, assisting the activities of the regional, local and branch tourist organisations, IT procurement, marketing research, analyses and forecasts for the tourist market, development of the tourist product and training the staff employed in tourism. The Bulgarian Tourism Authority was the government agency for tourism promotion. Now, the Tourism Act[1] was amended to transformation of the Bulgarian Tourism Authority to a State Agency within the responsibility of the Council of Ministers.

2.2.2 *National Tourist Board*

It functions as a consultative body with the Minister of the Economy and Energy. It aims at assisting in the implementation of a national policy in tourism. The members of the National Board are representatives of the tourism-related ministries and institutions, local, regional and branch tourist organisations and the Bulgarian airline companies:

- **State administration bodies**: Ministry of Economy and Energy, Ministry of Foreign Affairs, Ministry of Interior, Ministry of the Environment and Water, Ministry of Culture, Ministry of Agriculture and Forests, Ministry of Education and Science, Ministry of Regional Development and Public Works, Ministry of Transport and Communications, Ministry of Finance;
- **National Association of Municipalities in the Republic of Bulgaria**: the Tourism Act envisages that municipal administrations have the status of the basic institutions for the development of tourism on a local level;
- **Bulgarian Air-Line Companies**: the Balkan Air-Line Company;
- **Branch Tourist Organisations**: Bulgarian Association of Tourist Agencies, Bulgarian Hotel and Restaurant Association, Bulgarian Tourist Chamber; Bulgarian Association for Alternative Tourism; Bulgarian Association for Rural and Ecological Tourism;
- **Local and Regional Tourist Organisations**: (e.g. Pirin Tourism Forum, Bourgas Regional Tourist Association, Stara Planina Regional Association, Varna Tourist Chamber; Tourism Board - Smolyan, Tourism Board - Veliko Turnovo, Tourism Board - Kazanlak, Tourism Board - Plovdiv) these are non-profit organisations uniting companies and organisations of the respective levels interested in the development of tourism. As of January 2000 this country had 53 local and 4 regional organisations functioning, which maintain 24 tourist information centres.

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[1] Enacted in 2002, but entered into effect only in April 2005.

2.3 Strengths of Bulgarian tourism sector

The above described development is based on the potential and the specific competitive advantages of the country, providing for diversified and sustainable tourism development. Due to its natural and historical diversity within a relatively limited space, Bulgaria has a considerable potential for tourism development. (OPRD, 2007)

This is represented not only by the Black Sea coast and the mountains covering more than 1/3 of its surface, but also by the nine sites included in the UNESCO World Heritage List – seven cultural and two natural, more than 600 mineral springs, thousands of local cultural and traditional attractions, more than 5% of the national territory in protected area status (incl. 3 national and 11 natural parks). (OPRD, 2007)

Amongst the competitive advantages are also the location in a relative proximity to the major markets in Europe, the competitive price level (reasonable value for money), upgrading and building new accommodation and other facilities in last years, the still relatively low degree of development of areas that are attractive for tourism (in terms of constructed tourist accommodation and technical facilities), more specifically in the mountains, the positive attitude of local population and of the authorities to tourism and tourists, as well as the relatively long history of international tourism development (since the end of the 1950s). (OPRD, 2007)

Moreover, all over the country tourism is perceived as one of the main tools to support regional and local development. Tourism sector expansion could have a positive influence not only on the sector itself but also on the development of related industrial and service sectors, employment and the general economic situation in the regions (catalytic and multiplier effect of tourism). (OPRD, 2007)

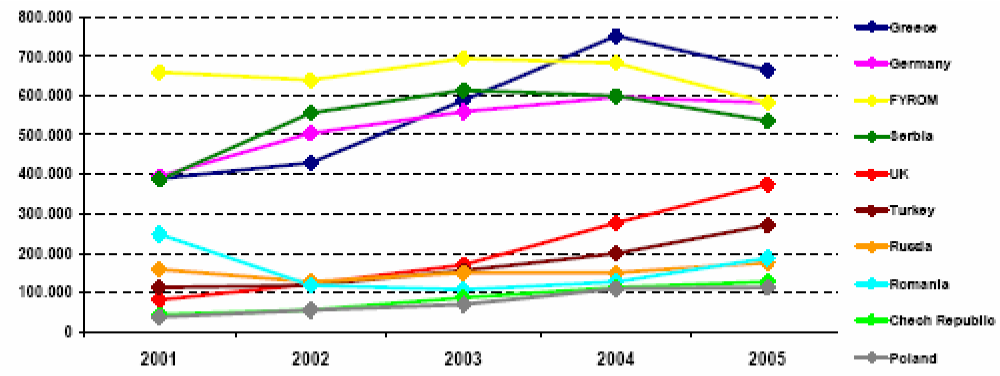
It is especially important for peripheral areas where the development opportunity set is limited. This is evidenced by the fact that municipalities with developed tourism have a stronger economy compared to similar municipalities with no or limited tourism development as well as that in many cases tourism was able to compensate the loss of jobs and income opportunities caused by industrial decline. Tourism is defined as a priority for development in the National Regional Development Strategy (for the period 2007-13), in all regional development plans and district development strategies, as well as in most municipal development plans. (OPRD, 2007)

2.4 Weaknesses of Bulgarian tourism sector

Although tourism in Bulgaria has a significant potential and has grown significantly over the last decade, it is far from its volume at the end of 1980s (the number of nights spent is 3 times lower) and the market share in global and European tourism remains insignificant. Tourism growth and its contribution to national and regional growth could not be sustained within the existing trend of development, which is featured by serious interrelated structural weaknesses and obstacles:

- Marked discrepancy between the diverse tourism potential and the one-sided development of tourism. The product mix is dominated by mass tourism and package tours mainly for seaside and skiing tourism resulting in low value added for the Bulgarian tourism industry, missed market opportunities as well as strong environmental pressure on traditional resorts which carrying capacity is either exhausted or in most cases overexploited.
- Bulgarian tourism is dependant on limited number of markets. The share of the 3 leading foreign markets in terms of nights spent (Germany, UK, Russia) is decreasing in the last years (from more than 70% at the end of 1990s to 59% in 2005), but still remains higher than for most of the competing destinations especially regarding the share of the first market.
- Seasonality of tourism is the highest within EU-27 with significant implications not only for the occupancy rates and revenues of tourism industry but also for the employment and the skills of the employees (inability to attract and keep skilled staff).
- The occupancy rate of accommodation facilities is low although slightly increasing (35% in 2005) as are the average length of stay of international tourists (2.4 days), the average revenue from one international tourist (€268) and the average daily spending (€167). The growth of these indicators is significantly slower than the respective growth of the number of international tourists and nights spent, indicating the ineffectiveness of the recent development. (OPRD, 2007)

Fig.1. International tourist arrivals to Bulgaria by country of origin (2001-05)



Source: BSTA Statistic, 2005; downloadable at www.tourism.government.bg/files/politics//file_67_bg.pdf

2.5 Relevant tourism development policy documents

Despite of these weaknesses, tourism is perceived as one of the priority sectors of Bulgarian economy. Its potential is demonstrated by its contribution to GDP, export and foreign exchange receipts as well as job creation. However, the extreme territorial concentration combined with product uniformity and gaps in destination marketing are reducing the chances to sustain the recent growth in mid- and long term, while the existing development creates significant environmental, social and economic risks for already overdeveloped resorts. (OPRD, 2007)

All current tourism policy relevant documents, included the National Tourism Development Strategy[2], envisage the development of sustainable tourism as one of the national priorities, as well as the product and market diversification and improvement of destinations marketing. OPRD (Operational Programme for Regional Development) is broadly in line with the "geographical segmentation" proposed in the report on the Tourism Strategy.[3]

The National Strategic Reference Framework – Programming period 2007-13 -[4] emphasises the rich and diverse natural and cultural heritage, recognises tourism's contribution to national growth, interprets tourism as one of the main elements of the local development potential and one of the engines of regional and local development and calls for strengthening the regional dimension of product diversification, emphasising on its role for economic diversification especially in rural areas. (OPRD, 2007)

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Ministry of Economy and Energy of the Republic of Bulgaria, Web site, http://www.mi.government.bg/eng/tur/orgs.html.

Programming of Regional Development General Directorate in the Ministry of Regional Development and Public Works (2007), *Operational Programme Regional Development*, http://www.mrrb.government.bg/docs/doc_619.doc.

[2] This document is at a stage of preparation at the moment of finalising of OPRD by the Bulgarian State Tourism Agency.

[3] Strategic framework for Tourism Planning and Development in Bulgaria and Main Directions of Strategy for the Development of the Bulgarian Tourism for 2006-09, (2006); elaborated and edited by the Bulgarian State Tourism Agency.

[4] The draft NSRF was elaborated and edited by the Management of EU Funds Directorate in the Ministry of Finance and the Agency for Economic Analysis and Forecasting in December 2005, then it was discussed by the Council of Ministers in August 2006 and subsequently agreed on 21 December 2006.

3 FOSTERING SMEs AND ENTREPRENEURSHIP DEVELOPMENT IN SUPPORT OF ALTERNATIVE TOURISM IN BULGARIA

by Rhodri Thomas

3.1 Introduction

There can be little doubt that small and medium-sized enterprises (SMEs) play an important part in destination competitiveness. Although large firms have a significant influence on the nature of what is supplied to particular markets, for example tour operators in relation to mass tourism, the most significant units of supply in most locations are SMEs and, often, micro enterprises[5]. It is inconceivable that a visitor to Bulgaria will not encounter such enterprises regularly, probably in the form of a taxi, a shop, a restaurant, a tour or accommodation. The quality of the tourist experience is, therefore, influenced heavily by the quality of the encounter with such businesses.

Tourism SMEs are also significant for their economic development potential. This may apply in several ways. First, a flourishing visitor economy – or circumstances where entrepreneurs sense that visitors will be attracted to an area - creates opportunities for new enterprise creation. In the context of alternative tourism, this is important because in some, perhaps notably rural, localities there is little prospect of alternative forms of investment. Though individually such businesses employ few people, collectively the employment generated by businesses reliant on visitor spend can be highly significant. Further, the development of independent businesses can mean that much of the revenue generated by visitors stays in the locality.

Tourism SMEs can also be a source of innovation and help shape destination development. There are celebrated cases internationally (for example, the Hay-on-Wye book festival in the UK and the 'UFO town' in New Mexico[6]) where small businesses have created an identity for a destination that has subsequently been harnessed by local municipalities. In these instances, the product has been initiated by tourism SMEs. In most cases, this will not happen. However, engaging the breadth of tourism enterprises in policy-development via partnership activity may well yield positive and creative results.

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[5] Micro enterprises employ fewer than ten people, small enterprises between 10 and 49, medium enterprises employ more than 50 but fewer than 250.

[6] Johns, N and Mattsson, J (2005) Destination development through entrepreneurship: a comparison of two cases. *Tourism Management*. 26 (4): 605-616. Paradis, T. W. (2002) The political economy of theme development in small urban places: The case of Roswell, New Mexico. *Tourism Geographies*. 4(1): 22-43.

3.2 General impression: strengths and weaknesses of current policy and business approaches in Bulgaria

3.2.1 *Strengths*

The fact that so many actors with an interest in tourism and the visitor economy made themselves available during the five-day OECD study visit suggests a concern to work together to achieve effective tourism policy co-ordination. Indeed, among some stakeholders - though certainly not all - there is an eagerness to develop a coherent approach and an enthusiasm to learn from practice elsewhere. Such attitudes need to be more commonly held if Bulgaria is to develop its ‘alternative tourism’ offer effectively and sustainably.

There is an emerging sense of ‘entrepreneurship’ in the widest sense of the word. This is evident in some parts of the private sector but also among some NGOs and state agencies. The need to be creative, innovative, respond positively to opportunities and to work together is evident in some quarters. However, it needs to become common practice.

If the serious challenges identified by this study can be addressed, Bulgaria has significant potential for alternative tourism development. Membership of the European Union, a rich variety of cultural offerings, landscapes and urban settings offers the prospect of a variety of tourist offers that could shift the emphasis away from the mass tourism of the Black Sea coast.

Expertise in (aspects of) how to foster entrepreneurship and SME development in support of alternative tourism exists in pockets but is not sufficiently widespread or harnessed effectively at the moment. The prospects for effective intervention will be improved significantly if knowledge from those with expertise can be channelled to a wider audience.

3.2.2 *Weaknesses*

Governance of tourism seems to be in a continuous process of transition and has been for some time. Although there does appear to be a rationale for most of the current arrangements, there are two exceptions. The first is that ‘EU regions’ do not seem to feature as important administrative boundaries. This will need to be addressed if the potential revenue from the EU to support regional development (relating to tourism or others sectors) is to be maximised. The sooner this can be achieved the better because again it prevents a degree of stability emerging around tourism governance.

An area of potentially greater concern for this study is that governance arrangements relating to tourism and those relating to entrepreneurship and SME development do not seem to be connected at any level, even though at state level the agencies even share the same building. In the light of what has been outlined in the opening paragraphs of this report, such a situation is unsatisfactory for two reasons. First, it means that SMEs are not considered by the State Tourist Authority (STA) beyond fairly meaningless mechanistic exercises. As a consequence, the STA is not, on the one hand, able to ‘tap into’ the creativity and innovation of tourism SMEs or, on the other, to identify through dialogue what the business development needs of a range of sub-sectors in contrasting locations (notably rural and urban) might be. This represents a significant constraint on effective tourism SME development.

Perhaps as a reflection of the preceding discussion, the process of developing tourism policy seems to be very bureaucratic and top heavy. There is evidence of limited consultation (mainly via formal mechanisms such as questionnaires) but there is little partnership working. Although not always as acute at a municipal level, the observation remains pertinent in most locations and levels.

Finding effective means of addressing the skills needs of the sector do not feature as an important aspect of the work of agencies developing tourism. Indeed, there is little (or mixed) evidence that they see this as a problem, or at least a problem that they can tackle. Yet, there are in some cases severe skill shortages that range from the basic customer care type to more advanced technical skills, as well as skills and knowledge relating specifically to business support.

