

Key policy challenges and needs in support of alternative tourism development in Bulgaria

by Chris Cooper

Introduction

Diversification away from high volume, low yield tourism is a priority for Bulgaria's tourism sector. This is articulated in the forthcoming Bulgarian tourism strategy with the aim of increasing the yield per tourist, reducing both temporal and geographical seasonality, reducing dependence on foreign tour operators and shifting the tourism sector towards a sustainable model. 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. In effect this reflects the fact that the two forms of tourism can complement each other: mass tourism delivers a large market to Bulgaria which alternative tourism enterprises can then access, whilst for mass tourism the development of alternative tourism broadens Bulgaria's product base allowing further development of touring circuits and enhancing the competitiveness of Bulgaria in international markets;
- 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 in terms of ensuring that municipalities and SMEs can access both expertise and funding. Effectively, diversification will depend upon tourism products that are delivered at the local level by SMEs, supported by financial incentives, delivered by a trained workforce and supported by co-operative arrangements between SMEs in particular destinations (networks and clusters).

Bulgarian tourism policy

Strengths of Bulgarian policy approaches

Bulgarian tourism policy has evolved considerably to accommodate the transition to a market economy since 1989 and will continue to do so as Bulgaria gets to grips with the demands of EU membership. 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 Bulgarian State Agency for Tourism (BSTA) 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. At the regional level there is the potential to bring together the public and the private sector and to act as intermediary between the national and the local levels. However, the regional tourism associations, regional economic councils and planning authorities who represent tourism are poorly organised, poorly funded, lack focus and have overlapping responsibilities. This is problematic for tourism as it means that these regional organisations are handicapped in their co-ordination role. As a result, it is at the regional level where the organisational structure for tourism is at its weakest. 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.

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 has achieved its full membership to 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. Under the current structure, these elements of policy formation are in their early stages, partly due to the tradition of ‘top down’ policy formation in Bulgaria, and partly due to the lack of expertise in tourism policy formation that has been identified elsewhere in this report. 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 co-ordination, communication and co-operation across these agencies. It was clear from the field study interviews that co-ordination 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 co-ordination between the BSTA 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 co-operate 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 co-ordination to take place nationally across the relevant agencies. In Australia for example, there is a parliamentary committee of MPS 'the friends of tourism' who regularly meet to ensure that co-ordination takes place across all relevant ministries. This is supported by a cross-departmental committee of civil servants from relevant ministries who meet to ensure co-ordination of tourism initiatives and policy.
- Secondly, there appears to be little co-ordination vertically through the system such that municipalities, the regions and the BSTA do not communicate or co-ordinate their actions effectively. This was clear in the interview with the BSTA 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, the tourism sector will need to work within the EU NUTS spatial planning regions for Bulgaria (6 planning regions, 28 prefectures – oblast - and 256 municipalities). This will ensure that the tourism sector will be able to engage effectively with the EU and source funding. Whilst it may be that this overall lack of co-ordination 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 co-ordination may also be linked to the lack of expertise and capacity throughout the Bulgarian public sector that was often cited by interviewees in the field visits. This is 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 co-ordination or co-operation 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 in terms of the need for diversification, transparency and communication. 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
- Despite some ad hoc initiatives, there is a need for a more strategic development of cross border co-operation with key destinations such as Greece and Romania.

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, partly due to the lack of data to support such an analysis, as recognised by the BSTA; 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.

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 Hadji Velinov Han Guesthouse, the management approach of the Central Balkan National Park and the work of the National Association of Municipalities in the Republic of Bulgaria.

The Hadji Velinov Han Guesthouse, Fenerite

The Hadji Velinov Han Guesthouse is not only an example of current good practice in the Bulgarian tourism sector, but also points the way for how tourism enterprises and products should develop in the future. The enterprise is a family run accommodation unit that exemplifies good practice in the alternative tourism sector - it is small, based in a rural area, is focussed on quality and authenticity, and has overcome acute seasonality.

The guesthouse has been operating for 10 years and has 60 bedrooms. A double room costs 25 euros per night. The business depends upon domestic guests during the winter season, but does well in the international market in the summer, with 50% of visitors coming through tour operators.

The guesthouse is a model for the future development of Bulgarian tourism SMEs on the following parameters:

- *Authenticity* – the guesthouse occupies a complex of buildings that are authentic examples of Bulgarian rural domestic architecture. They have been sensitively converted to a guesthouse. The guesthouse uses home-grown, organic and locally-sourced produce in its food and beverage operation, ensuring that food is home cooked and of high quality, using regional recipes and ingredients. This contrasts with some local competitors who use supermarket produce in their food and beverage;
- *Local community engagement* – the guesthouse trains and uses local labour (partly in an attempt to stop locals migrating to the coast), uses local materials and crafts where possible in terms of furniture and fabrics and provides a base for the exploration and understanding of the local environment and culture;
- *Sustainability* – the guesthouse is run on sustainable principles, using local fuel, recycling and providing sustainable transport for its guests (such as cycle hire and horse riding);
- *Destination co-operation* – The entrepreneur who runs the guesthouse recognises the importance of co-operation both within the value chain and also at the destination. The guesthouse works closely with other SMEs in the area in terms of (1) joint promotion, and (2) managing capacity at busy times. The guesthouse also works with tour operators, co-operating to ensure that the destination benefits from their marketing power, particularly by accessing the excursion market from the coast for two night stays;
- *Competitive analysis* – In terms of the competitive environment, the entrepreneur is aware of the external competitive environment. New hotels are planned for the area and the entrepreneur is conscious that this will prove a challenge for the guesthouse. This will be firstly, in terms of the market, and aggressive pricing from competitors. In response, the guesthouse has joined the ‘Authentic Bulgaria Quality Mark’ in an attempt to build upon its strengths and to position itself away from cheaper and less authentic competitors. Secondly, as more hotels are built they will change the rural and undeveloped character of the area as well as exacerbate competition for resources such as water, sewerage and waste disposal.