General infrastructure weaknesses in some parts of Bulgaria will hinder the development of alternative tourism. At an SME level, however, perhaps one of the most critical is the lack of access to broadband internet and the use of the internet for marketing and booking purposes. Independent travellers from Western Europe (and increasingly elsewhere in Eastern Europe) will expect to be able to gather information about the tourist offer and the availability of accommodation (often at relatively short notice and for a short stay) quickly and easily from the internet. When enterprises can offer such provision, they are at a significant competitive advantage.

The incidence of corruption as a factor that hinders business development was frequently reported and the research team also identified that informal economic activity is endemic. These factors distort the impact of public policy and will, ultimately, hinder the development of a flourishing, internationally competitive and sustainable alternative tourism sector.

3.3 Examples of good practices in Bulgaria

As is indicated below, there are two instances of good practice relating to SME development that have come to light during this study: ‘Authentic Bulgaria’, and the ‘Bulgarian Association of Regional Development Agencies and Business Centres’.

3.3.1 *Authentic Bulgaria*

‘Authentic Bulgaria’ provides an example of a development project that has the potential to build entrepreneurial skills and, simultaneously, provide a suitable market response to the (latent) demand for alternative tourism products. Authentic Bulgaria is a network of quality certified independent hotels, guest houses and bed and breakfasts throughout Bulgaria. The initiative is funded by USAID (United States Agency for International Development) and currently has some eighty fully assessed members. Assessment for the allocation of a quality mark (bronze, silver or gold, with the possibility of also being awarded a rose for distinction) is based on seven criteria that include amenities, customer service, cultural aspects and business skills. Though there is scope for development, the network also offers a degree of business support/ skills development for owner-managers.

In addition to having a booklet that lists all the accommodation sites with outline details, there is also a well organised web site (www.authenticbulgaria.org) that lists all members and provides links to their web sites. Booking is not available on-line but email addresses are provided for enquiry and booking purposes. The organisation of this network, the quality of provision and the web presence make this an excellent vehicle for addressing demand side (generating visitors) and supply side developments (such as skills and matter relating to business competitiveness).

3.3.2 *Bulgarian Association of Regional Development Agency (BARDA)*

The Bulgarian Association of Regional Development Agencies and Business Centres (BARDA) provides an example of a programme that is not centrally concerned with developing tourism SMEs (though they are not excluded) but illustrates an approach that might be transferred effectively to the sector. In effect BARDA is an attempt to deal with the lack of tradition of business support for SMEs. Its mission is to: 'improve the economic environment in Bulgaria through measures for the encouragement of entrepreneurial initiative and employment in accordance with the economic development strategies of the regions'. In pursuance of this, it has secured funding from the European Union for a variety of projects to strengthen entrepreneurship in Bulgaria. These include the following:

- EU Phare projects: 'Regional Development Agencies (RDAs) as a tool for enhancing small and medium sized enterprises (SMEs) development within the enlarged internal market', 'Capacity building for the accelerated growth of the SME sector in Bulgaria' and 'Investing in business incubators in declined industrial areas'; and
- Interreg III: 'Improving access of SMEs from rural regions to the knowledge and information society'.

To some extent, the actual projects supported are less important than the 'way of thinking' that BARDA encapsulates. When engaged in discussion and throughout their documentation, it is evident that BARDA appreciate the need for partnership working, regional and sub-regional (municipality) economic development strategies and they have a wider understanding and engagement with other European Union priorities such as those relating to social inclusion, gender, technology and the environment.

3.4 Policy recommendations

In the light of the above and a review of tourism SME research, policy recommendations will be divided into six broad areas as follows:

- The business environment;
- Responding to a diverse sector;
- Strengthening business practices;
- Promoting partnership;

- Reviewing the curriculum; and
- Learning from the EU experience elsewhere.

a) The business environment

The business environment clearly sets the context within which SMEs are able to flourish or are prevented from doing so. The term 'business environment' used in this context is wide-ranging and incorporates the fiscal and regulatory framework that businesses face (including opportunities for and restrictions upon informal economic activity), incidences of corruption, the availability of capital for investment, the availability of skilled labour, and particular kinds of infrastructure issues such as internet access. Clearly, most of these issues went beyond the scope of this study. However, it must be noted that they represent a fundamental consideration for those seeking to foster entrepreneurship and SME development in Bulgaria.

Policy recommendation:

On-going review and dialogue with key stakeholders about creating a business environment that is transparent, understandable to enterprises and enabling of entrepreneurship.

b) Responding to a diverse sector

If SMEs are to be supported effectively, it is important to recognise their diversity and, critically, the implications of this variety. SMEs vary in many ways, notably the resources they have at their disposal, their motivations and the extent they are tied to particular places. 'Resources' should be conceptualised broadly to include factors such as financial resources, knowledge resources, relational resources (or networks). Each of these will influence the ability of the owner of an enterprise not only to react effectively to particular market opportunities but to be able to identify them in the first place and, as will be discussed below, help influence tourism development locally. The motivations of enterprises will vary from those who are driven by the possibility of growth and expansion to those that are keen to create financial security but little beyond that. It is important for local policy-makers to recognise this diversity; by understanding and responding to motivations, it is more probable that measures to support and encourage entrepreneurship will be targeted appropriately. The entrepreneur's sense of place is also potentially relevant here. If entrepreneurs are 'tied' to particular locations (i.e. if they see their future bound up with the prosperity – or otherwise – of an area) they are more likely to wish to participate in initiatives (or even help shape initiatives) that they feel will deliver such success.

Policy recommendation:

Recognise the diversity of SMEs and seek to understand more about the characteristics of local businesses. Use such knowledge to encourage participation in local business initiatives. A particular feature should be to encourage various businesses to see themselves as part of a local 'tourism sector'.

c) Strengthening business practices

Small businesses may enhance business performance by adopting particular business practices but in many cases they will need to have opportunities to learn. Developing a policy to enable such learning opportunities is complex and certainly requires an understanding of how owners and managers of SMEs learn. The research literature shows that: learning takes place informally as well formally; participation in formal tourism training schemes is low in Europe; learning is often based on experience and problem solving; the personal skills deficiencies of owner-managers are not necessarily recognised by themselves; social and professional networks represent an important source of learning; knowledge of and engagement with economic development agencies is limited. This appeared to be as true in Bulgaria as elsewhere in the European Union. Policy measures that recognise these factors are required if SMEs are to participate.

Policy recommendation:

Devise flexible support mechanisms that relate to the world of the entrepreneur rather than mass produced training courses which will not be seen as relevant to their world and development needs.

d) Promoting partnership

Partnership working is vital if there is to be effective co-ordination between the various actors with an interest in the development of alternative tourism in Bulgaria. In other international contexts, partnerships have come to represent an important dimension of tourism policy in the fields of marketing and place promotion, training and competitiveness, and sustainability. The principles of effective partnership working have been established by detailed research over the past decade. Some of these principles are as follows[7]: recognition of inter-dependence; a convenor is required that is seen to have legitimacy, expertise, and authority; a shared vision is developed where there is a sense of individual and collective benefits; a shared perception that decisions arrived at will be implemented. It is well documented that SMEs – and particularly very small enterprises – face obstacles to participation that include lack of time and understanding of the policy-making processes and their relevance to them.

Policy recommendation:

Develop municipal partnership working that incorporates SMEs. A pre-requisite to effective implementation will be capability and capacity building for the various actors that will be envolved`.

[7] See Bramwell, B and Lane, B (2003) Tourism collaboration and partnerships: Politics, Practice and Sustainability. Clevedon: Channel View.

e) Training, the curriculum and the skills agenda

The availability of skills is potentially an important constraint on development. A clear assessment of the strategic skills needs in tourism is required. At a municipal or regional level this should involve attempting to map supply of skills with demand and fill gaps accordingly. The curriculum could also be extended to include entrepreneurship and start-up training at a variety of levels. There is a sense that some of the curriculum followed at specialist colleges is rather dated by European standards.

Policy recommendation:

Review the curriculum of specialist colleges to make sure that it meets the needs of contemporary tourism businesses. In addition, undertake a skills mapping exercise and develop means for delivering relevant skills to the labour market.

f) Learning from the EU experience elsewhere

Other EU member states now have considerable experience of fostering entrepreneurship and supporting SME development. Moreover, many municipalities have also developed expertise in accessing European Union resources to support tourism SME programmes (usually as part of a wider social/regional development agenda).

Policy recommendation:

a. Review current practice of business support options available by finding out more about practice elsewhere.

b. Find municipalities with experience to learn how to secure finance for support projects.

3.5 International learning models in OECD countries

3.5.1 *The Institute for Enterprise, Leeds Metropolitan University, United Kingdom*

a) Description of the approach

The Institute for Enterprise at Leeds Metropolitan University, United Kingdom, is a national centre for excellence in enterprise teaching and learning (CETL). The Institute works with a range of regional partners and across all university departments to pioneer cultural change, whereby enterprise is seen as relevant to all university students. ‘Enterprise’ is defined broadly as an ‘employability skill’ (i.e. one that will be relevant to anyone in the workplace) as well as those seeking to start-up or work in SMEs.

To achieve its goals, the Institute brings together the following stakeholders regionally: local SMEs, policy-makers, professions that relate to business (notably law, accounting, and banking), the National Council for Graduate Entrepreneurship, Small Business Service, the regional development agency, regional colleges and universities, and NGOs with an interest in its work.

Though working across all sectors, the Institute provides support for sector specific activities. Two contrasting examples that relate to tourism entrepreneurship and SME development are as follows:

- A regional symposium that will bring together key actors with a view to enhancing the regional benefits to SMEs of hosting major and minor events and festivals in the region: http://www.leedsmet.ac.uk/lsif/events/beyond/index.htm
- A project to support start-up and business development for tourism events businesses. Funded as part of an EU project, the activities include a business ideas competition (prize of approximately €10 000 to develop the idea), business incubators and business support for local tourism and events businesses: http://www.leedsmet.ac.uk/international/the/E98B5C0DA17143BFAA68B3D95B23E56B.htm

b) Rationale for the policy intervention

The rationale for the Institute is that the student population, especially at a higher level, offers significant entrepreneurial potential. In many instances, however, such potential remains latent. The creation of opportunities to encourage development of ideas, making connections with those who are able to nurture new entrepreneurs and to help create supportive networks is intended to convert the latent potential into new business formation and subsequent growth.

c) Why the approach is relevant to Bulgaria

One of the challenges facing Bulgaria is its lack of tradition of entrepreneurship. The education sector at all levels can play a part in changing attitudes by enabling greater understanding of the key dimensions of entrepreneurship and empowering people to start businesses. This is most appropriately undertaken at a higher level initially because students will be nearer to entering the labour market and are more likely to have the intellectual maturity required.

d) Reasons for the success or failure of the approach

The approach is successful because it utilises the skills of highly capable, creative and adaptable staff, the Institute values strong regional networks that are embedded in its approach, and has access to sufficient financial resources to develop and promote various projects. If one of these were not present, the Institute would have far less of an impact than at present.

e) The obstacles faced in implementation and the quality of the response taken

The Institute faced numerous challenges when attempting to develop this idea. Perhaps surprisingly, these were not from agencies that were invited to join the network (probably because they could see a role for their organisation in the Institute's mission and felt they would benefit from participation). The main challenge was to overcome the potentially negative attitudes of those that were 'gatekeepers' to students and their curriculum i.e. those members of staff that were reluctant to incorporate an element of fostering entrepreneurship into the experience of the students that they were responsible for. This was overcome by a mixture of providing events that were additional to the curriculum and funding 'pioneers' in various departments that sought to show how entrepreneurship might be included in the work of departments.

f) Considerations for successful adoption in Bulgaria

There are several key success factors that would need to be addressed if this idea were developed in some regions of Bulgaria. These include appropriate training for the personnel who would be leading the initiative (probably drawing on international experience), the development of strong networks that would bring the potential entrepreneurs together with professionals (banks and other agencies that will influence the success of the new businesses), and the creation of an on-going dialogue between new start-up businesses and the Institute. The approach will not work without sufficient financial as well human resources.

g) Contact details and website for further information

Web-site: http://www.lmu.ac.uk/enterprise/html/about.htm

E-mail: enterprise@leedsmet.ac.uk

3.5.2 *European Tourism Learning Areas*

a) Description of the approach

Tourism learning areas aim to strengthen the performance of various tourism stakeholders – especially but not exclusively SMEs - via the creation of networks of learning. Tourism learning areas should be seen as local co-operation platforms for learning and qualification of tourism professionals where informal (networked) learning opportunities are seen as important as more formal approaches.

The core idea is that by encouraging innovative practices via continuous learning among employers, tourism learning areas will upgrade the skills of those working in the tourism industry, create a sectoral identity which reflects common interests, and ultimately boost competitiveness.

An essential feature of learning areas is the participation of all local stakeholders. This involves dialogue between business support agencies, training institutions, tourism industry representatives and public authorities. It is widely recognised that regional public policy-makers play a key leadership role, particularly by encouraging learning centres to foster innovative and entrepreneurial potential.

There are various ways of structuring tourism learning areas depending upon the preferences of local stakeholders. The development of a web-based system for creating a learning presence would be recommended. Such a web site would be interactive (e.g. message boards, discussion forums), contain details of events (e.g. training programmes) and specific initiatives (e.g. schemes to encourage networking or mentoring) and the contact details of members.

b) Rationale for the policy intervention

Traditionally, tourism SMEs do not engage in formal learning, offer few training opportunities to their staff and do not engage easily with public agencies. The rationale for setting up a learning area is that issues such as quality, ICT, skills, marketing and customer focus, and other business practices are placed firmly on the agenda of SMEs by encouraging reflection on good practice. One of the key aspects of learning areas is that they make training (learning) more accessible to SMEs by seeking to build provision in partnership with them and around their 'world' rather than in the 'world of the trainers'. One of the key benefits is that this is more likely to yield a higher rate of participation than traditional approaches to developing skills and encouraging learning.

c) Why the approach is relevant to Bulgaria

The approach is relevant to Bulgaria because it provides a framework for developing co-operative, market-responsive skills and learning provision that does not exist at present. It is sufficiently adaptable to accommodate local differences yet has a coherence that will be replicable in the Bulgarian context.

d) Reasons for the success or failure of the approach

The approach requires strong partnership arrangements, a sense of moving forward for all key partners, and resources to develop key features of the learning area. A 'champion' will also probably be a prerequisite to success. This implies a degree of capability building with potential champions prior to trying to establish a learning area.

e) The obstacles faced in implementation and the quality of the response taken

There are numerous potential obstacles, ranging from lack of resources to a lack of commitment. In practice, existing resources can be used in different ways if there is sufficient buy-in to the idea of establishing a learning area. Since a fundamental aspect of the concept is one which is comprehensive (incorporating stakeholders that do not always engage comfortably with each other), the biggest obstacle is that of gaining widespread (genuine) support for the project.

f) Considerations for successful adoption in Bulgaria

Experience suggests that the idea of a learning area will not be readily understood by all potential participants immediately. It is recommended, therefore, that a small core group is established at the beginning and that a champion (probably from the public sector) takes a lead in developing the initiative. A significant challenge will be to explain and justify ('sell') the concept and illustrate by use of good practice from elsewhere in Europe. The 'knowledge network' can then be developed incrementally alongside a web presence.

g) Contact details and website for further information

A European Union handbook which contains details of how to set up a learning area and provides some case studies can be found by following the link:

http://ec.europa.eu/enterprise/services/tourism/studies_and_publications.htm

3.5.3 *Hawke's Bay Wine Country Tourism Association, New Zealand*

a) Description of the approach

In response to a proliferation of small ineffective brands, Hawke's Bay Wine Country Tourism Association was established as a membership association to create a strong market presence for the region. Emerging from Hawke's Bay Food and Wine Tourism Group, as it grew it merged with the Hawke's Bay Tourism Association. Though apparently built around wine tourism, the brand now encompasses art deco, food, wine and relaxing lifestyles. The membership is drawn from any business that sees itself part of the tourism sector or sees the importance of tourism to the regional economy.

The association is primarily concerned with marketing, and enables SMEs to benefit from being part of a larger brand presence. It undertakes a range of promotional activities that range from exposure on television to events that attract visitors, with more mundane activities such as promotional leaflets in between. A significant proportion of its work involves participating in trade fairs where, depending on the particular event, the destination is promoted directly to potential consumers or to tour operators.

In addition to the marketing, the association is keen to enhance the competitiveness of tourism businesses within its area. Consequently, it organises business development programmes to help professionalise smaller operations. There are courses, workshops and one-to-one coaching opportunities that deal with effective business planning and management of resources – including human resources – with the intention of generating growth. It is emphasised that provision is designed and delivered in accessible ways that suit the local SME community. These activities are generally free to association members.

The association also seeks to lobby on behalf of the tourism sector. It is actively involved, therefore, in commenting directly to policy-makers about the consequences of measures that might be introduced and what they consider to be appropriate means of supporting tourism development.

b) Rationale for the policy intervention

The rationale for the approach rests in the perceived fragmentation of the brand and the need to enhance the competitiveness of SMEs within the region. Public sector support ensures that the association of entrepreneurs is able to develop its capability and capacity in a manner that might otherwise have taken longer to occur or, indeed, may not have developed as effectively.

c) Why the approach is relevant to Bulgaria

This approach is considered particularly relevant to Bulgaria because if alternative tourism is to flourish, it must be developed and presented in ways that can be readily understood by consumers. In this case, it is wine (obviously because it is a wine growing area) but the theme will reflect local resources/ attractions. This might be the wildlife, walking, sport, wine, crafts or any manner of things that can be determined locally. The approach is also valuable because it will provide opportunities for business learning which, given the relative novelty of the free market in Bulgaria, will help compensate for a lack of entrepreneurial tradition.

d) Reasons for the success or failure of the approach

The approach requires foresight and local leadership. In Hawke's Bay this emerged from one or two key individuals. If local business leader do not emerge, the approach is unlikely to succeed. In reality, it is likely that they will emerge in some places and not in others. Public policy to support the establishment of such associations would enhance the chances of successful development. Another factor that will influence success or failure is the coherence of the unifying brand. Although Hawke's Bay has become much more than a wine region, the centrality of wine to the brand proposition was very clear. If messages are ambiguous or unrealistic, consumers will probably be confused or not persuaded, and membership will not flourish.

e) The obstacles faced in implementation and the quality of the response taken

Hawke's Bay Wine Growers Tourism Association grew out of a dissatisfaction with how the area was branded and promoted. Yet, there was a tradition of public and private sector organisation and collaboration to address the challenges of managing the various dimensions of tourism effectively. This served them well and enabled the development of current arrangements.

f) Considerations for successful adoption in Bulgaria

Such a tradition does not exist in Bulgaria. Indeed, there is often suspicion concerning the motives of different (potential) partners. This will need to be overcome at the appropriate level (probably regional or, at least, municipal) if initiatives such as this are to succeed. Funding to start the process of association formation will be essential and joint funding (and working) with the public sector thereafter. Encouraging private sector leadership – a key feature of this approach – will probably also require something of a cultural shift amongst local or regional policy-makers.

g) Contact details and website for further information

Further details of the activities of Hawke's Bay Wine Country Tourism Association can be found at: http://www.hawkesbaynz.com/wine_country/index.htm

4 ALTERNATIVE TOURISM IN BULGARIA: DIVERSIFICATION AND SUSTAINABILITY

by Nicholas Vagionis

4.1 Introduction on the theme: development, sustainability, diversification

Sustainability is nowadays one of the *sine-qua-non* targets as regards the development of a region. Development paying respect to the natural environmental potential on one hand, and also development showing the appropriate consideration of the local social structures and resources on the other, is considered sustainable.

If economic development of a country is to be based to some extent on tourism, diversification of the tourist product via alternative forms of tourism is a very appropriate strategy. The alternative forms to the mass-tourism industry are considered as able to support the local communities to be developed, in an environmentally and socially sustainable way, along the following lines:

- *Non-massive tourism:* When offering an alternative (non-massive) tourism product, a much higher percentage of value added can be locally produced and spread: local ownership of capital, local production of consumables and local offer of labour. A unique area-specific Tourist Product can be sculpted, which in turn can be better marketed with "Product -branding" strategies.
- *Environmentally sustainable tourism:* Tourism is of course adapted to the local natural resources, everywhere. Mass-tourism means exploitation. Alternative tourism employs the sensible use of local natural resources, which should also be considered as economic resources. Thus, the heritage of the local communities is protected for the present time and for the generations to follow.
- *Better integration to social structure*: Social structure includes community and economy. Alternative types of tourism are better adapted to the local social resources, like local knowledge, skills, arts, traditions and production base. Local products are marketed and consumed, local skills valued and used, while local traditions are followed and/or revived. In such a harmonic cooperation a better development potential is more secure not only for the present but for the future.

4.2 General impression: strengths and weaknesses of current policy and business approaches in Bulgaria

4.2.1 *Strengths*

The points that follow highlight the strong points of the country as regards the potential for development of a diversified and sustainable tourist product.

a) Economy and tourism

Bulgaria is a country which can be considered as having finished the "transition period" to the free market economy. It is now well into a free market capitalist system of development and of course within the environment of the European Union and this is one considerable strength, for sure. Bulgaria has the added heritage of proximity and relatively good (or preferential) relations to the countries of the former Soviet Union. Tourism seems as an economic sector that is not only alive, after the transition, but growing fast. Currently there is a considerably strong flow of from Russia to Bulgaria, may it be investments or visiting tourists. Romania, Greece and other European countries also interact touristically with Bulgaria. This latter strength needs certain policies to lead to a sustainable tourist product for the country.

b) Geography, location, environment

Bulgaria is located in physical proximity to central European tourism markets, but also has the potential to benefit from the proximity to the Black Sea and the upcoming markets of the East. It should be strongly noted, though, that apart from the seaside resorts, Bulgaria has a rich mountainous environment which to a large extent is intact. This includes many natural water springs, monasteries and other cultural monuments, forests and national parks. These comprise a good initial capital for developing sustainable tourism in the inland. It should be also noted that there are at least 3-4 developed ski resorts that are already receiving considerable amounts of tourism.

c) People and society

There is a strong social and cultural resource base in Bulgaria which is very important to tourism. The country has people that are willing to improve their economic status. There are people having skills and practicing arts that can be useful to formulate a rich tourism product. There are also enough people willing to become entrepreneurs in the tourism sector. There are more than enough people that would be willing to relocate within the country, for a (better) job in tourism. Finally women are equally legitimate in business and in appointments of responsibility. These (skills, mobility of labour and entrepreneurial spirit) are some of the basic preconditions, within a neo-classical economic development model, for a region ready to boom.

d) Levels of government

As regards tourism, the central government has some expressed priority for tourism. At regional level conditions are also varying. There is definitely some positive energy and some positive thinking as for how to develop (6 planning regions, 12/19 proposed tourism regions, etc.). There are also some rather active regional tourism development agencies, some less active, and more or less all with limited or no finance. At local level (264 municipalities) there is a more solid organisational structure, with some tourism development potential due to certain availability of resources. The existence of these tiers is a strength, but it also needs specific policy principles and measures to lead to an effective sustainable tourist product.

e) Infrastructures: hard and soft

Physical infrastructure in Bulgaria, which is a basic precondition for the development of tourism, is entering a phase of positive reconstruction. One strength is that the entry of the country to the European Union probably means that some finance through the European Regional Development Fund and other instruments can be expected. On the other hand, as regards "soft" infrastructure, the development of Information Technology networks and of course the development of human capital may not be yet expanded but they have started moving. The strength is that, today, both are considered as a first priority by all stakeholders and local actors.

4.2.2 *Weaknesses*

The points that follow highlight the shortcomings of the country as regards the potential for development of a diversified and sustainable tourist product.

a) Infrastructures

Given the strengths above, it cannot be disregarded that there is still considerable way to be covered in the field of modernising the physical (hard) infrastructure in tourist places. This regards not only transportation networks (streets, etc) but also infrastructure for the protection of environment, i.e. waste disposal, sewage treatment and recycling.

On the front of soft infrastructure, there is only limited success as regards the entrepreneurial skills related to tourism and innovation. Such skills are still either absent in many cases and especially in the peripheral regions, or at low level, in any case.

Further on, the "networking" and "e-access" to the consumers/tourists is very little developed in the country, at least as regards the existing tourist capacity. Things become even worse when it comes to the smaller enterprises in the distant villages, where the need for networking would be the most acute. Even the best examples of centrally located investments (hotels), in cases come short when it comes to interactive web-pages or advanced networking provision for the customers.

b) Government and tourism

It is an indisputable strength that the central government has prioritised Tourism –to a certain extent- in the development procedure. What is a rather serious shortcoming, though, is that government has not yet developed a sturdy organisational structure, to design and produce tourism development legislation and facilitate its implementation.

Further on, as regards diversification of the tourism product and sustainable development of tourism there is only too little evidence that some understanding of this kind has penetrated the tiers of government. This is considered as a major weakness in the tourism development process in the country.

c) Resource management

There are some cases where resources may or may not have clear management. Besides there is evidence that finance for the maintenance of such elements, that can enrich a diversified tourist product, is rather limited. For example the national parks and other natural monuments may have potential for supporting related tourism activities that is not considered, or in any case not implemented, by the responsible bodies.

d) Levels of partnership

A last but surely enough not of least importance major problem in the development process of tourism in Bulgaria is the poor level of partnership. This can be observed between the various agencies, associations, NGOs, private entrepreneurs. Evidence shows poor communication and understanding among themselves and of course with the municipal and/or central government. In cases there are conditions of rivalry over resources, or dispute on rights and contradiction of responsibilities. These conditions have causes that have to be identified and somehow curved, so as to have a harmonic functioning of the various stakeholders aiming foremost to the development of the country.

e) State finance and support

There is evidence that the government is mainly supporting mainstream mass tourism options. It also seems that the allocation of funds is rather "centralised". The ministry of Culture shows an active interest in tourism. But moving to lower tiers, one finds that the Bulgarian State Tourism Agency (BSTA) has no regional offices. One step down, the National Association of Municipalities seems to have plenty of good ideas but very limited state financing, if any. Further down, the Bulgarian Association of Regional Development Agencies (BARDA), the Bulgarian Association for Rural and Ecological Tourism (BARET) and some more of the kind, all have some more good ideas, operate practically without any budget.

4.3 Examples of good practices in Bulgaria

What has to be identified at this point is that although there are several shortcomings, the country is in a positive development path, as regards tourism. The aim of this intervention though, is to highlight certain efforts that are in a direction of producing a sustainable tourism product, in an environment of fruitful partnership, or respectful coexistence, of local private and public actors. This product will be a valuable asset for the regions to be related with, as it will respect the local natural resources and redistribute the largest part of the earnings to the local communities.

4.3.1 *Municipal governments*

A main characteristic of developing tourism along sustainable ways, which can safely serve as evidence of good practice, is the involvement of some municipal governments.

For example, the municipal government of Gabrovo proves to have a positive record of good practice. The municipality has produced a lot of printed material for the development of tourism in the region, as well as for the marketing of this product. They take part in several tourism Trade Shows to promote their local tourism. They have created a tourist information centre and co-financed the construction of eco-trails in the mountains. They created the innovative idea of “single ticket for all city monuments” and they declared that there is a permanent “budget” for the development of tourism in their municipal budget.

If Gabrovo’s record is good, the city of Tryavna perhaps has done even better. They have set tourism as their first development priority for the period 2007-2013. They attend foreign Tourism Trade Shows and they have set up an architectural committee to protect the local environment through control of architectural style and through a land–use plan. They not only sustain and support the local school of wood carving but expand to the utilisation of many other local skills. For example they expand to iconography, painting, and restoration, in relation to the stock of religious monuments (churches, monasteries) and other historic buildings in the region. They promoted the tourist marketing of municipality with a film and with sponsorship by foreign companies (e.g. a Belgian beer). They enrich their tourist product giving also emphasis on pottery, “treatment tourism”, and local folkloric festivals.