The Hadji Velinov Han Guesthouse therefore provides a model example of good practice in the Bulgarian tourism sector, having developed a strong product based upon sustainable and authentic principles, demonstrated a co-operative spirit conscious of the needs of the destination as a whole, and yet whilst demonstrating a clear sense of sound business practice.

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 World Conservation Union is the world's largest and most important conservation network. The Union's mission is to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable (www.iucn.org).

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 by 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 (2001–10) 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.

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 co-ordination across tourism agencies. The NAMRB is attempting to overcome this weakness by acting as a resource and co-ordination 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 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 co-ordinates 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.

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:

Structure and co-ordination:

- The administrative structure for tourism is largely in place in Bulgaria. However, it will be important to strengthen capability at the regional level and for the tourism sector 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 co-ordinate tourism in the regions, to aggressively attract inward investment using approaches such as tourism investment portfolios and demonstration projects, and co-ordinate 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 co-ordinating tourism committee acts in this role.
- The forthcoming tourism strategy should contain a mechanism for vertical co-ordination 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.

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. Whilst there are some efforts to consult with the NARMB, the current approach to policy formation has not yet gone far enough in reducing the *top-down* mechanism. As a result it largely fails to engage stakeholders or guarantee their support.
- The policy focus should be more reflective of contemporary international good practice (in terms of transparency, inclusiveness, consultation and communication) and in particular for diversification, should encourage the development of SME clusters based on both products and destinations, learning destinations based upon co-operation 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.

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.

International learning models

Australian regional internship programme

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 as a means of capacity building in the private 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. As the Bulgarian tourism education sector matures, this model could be transferred to carefully selected destinations to provide much needed capacity and skills building for the private sector.

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.

Relevance to Bulgaria

This project has significant relevance to Bulgaria by transferring knowledge from academic institutions to the private sector in targeted destinations to assist in product development and awareness of the need to diversify tourism. As a result it is a cost effective means of capacity building for the private sector and will help to deliver international standards as recommended in this report.

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.

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.

Consideration for successful adoption in Bulgaria

It is clear from the Australian operation of this project that the main considerations for success are clear commitments from the municipality and the relevant university and their ability to work in partnership. For successful adoption in Bulgaria, the following would be needed:

- Identification of a forward-looking university tourism programme with a willingness to be involved in partnership with a municipality.
- Identification of a municipality that recognises its capacity building needs amongst SMEs in the tourism sector and with a willingness to provide funding for ‘in kind’ support (transport, accommodation, training venue) for the university.
- A programme designed around both the specific needs of the municipality (needs identified by the SMEs themselves), and fitting under elements of Bulgarian tourism policy

(diversification, SME support) or EU policy (formation of learning networks and learning regions, or training initiatives).

- A project champion, either in the university or the municipality who would drive the logistics of the project and seek funding both from Bulgaria and the EU. The project also demands a close working relationship between the municipality and the university and may be based upon a previous partnership. Finally, it demands a clear understanding of effective knowledge transfer techniques.
- Realistically, this is a project which could be launched in the medium term – up to 2010.

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.

Contact details

Contact: Dr Lisa Beesley

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Spanish destination networks for innovation

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, relationships with organisations outside of the local destination network are seen to provide greater differences in innovation benefits in Spain. Non-local relations with foreign 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.

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.

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 collaboration through destination-based informal networks of innovation that will help to create learning destinations and SME clusters as recommended in this report. 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.

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 co-ordinate 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.

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.

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, where such policy support is just beginning. If Bulgaria is to diversify its tourism sector and remain competitive, then innovation will be a key plank of this strategy and will need support. As shown in this section, the Spanish model has been successful in this regard and provides a useful model. In order for Bulgaria to successfully implement this type of model, funding for the development and management of destination-based tourism networks of SMEs

will be needed. A selection of pilot destinations should be identified to trial the networks. These destinations should be drawn from those identified in the Bulgarian tourism strategy as having already developed alternative tourism products and with the potential to grow further. Utilising both Bulgarian and EU funding for the development of innovation networks, a project officer should be employed to establish and develop the network, to identify network members (normally, SMEs, the municipality, and education providers), put in place SME training, and identify the needs of the SMEs and network activities. It will be important to establish an atmosphere of co-operation across the destination, to involve organisations outside of the destination to leverage external expertise and to ensure that network participants manage the network and its outcomes themselves.

Contact details and further information in:

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.

Switzerland and InnoTour

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.

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.

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. This will help to deliver international standards and an innovative sector as recommended in this report.

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.

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.

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. This approach builds upon the Spanish example above because it delivers a sharply-pointed policy instrument to support innovative projects in tourism. It has the clear advantage of only permitting funding for projects that meet those specific criteria determined by the funding agency. For Bulgaria this allows identification of projects that not only innovate, but also tick such boxes as diversifying the

sector, reducing seasonality, have an element of training, factor in cultural tourism such as community initiatives or local food and wine, or encourage sustainable and ethical business practice. It would be relatively straightforward to establish such a funding scheme in Bulgaria, overseen by the State Agency for Tourism. The scheme could draw upon the operational knowledge of InnoTour but be closely tailored to the needs of Bulgaria. It would require clear guidelines for eligibility, transparent priorities both in terms of geographical regions and tourism products, and a monitoring system to ensure that funded projects meet their targets.

Contact details:

Web-site: www.inno-tour.ch

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 co-ordinates efforts and drives the innovation network forward. Equally, where financial assistance is 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.