4.3.2 *Independent legal entities*

A second type of stakeholders in the development of tourism, which has definitely produced some evidence of good practice, are some independent legal entities, most of them of the “non profit seeking” type.

One good example of this kind is the “Volunteers for Economic Growth Alliance” (VEGA). They are currently running the “Authentic Bulgaria” project, also supported by the US Agency for International Development (USAID). This is mainly a marketing instrument, but not only. They organise and promote a chain of good quality lodges and small hotels in the regions of the country, which are all oriented to environment friendly types of alternative tourism. They assess the tourist enterprises willing to enter, help them with issues of human resources, networking in the internet, and also provide advice and solutions on issues of business skills and safety management. They are independent and their financial resources stem from the participating firms in exchange for the services offered. Finally they have produced a booklet and of course an internet site. Both are mainly aiming to the promotion of the participant firms into the national and of course the wider tourist market.

4.3.3 *Stara Planina Regional Tourism Association*

The Stara Planina Regional Tourism Association is a good example of an active body that covers the empty space between central government and small tourist enterprises. Their main task is to facilitate the interaction between the entrepreneurs and the local government. They also take steps in the marketing of the regional tourist attractions. They promote the tourism of the region by maintaining an active web site as well as six local tourist information centres. Among other activities, they have run a programme for local entrepreneurs and another for innovation models in relation with historical heritage (Leonardo Programme). Finally for the last 10 years they organise an annual tourism trade show in a different town in the region, every year. All well, but it came up that they are not in good terms with the Authentic Bulgaria project.

4.3.4 *Technical school for catering and tourism, Razlog*

This school offers something that is really needed in the tourist development of the country. And this is a network of decentralised professional training facilities. The population in the regions suffer severe lack of tourism-business skills. These include the knowledge of the basic hospitality rules, the competence in foreign languages, the economic management of a small tourism business, the knowledge of the techniques of a restaurant, issues on safety, issues on hygienic rules, etc. These are exactly what the school offers. What remains some legislative regulation in a way that the tourist enterprises will have to employ at least a minimum of qualified personnel.

4.4 Policy recommendations

a) Central government structure

A **central governmental structure** should be responsible for tourism, to address to the needs of providing the strategy for the development of tourism. This structure should provide not only the legislative framework but also offer support, guidance and information to all lower levels of government, i.e. regional and municipal, but also to the private entrepreneurs. These services should not only be available in the capital of the country, but also at the regional level with branches which should be operating in preferably all regions. Regional and local authorities, NGOs and private entrepreneurs of the tourism sector, alone or in partnership, should cooperate within a state of compatibility under the government development framework.

b) Hard infrastructures

The provision of **hard infrastructure** or at least the improvement of the existing is always a “must” in policy recommendations. The case of Bulgaria is by no means an exception. Better transportation and better power and pure water supply, together with waste disposal and sewage treatment will definitely have a positive impact to tourism. Especially as regards the most remote regions of the country, where the level of such provision is less than adequate, the potential results should probably be very positive, as the conditions are not yet appropriate for any tourism development. But apart from this, there are other priorities at least equally as important.

c) Human capital

The development of **human capital** is a task where considerable effort has to be made. More specifically, in the tourism sector, the need is for professional specialisations that will help the internationalisation of the supply of the tourism product. Second, the specific knowledge necessary for the promotion and the easier access to the markets targeted. Also specialisations that will implement the diversification of the tourism product to alternative tourism activities, like ones with thematic linkages to the natural or social life in the country.

d) Information technology

The **information technology** networks need to be developed and also the local enterprises need to become networked. Networking of the remote areas has still some way to go. This needs good and steady telephone lines infrastructure and specific promotion and orientation of the tourism business at the local level to join. Some incentives may have to be offered by the policy makers for the first steps to be done, until business understand the potential of networking and make further steps of their own.

e) Public and private partnership

Perhaps the existing space for too many kinds and levels of legal entities, all having as a target the promotion of tourism, makes things more complex. What seems more effective might only employ the simple division of “public” and “private” in all those bodies. Private bodies (all types of NGOs and tourist enterprises) may compete or cooperate among themselves within the framework of the legislation, while public bodies (government) should provide this framework. Specific provisions should be set for the specifications and the licensing, in the one hand, and the promotion, in the other, of various alternative types of tourism.

f) Specific alternative tourism products

These types are fast developing and create their own specific niche markets. These, both in theory and in the real world, can have separate demand and supply laws and while diversifying they strengthen the tourism product. The diversified supply of alternative products, if seen as a whole system, offers considerably lower seasonality of the tourist business and turnover. More specifically, policy should focus on the following products and issues:

- The “**activity oriented**” products are one group of alternative tourism. These are targeted to young or middle aged customers with environmental conscience and relatively good physical condition or abilities. These can be rural tourism, ecotourism, sport and/or training tourism. It is normally designed to take place in unspoilt physical environment, it needs equally good quality lodgings and traditional places to enjoy local food (e.g. not fast-food restaurant chain). This is often based on the use of lakes, streams and rivers, mountain trails for trekking or mountain biking or horseback riding. Here, also, the use of National Parks as a resource for development of alternative tourism in the surrounding communities should definitely be in the agenda. Policy should make it legal and safe, via licences to qualified tourist operators, using qualified personnel and cooperating with equally approved local partners. Regular auditing should also be a part of the policy implementation.
- The “**cultural oriented**” products are another bunch of alternative tourism products. These can be based on religious tourism, gastronomy and/or wine tourism, traditional music/festival tourism. There are endless more local skills and specificities that may sustain cultural visitors, like local iconography and painting, wood carving, pottery etc. These products mainly target middle aged and mature

types of culture oriented customers. These people usually seek quality and exclusiveness, as well as a good itinerary in their vacation. As regards live music, no one performance is identical to another. No one gastronomy round is the same with the previous. No wine is the same with another. Policy should make it possible for vineries, local handicraft entrepreneurs, etc., to cooperate with the relevant alternative tour operators, or build–up their own hospitality and marketing capacity to sustain their business in the tourist circuit. This may be with minimal quantities of tourists at the beginning, which afterwards may rise, if tourists leave pleased with the experience.

- **Policy for all year round tourism.** Specific provisions should be considered for the smoothing of the seasonality of the tourist market. The diversified tourist product is a main and very effective strategy. On the other hand, central and local government should aim, and use their resources to do so, in promoting the "low" season tourist activities. This should keep the tourist enterprises open and operating without running into deficits. For example, a well known local festival run by the municipality should not be right in the middle of the high season, it can be at the margin, or well out. This will add new life at the region. Further on, conferences, social packages for elderly tourism, large business packages should all aim off–peak. The aim is to develop a 12 month operating tourist destination, with one or another activity each time leading the trend.

g) Licensing and auditing

While central government provides basic legislation, a network of interactive, licensing and auditing bodies should exist. Each of the above alternative types should be identified and licensed as such by some licensing/auditing authority. The latter can be either public, or a delegated private institution assigned with this task. Investments in the above tourism sectors may be supported financially by the state, especially if they fit in the provisions of a relevant legislative support framework. This framework sets the development priorities, or in other words defines the desired types of tourism investments, leaves others at their own fate and of course may bar activities that do not fit to the development character of a region.

4.5 International learning models in OECD countries

The following three cases were considered as more suitable to use as learning models: the first model is the presentation of the structure of authorities and policy for alternative tourism in Greece. The following two models are two examples of implementation. Model two is the description of one agency-partnership project and model three is reference to two private investments, under the specific alternative tourism legislation. Reference is made as analytically as it is legally possible. The relevance of the approaches to Bulgaria will always be kept in mind and referred to.

4.5.1 *Administration of tourism and policy for alternative forms in Greece*

a) Structure of administration

As a first learning model it was considered appropriate to present a brief analysis of the structure of authorities of tourism in Greece and the policy for alternative forms of tourism.

The main body of central administration of tourism, responsible for providing legislation and auditing the implementation and development of tourism in Greece is the "**Ministry of Tourist Development**" (or Ministry of Tourism or «ΥΠΤΑΝ»). The ministry was founded in 2004 [1]. Before, tourism was represented in the central government via the Ministry of Development and other ministries in older times. Practically, though, the governing body had been the Greek National Tourism Organisation (GNTO), but there was some confusion on the limits of its jurisdiction. Long discussions and change in government have taken place in the meantime.

The oldest body for the administration of tourism is the **GNTO** [2] or «EOT». It is concerned with the implementation of the legislation, nationwide, or, in other words, the body that comes in contact with the investors, facilitating and auditing their efforts.

The structure of the Organisation is a model structure and is developed through many decades of operation. It consists of the President's and the Secretary General's Offices, the General Directorate of Development, the General Directorate of Promotion, the Directorate of Administration, the Legal Adviser's Office, the Press Office. GNTO has regional offices in all 13 regions and some 30 information desks in major tourist centres (airports, etc.) throughout Greece, as well as at least 25 offices in major cities all over the world.

Other institutions that are supervised by the Ministry of Tourism and support the administration of tourism, according to law 3270/04 (Government Gazette 187/A/11.10.2004), are:

- The **Organisation of Tourism Education and Training** (O.T.E.K.)[3]. This body constitutes the specialised state organisation which is responsible for the professional training of personnel in relevance to the tourism business. It operates as Legal Entity of Public Law supervised by the Ministry of Tourism. OTEK consists of the Former Schools of Tourist Professions (2 advanced and 8 standard schools) and of the Schools of Tour Guides (6 schools nationwide);

1 The Ministry of Tourism is established by the presidential decree 122/2004, with the competence as defined in law 3270/04 (Government Gazette 187/A/11.10.2004). **Minister of Tourism**: Fanny Palli Petralia (former minister Dimitris Avramopoulos**). Secretary General of Tourism**: Maria Yianniri.

2 The GNTO (www.gnto.gr) was first established in 1927 and re-established in 1950 by Emergency Act 1565/50 (ratified by law 1624/51); since 1950, the GNTO constitutes the ruling state agency for the tourism sector. According to the latest law 3270/04 (Government Gazette 187/A/11.10.2004), GNTO consists of the Head Office located in Athens and the Regional Departments of Tourism (as of 01.01.2005).

3 Organisation of Tourism Education and Training: www.ste.edu.gr

- The **Tourism Development Co.**[4] (formerly Hellenic Tourist Properties S.A.) was established in 2000 with the view to becoming the "managing arm" of Greece's Stated-owned Tourism Property. Tourism Development Co. is a leading Greek real-estate asset manager, acting in between the public and private sector in order to assure optimal property development, contributing thus to meeting tourism property goals. The Company's main scope of activity is to manage and administrate the state-owned tourism property while securing optimal development through modern financial techniques that promote the synergies between the State and the private sector (Private Public Partnerships' strategies). The state owned tourism property portfolio managed by Tourism Development Co. numbers over 350 assets scattered throughout Greece that cover a total area of about 70 mil. sq.m. and consists of business units - casinos, marinas, hotels, organised beaches, natural springs, camping, ski centre, golf course, etc. - and undeveloped sites;
- The **Hellenic Chamber of Hotels**[5] operates as a Legal Entity of Public law since 1935 and is supervised by the Ministry of Tourism. It has as members by law all the hotels operating in Greece and it is managed by an Administrative Council of elected representatives of the hotels all over the country and representatives of the State. The HCH is member of the Confederation of National Hotel and Restaurant Associations in the European Union (HOTREC). The main activities of the HCH are: the study, the suggestion and the application of every measure which contributes to the development of the Greek hotel industry; the consultative support of all its members on economic, legal and social matters; the supply of information and statistical data and the publication of an annual guide of the Greek hotels and a monthly review titled "XENIA"; and finally the participation in international tourist exhibitions and the provision to the public of information for hotels all over Greece;
- The **National Board of Tourism**[6] is a wider body, of advisory character, consisting of the minister, the chairman of GNTO and about 30 chairpersons of various associations and unions of the tourism business. It serves as a melting pot of the various interests and as an advisory body to the ministry.

b) Rationale for the policy intervention

Alternative tourism is defined as "tourism, where the main attraction for tourists is the physical and cultural environment of the destination" and it encompasses both passive cultural sightseeing and active sports activities based on an area's natural resources.

The **rationale** of creating a policy intervention related to the promotion of alternative forms of tourism is that such specific types of investment are considered as socially and nationally desirable. These forms serve as a necessity for the diversification and sustainability

[4] Tourism Development Co.: www.tourism-development.gr

[5] Hellenic Chamber of Hotels: www.grhotels.gr

[6] National Board of Tourism: http://www.gnto.gr/pages.php?pageID=887&langID=2

of the tourist product and the regional economic development. Thus the policy describes the desirable and eligible forms that may have a strong financial incentive (50% subsidy), from national and EU funds.

The main **legislation for development of alternative tourism** activities in Greece is currently the following: The “Operational Programme Competitiveness” belongs to the Community Support Framework which is the main legislation for development in the country. The “Axis 5” of “O.P. Competitiveness” is concerned with Tourism and the “Measure 5.3” is concerned with alternative tourism. The Action 5.3.2 of the law targets in “Support of entrepreneurs investing in alternative forms of tourism”. Under this legislation the private investors are called to exhibit their interest, i.e. to proceed to applications of plans of investments.

The **aim** of the Action 5.3.2 is “to support enterprises that engage in alternative tourism activities, target specific market groups, exhibit the natural beauty of a region without destroying it and diversify the Greek tourist product”. The **eligibility** of enterprises, as regards their past record and activities is provided in the legislation. The same holds for the eligibility of types of investment, i.e. investment in fixed assets and immaterial actions. For example, the upper limit for buildings is 40% of the investment, while the one for immaterial actions is up to 20%. The last may include business plan studies, personnel training, marketing research, et al., but not common advertisement, leaflets, etc. At least 40% should be in equipment for alternative tourism (for example: boats, tents, uniforms, ropes, electronics, etc.). Furthermore, the upper level of the investment plan should not exceed the turnover of the company of the past three years.

The **financing** of the programme (i.e. of the eligible investments that will be finally admitted to it) is by 35% by the European Union, via the European Regional Development Fund (ERDF) and by 15% by the Greek State. The remaining 50% will be the private contribution.

c) Why the approach is relevant to Bulgaria

The structure of a sound administrative structure is relevant and important for Bulgaria. One of the major shortcomings, which also came up from the field study, is the imperfect continuity in administration. There is an operational gap between central governments, regional authorities or associations, municipalities and local actors. The imperfections, or frictions, stem, in part, from the administrative structure.

The policy – as regards the legislation for the development of alternative tourism – is relevant to Bulgaria, to the extent that it will very soon be in a position to be eligible for financing of investments via the Structural Funds of the European Union. What may be the key to this is the construction and adaptation of the appropriate development legislation to the EU procedures and, of course, the administration of the whole issue.

d) Obstacles and response taken, reasons for the success or failure

It took the whole second half of the 20th century to realise that tourism was equally important as manufacturing, shipping and agriculture, which have their own ministries. The ministry of Tourism, established in 2004, has been a long awaited – and much debated – solution to various frictions in the implementation of the national tourism policy.

Though success is not yet accredited to the approach, to the extent that certain problems are still waiting for a solution. The ministry still does not have regional nationwide offices and thus it is based on GNTO. GNTO has the experience but still (after so many years) lacks the capacity to undertake in full the interaction with the investors, the auditing and the promotion of tourism in Greece. It seems that the ministry is doing a good job (and spending considerable resources) in advertisement and promotion. GNTO is doing the dirty job of auditing and licensing, because the ministry lacks the capacity and structure to do. Of course there is space for lower tier regional or local administrative bodies.

The emphasis on coastal tourism and the success of the "sun, sea and sand" package, led to the lack of motivation by the tourist industry to pursue alternative forms of tourism until very recently. Legislation providing incentives for alternative tourism arrived relatively **late in Greece**. There has been the European example and the pressures of scientists, researchers and the environment groups that played their role. More than 113 investments have been approved in two years under the law, among a larger number of applications, which can be regarded as a success.

e) Considerations for successful adoption in Bulgaria

Administration

It seems adequate for Bulgaria that it should utilise the above experience and move faster towards the creation of a solid administrative structure, with regional branches. To this end, a proper frame of regional branches of the central administration body should be developed. In a more flexible way, the existence of selected regional entities may be utilised, through appropriate affiliation and delegation of activities. The latter, if adopted, will have to be done within a precise organisational diagramme and a specific delegation schedule.

Legislation for alternative tourism

On the legislative front, experience shows that the general development efforts are usually not enough to promote alternative tourism. The big money tends to cluster in mass-tourism developments that serve the market conditions of today and exploit the resources for immediate profits. Specific legislation, aiming the spatial dispersion of the tourist supply and diversification of the tourist product, should be explicitly put forward. To this end a sturdy policy will has to be expressed, at first, to be followed by specific alternative tourism studies at regional levels, aiming to sustainability. Upon these studies the country will base the development plan which will be included into the proposal to the EU. After adoption of such actions within the forthcoming Community Support Framework (CSF), where Bulgaria will be a beneficiary, the efficiency of the planning will be tested in action.

f) Contact details and website for further information

- Greek National Tourism Organisation – GNTO: www.gnto.gr
- Hellenic Chamber of Hotels: www.grhotels.gr
- Tourism Development Co.: www.tourism-development.gr
- Organisation of Tourism Education and Training: www.ste.edu.gr

4.5.2 *Regional Innovation for Peloponnesus (RIPE)*

a) Description of the approach

The RIPE Project (Regional Innovation for Peloponnesus) is a program aiming to the import of innovation in the region of Peloponnesus and it is being implemented within the framework of the general European Program "Innovative Actions 2000-2006". Similar programmes are being implemented in entire Europe (roughly 133 programmes), within the above framework, in an effort of the EU to promote the innovation to small and medium-sized enterprises and contribute to the broader economic and social growth of the regions.

The Arcadia Chamber, supported by the General Secretary of the region of Peloponnesus, submitted a proposal for this Programme, which was approved by the EU on 03/15/2002. The Arcadia Chamber was appointed as the managing body of the project. The Project has duration of 24 months and its actions cover the entire region of Peloponnesus. The financial contribution of the EU amounts to 1 913 600 Euros, the national contribution to 478 000 Euros, while the private contribution is 173 000 Euros.

The steering committee of the programme consisted of representatives of the following bodies: the Regional Secretariat (state government); the Chambers of Commerce and Industry of the Prefectures of Argolida, Korinthia, Arcadia, Messinia, and Laconia; the University of Peloponnesus; a Regional Development Company named “Peloponnese” members of which are the Prefectural Councils and other Local Authorities; the Project manager of RIPE Programme.

The programme consisted by five actions, of which the relevant for our case are the following:

- **Action 1**: 1.1 Regional Innovation Strategy and Action Plan; 1.2 Regional eco-tourism Support Centre; 1.3 Virtual Business Incubator Facility; and 1.4 Business Cooperation for Traditional Products Development.
- **Action 2**: 2.1 Information Society Services for Rural Areas; and 2.2. Regional Development Information Service.

b) Rationale for the policy intervention

The region of Peloponnesus is situated in the southern part of mainland Greece. It has a population of just under 700 000 or about 6.5% of the country's population. More than half of the population of the region lives in rural areas but this proportion is slowly decreasing. The region covers an area of 15 000 sq.km or 11.7% of the country. Half of the region's area is covered by mountainous highlands. The region is among the least developed in Greece and in the EU. Its per capita GDP was 80% of the country average and 50% of the EU average and the gap between the region and Greece as well as the EU is growing.

The economy of the region is characterised by a dominant presence of the primary sector, which produces 30% of the region's GDP and employs over 40% of its working population. The services sector produces 46% of the region's GDP and its share of the region's employment was 40%. The secondary sector is the least developed; it contributes 23% of the region's GDP and has a 17% of share of the region's employment. The region lies substantially behind the country in the educational level of its population. The region features significant intra-regional differentiation in its level of development, which has been increasing.

With respect to public infrastructures the most important handicap of the region has been in the past the lack of a proper transport network. As a result of which the central and southern parts of the region were effectively cut off from the rest of the country. This handicap has been now addressed. In the field of technology the region also lies behind the rest of the country. Its telecommunications services are among the worst in the country. Also the region lacks the kind of higher education institutions that exist in many other Greek regions. However position is improving in this latter respect. In addition to a technical educational institution that has been set up in Messinia in the south of the region in the early 1990s, a new university is lately being set up in Tripoli in the centre of the region.

Given the above weaknesses, the **strengths** of the region and its opportunities for development lie in its geographical position including its proximity to Athens, in its very rich natural environment resources and cultural-historical and archaeological heritage and in its specialisation in the production of high quality agricultural products. These strengths provide the **conditions** for a modern and export oriented primary sector in parallel with the development of alternative tourism (eco-tourism).

c) Why the approach is relevant to Bulgaria

The approach is relevant and suitable to Bulgaria because there is an entrepreneurial potential, which lacks guidance and also several agencies and associations that need to come into **partnership**, of which this project is a good example. Also poor infrastructure and low levels of networking are conditions similar to the ones described above.

Aim of such project is to strengthen and support all the institutions as well as the citizens. More specifically it is addressed: to ecotourism entrepreneurs and to tour operators, to small and medium-sized enterprises of the region, to enterprises that are activated in the production and processing of local traditional products, to professional associations, social institutions, local institutions and citizens.

Such a partnership model can offer three types of benefits the regions of Bulgaria, if applied. Firstly, it can support and promote enterprises that are activated in the various diversified alternative tourism sectors, in which one specific region has some advantages. Second, it can offer to one region the tools and the education on the new information technologies, so that it will no longer be isolated from development. Finally, it can deliver to the region a plan for getting financial support for innovative actions from the Community Support Framework for the next CSF.

d) Reasons for the success or failure of the approach

The main issue that may characterise the success or failure of the approach is the degree of fruitful partnership attained within the project.

The programme partnership, as we saw, included the key development institutions from the public and the private sector of the region, whose top political leadership makes up the steering committee of the programme. Overall, the partnerships were well balanced between the public and the private sector and this was a **success** of the programme. The Chambers were instrumental in initiating the programme and focusing its strategy for innovation primarily, but not exclusively, on business and industry and the less developed communities of the region.

Nevertheless, there are important aspects where the project was **weak**. First, the region did not have a robust and systematic strategy and action plan for innovation covering the whole spectrum of its socio-economic development. Second, the region did not possess the specialist resources and know-how available in several other Greek regions that are endowed with regional universities and a new economy business sector.

Finally, the introduction and promotion of innovation in the region was a very **difficult** task. This had to do with several factors: the nature of innovative actions for which there was no adequate competence among the regional actors; the difficulty in implementing pilot actions which by definition have an experimental character; the involved risks and required an investment in evaluation and learning; and actions that did not fit into the regulatory framework of the CSF.

e) The obstacles faced in implementation and the quality of the response taken

The obstacles can be summarised examining the role each of the main players and control system had in playing and the difficulties in attaining the task. The implementation of the programme involved five different types of players and levels of respective control functions. In each case there were issues that had to be faced and solutions that have to be found.

The *independent auditor* was appointed by the steering committee to audit statements of programme expenditure for the interim and final certificates of expenditure. Selection of the auditor was a matter of decision.

The *program contractor,* and managing body – the Chamber of Arcadia – was the highest authority for the financial management of the programme and accountable to the European Commission via the Regional Secretariat. It often had to operate as an intermediary between executive partners and the paying body. A good cooperation had to be maintained at all times.

The *regional fund* effected all financial transactions according to the established rules and regulations concerning EU funded programmes. Also it kept the cost accounts and related documentation for the five-year period required by structural funds regulations for audits by the Commission or by the national authorities. Knowledge and implementation of the proper transaction procedures was a heavy task for the regional fund.

The *executive partners* are the responsible for implementing the actions of the programme. Each executive partner is also responsible for his own budget, progress reports, and accounting information system. Problems always arise and response has to be smooth and effective.

f) Considerations for successful adoption in Bulgaria

The project described is one project, supported by the European Community, for rural development based on networking, alternative tourism and special primary sector production. The first and main precondition for a successful adoption of such a partnership is the efficient cooperation of the partners. Second, and also very important, is the compliance with community policies, as for example with the Community legislation on environment. Overall, the control system, including the following five layers: the independent auditor, the regional secretariat, the paying body, the managing body and the executive partner should cooperate flawlessly.

g) Contact details and website for further information

Regional Innovation for Peloponnesus: www.ripenet.gr

4.5.3 *Private investments in eco-tourism ("Eco-Action" and "Lead")*

Investments by two private firms "Eco-Action" and "Lead" in the field of alternative tourism are to be described here.

a) Description of the approach

Eco-action

It is a small company with annual turnover in 2005 was € 242 000 and in 2006 at € 280 000. Eco-action operates as a tourism agency, with all kinds of tourist services. Besides, the company has two bases in the Peloponnesus, where outdoors activities take place. One is near the village Daphne of Kalavryta and the other by the river Ladon, near the village Ellinikon of Arcadia. Based on these two camps, the company offers outdoor activities like trekking, canyoning, rafting, horseback riding, cycling, diving, paragliding, etc., that expand to all central Peloponnesus. In all cases the cultural aspects of the region are respected and possibly fit in the itinerary.

The managing director of the company holds a degree in accounting and has 13 years experience as an instructor of rafting and river activities. The technical director of the company holds a degree in business administration and has been four times national champion of canoe-kayak slalom. A staff of 15 people work for the company, all having appropriate certification and experience.

The company constructed and provided a new investment application under the legislation of Action 5.3.2 (see paragraph 4.5.1-b). The investment proposal consisted in improvements of the buildings and surroundings, improvements in computer, software and networking capacity, construction of a web site. The largest part of the investment regards the purchase of modern equipment for alternative tourism activities (about 68 000€). The hiring of a business consultant to construct and follow up the business plan is also included. The aims of the action are to offer a qualitative product to the customer and bring the company in better bargaining condition with the tour operators. The total budget of the proposed investment is 111 340€. The business plan will be completed in six months, by September 2007. The business plan **was approved** by the scrutinising committee of the Law and the company will receive 50% on the planned investment amount, upon fulfilment of the obligations.

Lead A.E.

The company **Lead Sustainable Development S.A.** is the central core of the "Trekking Hellas" group of companies. Trekking is operating since 1987 and is the oldest and largest company practicing alternative tourism in Greece. Lead was born in 1997 and it mainly serves as the business management centre of the Trekking group. The group today consists of 12 companies with a permanent staff of 70 people all over Greece. Lead had a turnover of € 2 055 661 in year 2005. Lead is aiming to corporate customers, inland customers and international ones. Also Lead proceeds in franchising of the trade mark "Trekking Hellas" to selected firms all over Greece. Lead has some 6 000 customers every year, has a database of 25 000 customers and has carried out over 120 corporate programmes.

Lead has good and developed international connection, having some 1 600 foreign customers and being the correspondent of the French sport organisation for the young UCPA and also being the Greek appointee of the British organisation "Outward Bound".

At this moment Trekking Hellas has 11 camps, operating as autonomous enterprises, in Evrytania, Trikala, Grevena, Arkadia, Ioannina, Athens, Thessaloniki, Patra, Larissa, Lefkada, Kriti.

The company prepared a new investment proposal to the Action 5.3.2 consisting mostly of alternative tourism equipment and computer upgrades; no construction works are claimed. The company follows a continuous trend of investing in technical and mechanical equipment for alternative tourism as well as information technology. The aim is the improvement of the product offered within the competitive market of alternative tourism. The specific aims are the formulation of specific products for children and for corporate groups, the enlargement of capacity in rafting, the improvement of the safety and rescue equipment. Last but not least is the improvement of the company's information capacity.

The investment proposal of Lead S.A. amounts to € 199 828 to be completed within 15 months. The investment proposal was approved to an amount of € 193 000 by the scrutinisers of the law. Thus the company will receive some € 96 000 from national and community funds after the completion of the investment.

b) Rationale for the policy intervention

Europe has been at the heart of eco-tourism growth in recent years. Eco-tourism has proved very popular among the professional classes and higher educated segments of the population in many countries including the UK, the Netherlands, Germany, Scandinavia, and France in particular. Many European destinations which have not previously attracted many tourists, have managed successfully to attract eco-tourists offering a range of products that exploit their particular natural and cultural resources.

Greek regions are extremely well endowed in natural and cultural resources. These include a unique and picturesque countryside, attractive mountainous landscapes, a hundreds years' old tradition of folk arts, music, food, and life style and friendly, hospitable, local communities. These can become successful eco-tourism destinations because of its outstanding cultural and natural attractions.

The growth of eco-tourism has been followed and facilitated by a significant increase of offering a wide variety of eco-tourism products. In the UK, for example, there are now over 200 tour operators in the eco-tourism field, while there were only 50 ten years ago.

The objective for promoting the above private investments via financial incentives under special provisions of the law was applied to pave the way for putting Greece in the map of eco-tourism preferred destinations in the EU, and strengthen in a sustainable way the local economies.

c) Why the approach is relevant to Bulgaria

The approach, in this case, can be summarised as the guidance and financial support by the state regarding the private eco-tourism firms. Such firms are invited to establish, to improve in quality and expand. Firms need experienced staff, proximity to visit-worthy natural resources, inter-networking and some capital. The approach is extremely relevant to Bulgaria.

The coastline of Bulgaria is already developed from the perspective of tourism, more or less to the margin of its capacity, in a way that may or may not be the best possible. The competition for seaside resorts is strong. Low prices cannot hold for long and cannot be the main attraction factor; quality is the name of the game. To achieve quality, the state has to produce some legislation initiatives guiding the investors to improve quality and suppress quantity.

But apart from the coastline, Bulgaria is mostly mountainous, and full of natural beauties and cultural resources. These are first class scenery for the establishment of new and the expansion of existing firms related to alternative forms of tourism.

Legislation providing financial incentives for private firms specifically in the alternative types of tourist product will not only work in effect as a catalyst, but also guide and audit the investments regarding their establishment and operation.

Besides, the EU structural funds are supporting such actions. The national legislation shall provide an organisational framework, and some extra support, both through the Community Support Framework and the various other initiatives, in which Bulgaria is already eligible.

d) Reasons for the success or failure of the approach

Eco-action

The company has very good human resources, but the size is still rather small. Specialist tour operators of inland Greece have already been contacted and agreements have been signed. The approval for financial support of the current investments and upgrading will put them in a position to sign contracts with foreign specialist tour operators. Demand for such services is generally increasing and the new prospects for the firm examined show much better.

Lead S.A., Trekking Hellas

The company is a well organised company and already has experience with international clientele. Experience in marketing of the business pays off. Latest technology and safety are crucial. When numbers of clients increase, the possibility of an accident becomes more than a tiny statistic and relevant care should be taken as regards safety, rescue and insurance. The accumulated experience, a considerable size, the nationwide spread and the approval and co-financing of the current investments give good future prospects.

e) The obstacles faced in implementation and the quality of the response taken

Eco-action

One challenge has been the safety of the staff and the customers. The increasing costs of **safety** equipment are considered as a serious investment. Also they are regarded as insurance for the smooth and sustainable running of the company.

The increase of the **sales** and of the rate of profitability is a challenge that has to find a suitable response. To this the company, instead of cutting costs, goes for supply of better quality of services and better quality of equipment.

The establishment of Eco-action as a company offering a large **variety** of services and products is a challenge that the company is working on, based on the experience of the staff.

The next target of the company is new agreements with **international** tour operators. Thus the company will be able to penetrate new and more mature markets. These markets may have quality requirements that now the company feels confident it can offer.

The last challenge for Eco-action is the geographical **dispersal** and **expansion** of the company. The two base-camp sites they have now are both in Peloponnesus. Expansion may mean one more in the same region, or others in other regions. They still have not decided.

Lead S.A.

Trained personnel: Lead S.A. finds it as a great challenge the creation and employment of good and qualified staff for its activities. As a response it supports various educational foundations offering seminars and training in the fields of alternative tourism. The graduates from such programmes may be hired as apprentices, trainees and later as permanent staff.

Feedback and innovation: A next serious concern of the company is the creation of new products and services. These may include activities and places. Each new proposal is first tested and approved. To find new ideas the company sustains a feedback with their clientele via questionnaires. These provide their evaluation and level of satisfaction for the services they received and provide ideas for improvements or totally new ideas for consideration. Usually there is a follow-up via a "many-thanks" mail or in cases of issues to be discussed, with a telephone conversation.

Marketing: The Company has specific web-sites for each type of activity. They consider these offer them wider exposure to the public and better marketing of their product. The cost of maintenance is always a small fraction of the positive effect. The sites of the firm that are currently available are:

- www.corporate-events.gr,
- www.outdoorsgreece.com,
- www.trekgreece.com,
- www.familyholidays.com,
- www.trekking.gr

International network: The firm is in stable cooperation with tour agencies in many countries abroad, which make the company visible in the respective markets and (may) provide customers. **Great Britain**: World Challenge, Exodus, Explore Worldwide. **France**: UCPA, Terres d'Aventure, Club Aventure, Atalante, Explorator. **USA and Canada**: Mountain Travel Sobek, Rei, Cross Country International, Journeys International, Hidden Places, AAVE, World Expeditions. **Japan**: World Expeditions. **Nepal**: Alpine Travel. **India**: IndoAsia Tours.

f) Considerations for successful adoption in Bulgaria

Private eco-tourism firms like the ones described above could operate in the territory of Bulgaria very successfully. The natural resources and the skills are there, the capital, the organisation and the marketing are variables to receive some attention.

Specific provisions in the legislation for financial development or tourism development, providing financial incentives for firms in alternative types of tourism, is one tested and proven way to proceed.

The model firms presented above provide various technical and detailed aspects in their web-sites. Such good sites provide a lot of information regarding the structure and operation of the firms, while further answers could be possibly obtained with contact through the web-site from any Bulgarian existing or "to be" firms. The countries are neighbours and franchising may be offered by one model firm and probably also by others; a possible agreement for cooperation is not out of the game. In such cases marketing is a lot easier because clientele may like to visit different sites each time, and new entrants have a ready pool of potential clients.

g) Contact details and website for further information

Eco-action: www.ecoaction.gr

Lead S.A.: www.trecking.gr, www.trekgreece.com, www.familyholidays.com, www.corporate-events.gr

Other similar alternative tourism companies: www.alpinezone.gr, www.rodiawetlands.gr, www.alpinclub.gr, www.mountains.gr, www.archelon.gr

5 KEY POLICY CHALLENGES AND NEEDS IN SUPPORT OF ALTERNATIVE TOURISM DEVELOPMENT IN BULGARIA

by Chris Cooper

5.1 Introduction

Diversification away from high volume, low yield tourism is a priority for Bulgaria's tourism sector. Tourism in Bulgaria is dominated by mass tourism at the Black Sea Coast and in selected mountain resorts. This form of tourism is potentially damaging to the environment and to local communities, as well as being highly seasonal. Diversification of Bulgaria's tourism will need support for expertise in the development of niche areas of tourism and for the small enterprises that can deliver these tourism products. Diversification delivers key benefits to the Bulgarian tourism sector, specifically:

- It is a natural complement to mass tourism and the two forms of tourism can develop in a symbiotic, rather than a conflicting, relationship;
- It will attract high yield tourists who will appreciate the environmental and cultural heritage resources of Bulgaria. The proximity of the European tourism generating market is an advantage here;
- It provides an opportunity to diversify away from the limited number of Bulgaria's key tourism markets;
- It will reduce the chronic seasonality experienced in the mass tourism resorts, and consequently will increase accommodation occupancy in the shoulder months and off-peak;
- It will reduce the intense geographical concentration of mass tourism at large Black Sea and mountain resorts. This will benefit the economy of rural regions by generating and capturing tourist spend and employment and stemming depopulation;
- It will diversify Bulgaria's tourism products to allow development of sectors such as culture, heritage, eco-tourism and food and wine tourism. It therefore encourages diversification away from the *identikit tourism developments* experienced at the Black Sea coast and in the Mountain resorts;
- It encourages increased quality of tourist products and support services to meet a discerning market demand;
- It will reduce dependence on foreign tour operators. Overdependence on tour operators means that destinations cannot determine their own market or prices, and most revenue leaks back to the tour operators' HQs in northern Europe;

- It will reduce the need for Bulgaria to compete on price. Currently Bulgaria is highly price competitive against other European destinations, but this will change in the future. Diversification into high quality products will insulate against price competition.

Diversification will also have broader benefits as it will dominantly be crafted and delivered by SMES. This will have the benefit of ensuring that the economic benefits of tourism flows (particularly spend and employment) are captured by the local community, entrepreneurship skills will be developed and regional areas of Bulgaria will become competitive in terms of tourism. Policy support for diversification must therefore be effective at the local level.

5.2 Bulgarian tourism policy

5.2.1 *Strengths of Bulgarian policy approaches*

Bulgarian tourism policy has evolved considerably to accommodate the transition to a market economy since 1989. Tourism is clearly seen as an important medium for that transition, not only in terms of encouraging entrepreneurship, but also as an important economic contributor to Bulgaria. Tourism is designated as a priority sector in Bulgaria and in most regional and municipality development plans. There are three strengths in the current policy approach.

Firstly, the organisational structure for tourism is in place at each level of government. At national level, the State Agency for Tourism (STA) is responsible for developing national tourism policy, legislation, marketing and regulating tourist enterprises. It reports directly to the main body of executive power, the Council of Ministers, it is funded by the Ministry of Economy and Energy and advised by the National Tourism Council. Regionally, regional tourism associations, regional economic councils and planning authorities, represent tourism. It seems however, that it is at the regional level where the organisational structure for tourism is at its weakest. Nonetheless it is the regional level that has the potential to bring together the public and the private sector and to act as intermediary between the national and the local levels. At the local level, municipalities have considerable tourism powers and autonomy, particularly in terms of planning, infrastructure, marketing, and the grading of accommodation. At international level, a key challenge will be the ability of the Bulgarian tourism sector to engage with EU legislation, funding support for tourism from the various structural funds available, and the spatial planning and governance systems demanded by the EU. Finally, there is a large number of tourist associations representing various private sector and other stakeholder interests, but who form an integral part of the policy environment of Bulgarian tourism.

Secondly, a tourism strategy is in the final stages of being drafted by the STA. This will provide the framework for more detailed action plans from 2006 to 2009. This strategy will be key to the future development of Bulgarian tourism and in particular its diversification away from mass tourism. The advantage of the strategy is that is designed to be collaborative across all levels of government and key tourism stakeholders. The strategy will place targets on visitor numbers for key market segments, and the economic contribution of tourism. It aims to reduce the geographical concentration of tourism and seasonality, putting in place public private partnerships to deliver tourism products, establish a tourism market research programme and develop a strong Bulgarian presence on the Internet. In terms of diversification, the strategy has a useful approach, based upon the notion of using Sofia as a gateway, investing in key anchor attractions, or tourism hubs, in selected municipalities, linked to clusters of niche products around these anchors. These destinations will be linked by touring corridors both within and between the municipalities to deliver a coherent development of the destinations. The municipalities will be selected on the basis of either already being major tourism destinations, or destinations with significant potential. This will deliver both diversified tourism that will be supported by larger developments to give critical mass, and geographically dispersed tourism. It is intended that both EU structural funds and Bulgarian policy and financial instruments to encourage tourism development in priority areas will assist in the delivery of this strategy.

Thirdly, a legislative framework for tourism is in place compromised of:

- The Tourism Act (2002);
- The Ordinance of Licensing of Tourism Activities; and
- The Ordinance for Classification of Tourism Objects.

Together these three strengths deliver a structural, legislative and policy framework to take Bulgarian tourism forward over the next five years. However, as will be seen in the next section, there are a number of inherent weaknesses in the current structure and its operation.

5.2.2 *Weaknesses of Bulgarian policy approaches*

At first glance the structure and processes described above should allow Bulgarian tourism to function efficiently. However, Bulgarian tourism policy appears to be struggling to meet the demands that are being placed upon it by developments in the contemporary tourism sector. Not least, this is because the country has undergone a major transition towards a market economy following the political changes in 1989. In addition, the tourism sector itself has undergone major changes, not only in terms of the market and its expectations, but also in terms of how this market is reached and supplied, and of course issues of safety and security. Both technology and globalisation are major factors here and the Bulgarian sector has largely been sheltered from these forces. However, as the country moves into the EU and attempts to become competitive globally, it will need a policy framework that delivers a competitive, sustainable and diversified Bulgarian tourism sector. This should be a policy that has been derived through a transparent process of consultation, a disciplined market analysis and based upon partnership and communication with the tourism sector itself. It is clear that under the current structure, this is not happening. In addition the policy should be multi-layered, addressing international, national regional and local issues. In particular it should be sharply focussed to ensure delivery of a diversified tourism product at the local level. This can only be achieved if tourism is closely articulated with other policy areas such as SMEs, transport and the environment. The policy should be one that facilitates a successful tourism sector, rather than the current style that seeks to regulate and control. If this is to be achieved, then current policy approaches have a number of serious weaknesses that will need to be addressed. These are in terms of the structures and agencies in place to implement policy, and also the focus of the policy itself.

Taking structural issues first, there are four areas of concern:

- Firstly, whilst there are agencies in place to formulate and implement policy at national, regional (to a lesser extent), and the local level there is a serious lack of coordination, communication and cooperation across these agencies. It was clear from the field study interviews that coordination horizontally across government is weak, or even non-existent. This is particularly problematic for a sector such as tourism, which depends upon a number of factors to be in place to be competitive – infrastructure, environment, transport and labour are obvious examples. However, the team saw clear evidence for example, of lack of coordination between the STA and (i) the agency responsible for SMEs, and (ii) the Ministry of Culture where critical expertise lies in the conservation and presentation of Bulgaria's heritage. Equally of concern was the evidence that few municipalities cooperate together on tourism projects. This will be a problem in attracting EU funding in the future. In many countries, where tourism policy has matured, there are formal mechanisms for this coordination to take place nationally across the relevant agencies.
- Secondly, there appears to be little coordination vertically through the system such that municipalities, the regions and the STA do not communicate or coordinate their actions effectively. This was clear in the interview with the STA when it was stated that the national tourism strategy would have little or no impact on the tourism development process at the municipality level. Critically for the future, Bulgaria will need to move towards the EU NUTS spatial planning regions (6 planning regions, 28 prefectures and 256 municipalities) if the country is to engage effectively with the EU and source funding. Whilst it may be that this overall lack of coordination is a historic legacy of communist rule, almost 20 years on from that regime, it is a concern that there appears to be such a strong level of mistrust and inability to communicate and share information.
- The lack of coordination may also be linked to the obvious lack of expertise and capacity that exists throughout the Bulgarian public sector, an issue that also needs to be addressed. This lack of capacity is a concern in terms of policy implementation particularly at the local and regional levels.
- An additional structural concern is the fragmentation of the tourism sector itself. This has resulted in a failure to effectively lobby government in terms of the policy process. There is a plethora of NGOs representing personal, sectoral and other interests across the country, yet there is no coordination or cooperation amongst them, which significantly weakens the voice of tourism nationally.

The second area of concern lies in the focus of current tourism policy at all levels. Bulgarian tourism policy currently does not address the contemporary needs of the tourism sector. The focus remains upon mass tourism and little attention is paid to diversification. On this point, the policy shows weakness in terms of:

- A policy making process that is neither collaborative nor in partnership with the sector. The current process is bureaucratic and top-down;
- Contemporary education, training and capacity building approaches to tourism are not evident;
- There is little understanding of the role of product development, including festivals and events which currently are under-utilised;
- There is little support for tourism entrepreneurship development, tourism SME clustering and the notion of learning destinations through facilitation and leadership from the public sector. It must be recognised that policy cannot create clusters but (i) can strengthen them and (ii) should be focussed closely on the municipal level.
- There is little understanding of role of technology in destination marketing and in fusing together stakeholders at the destination level;
- A disciplined and transparent approach to development and investment at the local level is lacking and policy has failed to address this;
- Mechanisms for inclusiveness and visioning amongst both destinations and within the sector itself are absent, as is recognition of the importance of coherent destination development;
- There is a failure to recognise the imperative of public sector-led market intelligence and research to underpin new developments, foster a market-led approach, and the marketing/branding of Bulgaria, as well as prioritising the domestic market; and
- Encouragement for cross border cooperation with key destinations such as Greece and Romania is lacking.

Whilst the proposed new strategy may begin to address these gaps, it seems also to have weaknesses in two key areas: (i) it is not based upon a disciplined analysis of the market for Bulgaria and the capacity of the sector to supply tourism services; and (ii) it does not deliver an overall vision for the future of tourism in Bulgaria. To be successful, this vision must be derived through a collaborative, inclusive and open manner and not delivered using a top down approach.

5.3 Examples of good practices in Bulgaria

Whilst the above section is critical of current public sector approaches in the Bulgarian tourism sector, the team also observed some examples of innovative good practice. These included the Authentic Bulgaria Quality Mark, the management approach of the Central Balkan National Park and the work of the National Association of Municipalities in the Republic of Bulgaria.

5.3.1 *Authentic Bulgaria quality mark*

If tourism is to diversify and attract a high quality, independent tourist market, then the sector will need to develop voluntary certification and quality assurance schemes for its products. These will help to transform Bulgaria into a destination that gives independent tourists confidence in the quality of its products and therefore encourages visitation without the services of a tour operator. One such quality assurance initiative is the *Authentic Bulgaria Quality Mark.*

The Authentic Bulgaria Quality Mark is a new initiative supported by USAID that grades small independent accommodation establishments. Bulgaria is currently known abroad as a low cost/low quality mass tourism destination. This image does not reflect the diversity and quality of the destination and it is the aim of the Authentic Bulgaria initiative to encourage high quality/high yield tourism by providing a quality assurance service to both the small hotelier and the independent tourist. The initiative is based on best practice from both New Zealand and Ireland and is guided by a steering group comprised of business associations and private sector representatives.

The Authentic Bulgaria Quality Mark measures what is most important to high value visitors, whilst also playing a major part in improving business excellence. It is deliberately positioned differently from the government accommodation grading and accreditation scheme. The quality assurance process begins with completion of a questionnaire by the establishment, before an assessor visits to audit the property. Each establishment then receives a report on its own performance and this is benchmarked against the other establishments in the scheme. The scheme includes a mentoring process for managers to ensure continuous quality improvement, as well as reports from the *mystery guest scheme,* which is ongoing to support the process.

For hotel managers, the systems that support the Quality Mark will assist them to understand and improve their quality through rigorous assessment and ongoing customer feedback. The audit addresses every aspect of the business on the following dimensions:

- Business skills;
- Safety and security;
- Cultural aspects such as community value and food;
- Environment;
- Human resources;
- Buildings and amenities; and
- Customer service.

The audit ensures that the accommodation meets all the expected requirements of travellers for safety, cleanliness, professionalism, and comfort. Each establishment is then awarded a grading from bronze to gold. The Authentic Bulgaria Quality Mark clearly communicates to travellers that a guesthouse or family-run establishment is authentic and of a particular quality standard. Effectively the mark acts as a branding mechanism to communicate a quality-assured product to the independent tourism market. The scheme delivers a brochure, web site and other marketing material to support the brand but as yet, is unable to provide a central booking service.

The key issue for Bulgarian tourism is whether this initiative can be extended to other parts of the tourism value chain such as attractions, transport and food & beverage establishments. This is particularly important as the accommodation sector provides a support service for tourism and rarely acts as the main reason for the visit. Overall, the scheme has the potential to build entrepreneurial skills and to deliver a market-led response to the latent demand for alternative tourism products that exists amongst independent tourists.

5.3.2 *The Central Balkan National Park*

National parks are a critical environmental resource for the diversification of tourism in Bulgaria. There are three national parks, and all land within the parks is state owned, with strict regulations as to activities and businesses that can operate within park boundaries. The Central Balkan National Park has implemented excellent management systems to ensure that tourism can flourish within the park, whilst at the same time natural beauty is conserved.

The Central Balkan National Park was established in 1991 with the aim of conserving both natural beauty and heritage for the local community. It is a category two park on the IUCN classification, comprising 716 square kilometres of mountainous land, spread across 9 municipalities and three planning regions.

The Park Directorate is a regional body of the national Ministry of Environment and Waters. The Directorate manages the park and is funded by the state budget and other environmental agencies as well as grants to support biodiversity. Funding is approved buy the Ministry of the Environment and Waters. The goals of the Park Directorate are to:

- Conserve and maintain biological diversity;
- Provide opportunities for scientific research and educational activities;
- Provide opportunities to develop tourism; and
- Provide opportunities for livelihood and income generation to the local population.

These are potentially conflicting objectives and the Park Directorate works with the local population and the private sector to achieve a balance and deliver long-term conservation of the biodiversity of the park for future generations.

In terms of tourism, the Directorate is responsible for park infrastructure including interpretation and signing, as well as trails and their maintenance. There are 470 kilometres of managed, way-marked trails. It is also responsible for the safety and security of visitors and works with the mountain rescue service. The Bulgarian Tourism Union (BTU) has huts in the Park and there are a few private concessions operating bed and breakfast establishments, which were operating before the park was designated. The park supports a web site that acts a portal for all tourism activities. The portal cannot act as a tour operator for the park, although they recognise that this is needed. There are also educational facilities outside the park in Gabrovo, which act as extension services for the park with tourist information and educational facilities, although the educational element of the park's role is not as strong as in many parks internationally. Tourist activities in the park include:

- Hiking;

- Horse riding;
- Climbing;
- Mountain biking;
- Ice rock climbing;
- Naturalist tours;
- Paragliding; and
- Camping on private concessions.

The recreation and tourism activities in the park are managed through a number of initiatives:

- The Directorate has formed the Central Balkan-Kalofer Ecotourism Association to implement a small-scale eco tourism model in the park designed to engage local communities.
- The directorate has implemented a regional strategy for sustainable tourism at the community level involving all relevant stakeholders.
- The park's management plan (2001 – 2010) operates on a series of zones, with 13 special entry points designated for access to the park and 9 important nature conservation reserves. The plan envisages that private concessions will operate tourism activities in the life of the plan. The park works with municipalities and the private sector to provide facilities on the edge of the park boundary – accommodation, food and beverage, and parking for example.
- The park has a visitor management strategy which monitors tourist numbers and nights spent in the mountain huts. The directorate also implements regular surveys of both visitors and residents. It estimates that around 50 000 tourists visit annually.

The Central Balkan National Park Directorate has an impressive management regime in place which recognises the importance of tourism in the park and carefully manages the resource to ensure that both tourism and nature conservation can co-exist.

5.3.3 *National Association of Municipalities in the Republic of Bulgaria (NAMRB)*

It is clear that the real power in terms of tourism lies at the municipality level in Bulgaria. Municipalities control development, have budgets for marketing and the power to raise a local tourist tax. One of the areas of weakness observed above is the lack of coordination across tourism agencies. The NAMRB is attempting to overcome this weakness by acting s a resource and coordination arm for Bulgarian municipalities.

NAMRB was established in 1996 to represent municipalities in Bulgaria. It aims to represent municipalities to the national government and the EU working both as a resource for municipalities and acting as a lobbyist. It promotes sustainable strong and accountable governance at the local level to protect the interests of municipalities. NAMRB has a general assembly of all municipalities as a well as a smaller executive committee, which oversees the work of the organisation. There are 11 standing committees representing the various areas of expertise of the municipalities. Its work includes:

- Lobbying for a favourable legislative environment at the local level with the Council of Ministers and central government;
- Lobbying for financial decentralisation in Bulgaria to boost the resource base and capacity of municipalities to act;
- Working with municipalities to ensure that they can leverage from membership of the EU; and
- Establishment of a training centre to deliver strong and professional local government.

The powers of municipalities include tourism and the ability to raise a tourism tax, which can then be reinvested into the sector at the local level. In the major tourism destinations this can be a substantial tax base. The NAMRB has a sport, tourism and recreation sanding committee, which coordinates work in this area. This includes:

- Exchange of best practice such as say, in crisis management;
- Training;
- Lobbying of the STA;
- Advice to the STA on the Bulgarian Tourism Strategy;
- Support for tourism when applying for EU structural funds; and
- Creation of a positive investment climate for tourism, including advising and assisting potential investors.

NAMRB provides support at a critical spatial level of planning and management for tourism in Bulgaria. It also acts to integrate tourism with the other key planning areas such as infrastructure and the environment.

5.4 Policy recommendations

In terms of policy recommendations, if Bulgaria is to effectively diversify its tourism sector and to rise to the challenges of the contemporary global tourism market then the following areas should be addressed:

a) Structure and coordination:

- The administrative structure for tourism is largely in place in Bulgaria. However, it will be important to strengthen capability at the regional level and to adopt the EU NUTS spatial planning system of 6 regions with a strong regional tourism agency in each region. These agencies should have marketing and economic development powers to facilitate and coordinate tourism in the regions, to aggressively attract inward investment using approaches such as tourism investment portfolios and demonstration projects, and coordinate bids for EU funding.

– Formal communication mechanisms should be put in place at national level to ensure that tourism receives attention in the key national agencies such as education, environment and transport. In many countries a coordinating tourism committee acts in this role.

– The forthcoming tourism strategy should contain a mechanism for vertical coordination between the municipalities, the regions and the national government, as a well as formal communication channels between the national government and the tourist associations.

– Clear responsibility should be established at each level of government for engagement with the EU mechanisms for funding.

b) A more contemporary policy focus and approach:

– Policy formation in Bulgaria should be more collaborative and inclusive and involve all key stakeholders in a transparent manner. The current approach is *top down* and fails to engage stakeholders or guarantee their support.

– The policy focus should be more contemporary and in particular for diversification, should encourage the development of SME clusters based on both products and destinations, learning destinations based upon cooperation and mutual benefit, and support for product development and innovation in tourism. This can be achieved through public funding for, and facilitation of, clusters and innovation.

– A more general policy focus that recognises the need for the Bulgarian tourism sector to meet international competitive standards. This would include support in the areas of education and training, technology, marketing and branding, market intelligence/research and transparent investment in tourism development at the local level.

c) Capacity building:

– None of the above recommendations will be effective without well-trained and capable human resources in both the private and the public sector. There is an urgent need for capacity building in both sectors for tourism.

– In the public sector there is a need for capacity building in (i) the basic understanding of how tourism works and the contemporary challenges faced by the sector, (ii) the basics of destination development and the role of and support needed by SMEs and entrepreneurs if they are to flourish, (iii) languages, and (iv) the workings of the EU and how to craft bids.

– In the private sector there is an urgent need for capacity building in (i) service delivery, (ii) technology, and (iii) languages.

5.5 International learning models

5.5.1 *Australian regional internship programme*

a) Description of the Approach

In Australia, non-metropolitan regional areas face difficult economic circumstances in attracting tourism and often do not have the requisite expertise to do so. In order to address this issue, the Australian Regional Internship Project was established as a joint initiative of the University of Queensland's School of Tourism (UQST) and a regional Australian community in the form of the Roma-Miles Tourism Development Unit (RMTDU). The objective was to promote collaboration and knowledge exchange between regional tourism operators and the higher education sector. The approach is to place student interns into a rural community for a three-week period and rotate them among various industry members during that time. It offers selected students the opportunity to enhance their skills, expertise and experience in tourism and hospitality and apply the theoretical learning gained from their study in a professional context. It also addresses industry skills shortages by exposing tourism students, who are nearing the end of their program, to professional development opportunities in regional destinations that currently face acute labour shortages. The project generated tremendous good will between the university and the local tourism authority and participating industry members and achieved a good transfer of knowledge and know how from the university to the local tourism community.

b) Rationale for policy intervention

Policy intervention was on the basis of funding from the local authority and the Queensland government. The rationale was two fold – firstly as a part of their support for the economic development of regional Australia, and secondly as part of the Queensland Tourism Strategy which stresses the importance of regional tourism and the need for the development of the tourism workforce.

c) Relevance to Bulgaria

This project has significant relevance to Bulgaria by transferring knowledge form academic institutions to rural areas to assist in product development and awareness of the need to diversify tourism.

d) Reasons for success/failure

The project was successful due to the commitment of the industry stakeholders in Roma Miles and their belief in the value of exchanging knowledge with the students. Also knowledge transfer occurred in both formal and informal settings demonstrating the importance of social networks as conduits for knowledge exchange.

e) Obstacles faced

The main obstacles faced were in funding the costs of students in Roma Miles, hence the need for policy intervention in the future to assist the project financially.

f) Consideration for successful adoption in Bulgaria

The main considerations for success are commitment from the municipality and the relevant university. A programme strongly focussed on the needs of the local tourism sector is also essential as is a well-structured and facilitated programme in the municipality. If successful, the project could become sufficiently developed to offer on a user-pays basis to various communities. This would also make the project self-funding on remove reliance on grants etc.

g) Contact details

Web-site: www.tourism.uq.edu.au

5.5.2 *Spanish destination networks for innovation*

a) Description of the approach

Spain has been successful in initiating and maintaining innovative destination networks. In particular, Spanish policy has intervened to support informal learning networks based upon regional destinations. In this case, a key consideration is that Spanish public policies are in general designed to support the restructuring and diversification of traditional mass tourism destinations while sustaining the development of new products such as rural or cultural tourism. In this way, tourism planning in Spain sustains a tourism destination learning system focused on product innovation. Spain also has recognised the importance of tourism education, research, the value of support industries and pays strong institutional attention to tourism and the contributions it makes to the economy.

In addition to the destination focus, non-local network relations are seen to provide greater differences in innovation benefits in Spain. Non-local relations with distributors, mainly tour operators, are of varying strengths, whereas value chain relationships are typically strong. In these non-local relationships, innovations initially made outside tourism are further developed and adjusted to the needs of tourism enterprises through an interchange of specialist knowledge, ideas and needs.

This model shows that, contrary to the general assumptions of clustering, tourism firms possess loose local networks that mainly sustain dynamism and the transfer of general information, whereas stronger networks that sustain the transfer of 'deeper' specialist knowledge are a non-local network phenomenon. This combination of local and non-local networks has the potential to supply tourism firms with a combination of important network innovation benefits.

b) Rationale for policy intervention

In Spain, policy has been applied to enhancing the competitiveness of the tourism sector through diversification away from mass tourism. A significant arm of policy has been the support, funding and championing of informal networks of enterprises within mass tourism destinations.

c) Relevance to Bulgaria

Spain faced exactly the same problem as Bulgaria now faces - how to diversify away from mass tourism. Bulgaria can learn much from the Spanish approach and in particular the fostering of destination based informal networks of innovation networks. It is also important to recognise the importance of the development of non-local network contacts for enterprises at the destinations as these contacts often provide the international quality benchmarking and required.

d) Reasons for success/failure

The majority of Spain's success in learning how to diversify away from mass tourism can be attributed to government efforts to establish (and support through legislation) innovation networks within the tourism sector. These networks are achieving significant innovation outcomes because the networks have been institutionalised and have nominated person/s to coordinate their efforts and continually drive them forward. Success can also be attributed to the way that the networks have been developed:

- Firstly, in terms of network composition, it was recognised that larger organisations are more innovative than SMEs. However, they have less flexibility to innovate than independent operators. Lifestyle SMEs are also less likely to innovate. Those most likely to innovate displayed an *entrepreneurial* character and were driven by business success.
- Secondly in terms of organisational culture, innovative organisations foster a culture of networking. Networks among independent organisations are strong determinants of innovation. They also display a more positive attitude to Information Technologies and are quicker to embrace it. They generally have a clear business plan, systems to measure customer satisfaction, and training plans for staff. Innovative organisations actively seek external knowledge.

e) Obstacles faced

The majority of obstacles faced relate to the need to break through the SME culture of not sharing information. Of course some SMEs, particularly the lifestyle entrepreneurs, are more reluctant to join networks and to demonstrate innovation and this was in issue in the Spanish networks.

f) Consideration for successful adoption in Bulgaria

Spain's success can be attributed to strong policy supporting a changing tourism industry, and has emphasised the importance of innovation in this process and, in so doing, has been able to procure entrepreneurship. This is a key lesson for Bulgaria.

g) Contact details

Baidal, J.A.I., (2004), *Tourism planning in Spain – evolution and perspectives*, Annals of Tourism Research, 31(2), pp. 313–333.

Sundbo, J., Orfila-Sintes, F., and Sørensen, F. (2007), *The innovative behaviour of tourism firms--Comparative studies of Denmark and Spain*, Research Policy, 36(1), pp. 88-106.

5.5.3 *Switzerland and InnoTour*

a) Description of the approach

Tourism is vital as a driving force behind growth and employment in Switzerland. The policy aim in Switzerland is to guarantee framework conditions that help the sector to develop in a positive manner. These framework conditions include promoting innovation. If Switzerland is to adapt to the new challenges of international competition through emerging markets (particularly in Asia) then it is necessary to procure the financial resources for research and development and for advising tourism companies. Supply needs to be modernised and demand stimulated by adopting an innovative approach. One example of a learning model supported by this policy is InnoTour.

To encourage innovation and co-operation in tourism, a Federal order creating a new instrument called InnoTour was voted in October 1997. The object is to modernise the structures of tourism supply by reducing bureaucracy to a minimum. Under the scheme, promoters of innovative tourism projects can apply for financial assistance from the State, though a number of conditions have to be met. These conditions are that the project has to:

- Be genuinely innovative;
- Be confined to the key areas of tourism supply;
- Abide by the principles of sustainable development;
- Help to improve the employment situation;
- Serve as a model that can be imitated;
- Be 50 per cent financed by the promoters themselves; and
- Be implemented by several companies jointly.

InnoTour gives priority to projects which yield economies of scale and synergies, help to resolve structural problems, have a positive impact on the frequency of visits and profits and which affect regions and branches that are highly dependent on tourism. An initial SF 18 million was made available to set up InnoTour, for the period 1997-2001. InnoTour provides financial support for training and further education, when appropriate, to strengthen weak links in the chain. This is helpful for example in cases where new products or processes to be successful require skills and know-how that are as yet unavailable. Particular emphasis is placed on helping new entrants in the tourism labour market from other sectors and the under-qualified. It also provides contributions for research and development on a selective basis, on condition that applicants agree to test the results in the market and to put them into practice whenever possible. InnoTour helps small businesses in the field of tourism to create a competitive climate of innovation. Since the year 2000, each year a Swiss tourism prize is awarded to the most successful innovations. These "Milestones" enhance the prestige of the winners and inspire others to enter the fray and attempt to outdo their rivals.

b) Rationale for policy intervention

The Swiss government clearly sees the fostering of innovation amongst tourism SMEs as a key plank of their revitalisation of Swiss tourism and has put in place legislative and financial instruments to set this in motion.

c) Relevance to Bulgaria

Innovation for SMEs and development of alternative tourism is critical for the future of tourism in Bulgaria and the policy approach adopted by Switzerland holds key lessons and relevance for Bulgaria. It is exactly this type of model that is needed to support diversification in a practical way at the local level. A key lesson is the way that the financial assistance for tourism has been developed to include certain conditions. Policy can use these conditions to shape tourism diversification and to ensure the quality of the projects and products that are supported.

d) Reasons for success/failure

The key elements of success in this case are the appropriate application of financial instruments targeted at the tourism SME sector and the development of priorities to guide the application of the funding.

e) Obstacles faced

As with the second case outlined above, the key obstacle faced is the reluctance of SMEs to embrace concepts of innovation and the authority of legislators and planners. The lessons are the need for patience, and the application of training to familiarise SMEs with the approach.

f) Consideration for successful adoption in Bulgaria

Here, the major issue will be the development of policy and financial instruments that are sufficiently mature to recognise the importance of developing an innovation culture not only amongst SMEs in tourism at the local area, but that occur outside of the mass tourism destinations.

g) Contact details

Web-site: www.inno-tour.ch

5.5.4 *Summary*

The learning models that have been most successful have been in regions where government legislation has encouraged and institutionalised these networks, and where there is a clearly nominated leader/leading party that coordinates efforts and drives the innovation network forward. Equally, where financial assistance s provided for tourism development it is important that clear priorities for its use have been designed and are implemented. This provides a strong mechanism to direct future tourism development. If Bulgaria is to be successful in diversifying into alternative tourism products that are internationally competitive then the three models above have much to offer. The major challenge will be to engage and encourage local communities to embrace tourism without diluting their culture, and without commodification of tourism

6 PRELIMINARY CONCLUSIONS

The intensive research undertaken for this project has provided an insight into the context within which tourism SMEs operate in contrasting Bulgarian settings. The field visits and numerous interviews also cast light on the attitudes, concerns, constraints and policy responses of many that claim to support tourism entrepreneurship and SME development. As has been identified earlier, the project found evidence of commitment, creativity and instances of good practice. Many successful local cases of good practices in tourism sector have been highlighted in the report:

- Authentic Bulgaria and the Bulgarian Association of Regional Development Agencies (BARDA) for their work on fostering entrepreneurship and business development.
- Municipal governments, such as Gabrovo and Tryavna, and the National Association of Municipalities in the Republic of Bulgaria (NAMRB) which promote sustainable and accountable governance at the local level and often have a positive record of good practices in the tourism sector, even if the substantial lack of funds and central government assistance.
- Regional or local eco-tourism actors, such as the Central Balkan National Park which provides many tourism services and infrastructures and has formed the Central Balkan-Kalofer Ecotourism Association to implement a small-scale eco-tourism model in the park designed to engage local communities or Stara Planina Regional Tourism Association which has the aim to facilitate the interaction between the small tourist enterprises and the local government in the central mountainous part of the Bulgaria.
- The Technical School for Catering and Tourism in Razlog which provides a network of decentralised professional training facilities and offers training courses of tourism business.

The study has also highlighted several weaknesses relating to the current tourism governance arrangements and the business environment within which SMEs operate. Both the informal economy and instances of local corruption hold back the ability of policy-makers to engage effectively with the sector. Partnership working – which amongst other things relies on trust and a shared vision – is unlikely to emerge effectively in such circumstances. Moreover, governance arrangements that appear to be unstable and do not incorporate SMEs are unlikely to yield creative development programmes that articulate well with a potentially dynamic tourism SME sector. Finally, the range of stakeholders, including the education sector, might contribute to a process of change could be harnessed much more effectively if appropriate relationships and structures were formed.

If entrepreneurship and SME growth in support of alternative tourism is to be fostered effectively in Bulgaria, much remains to be done.

Currently, 90% of tourism activity is focused at the Black Sea coast and in key mountain resorts. This is predominantly high volume/low yield tourism that is both seasonally and geographically concentrated and is causing negative impacts upon both the environment and local communities. Tourism can be diversified alongside the current mass tourism model and has the advantage of opening up new, high yield markets, as well as reducing seasonality and dependence on foreign tour operators. Thus, diversification of the tourism sector is an imperative for Bulgaria.

This will not require a tourism policy that is explicitly focussed on diversification; rather one that takes a long term and comprehensive approach to the needs of the tourism sector and is closely integrated with other agencies such as those for SME development. It is clear that the public sector structure is in place to deliver a diversified tourism model and accession to the European Union will add a supportive layer of administration and funding here. The forthcoming tourism strategy will provide an over-arching framework for the future development of tourism in Bulgaria. However, whilst these conditions are in place, the practice of administration and policy formation in Bulgaria is problematic for the development of a diversified tourism model.

There are three key challenges here. Firstly, there is a need to facilitate a greater coordination both horizontally and vertically throughout the administrative system to ensure that municipalities, regions, the state and the EU communicate. Diversification will require support at the municipal level where products will be developed and entrepreneurs will be active. A coordinated approach will ensure that policy instruments are effective at the local level. Secondly, the national strategy should address the current uncoordinated process of destination development. Diversification will benefit from a coherent destination development strategy based upon the concept of strong tourism hubs delivering a critical mass of facilities, combined with a network of niche product clusters tied together with touring corridors. Finally, for diversification to succeed there is an urgent need to address capacity building of the human resource in both the public and the private sector.

Moreover, in order to follow a path of sustainable development of the tourism sector, the tourism product management has to regard in consideration of the natural environment and the social structures of each region. This will mean encompassing alternative forms of tourism.

These types of diversified activities are able to support the development of local communities in an environmentally and socially sustainable way, for a series of reasons. First, a much of higher percentage of value added can be locally produced and spread. Second, an area-specific tourist product can be better marketed via “branding” strategies. Third, while mass-tourism exploits natural resources, often irreversibly, alternative tourism uses local natural resources sensibly. Finally, alternative types of tourism are better integrated to local social communities, sustaining skills, arts, traditions and the local production base.

Finally, it will be important for Bulgaria to learn more from the international learning model approaches rethinking the tourism policy design in order to leverage their implementation with the support of EU structural funds. These successful cases shed light on the importance of:

- public and private partnership working;
- provision of a legislative framework for alternative tourism development through financial incentives for firms in alternative types of tourism;
- focus on innovation culture in SMEs in tourism at the local area;
- policies addressing capacity building of the human resources in the tourism public and private sector;
- strengthening of the e-branding and the utilisation of e-advertisement;
- local or regional focus of the policies engaging constructively with local stakeholders;
- creation of learning opportunities;
- a successful destination management supporting innovation and entrepreneurship; and
- the concept of environmentally and socially sustainable growth of the sector.

Summing up, it is clear that Bulgaria should not reinvent the wheel in moving forward on diversification, but has to pay attention to not miss the big opportunity of designing a sustainable and long term programme of development of the tourism sector that could share with the local communities, the SMEs and the entrepreneurs the benefits of the growth.