General information to the tourism sector in Bulgaria

The aim of this introduction is to provide an overview of the current situation, challenges and policy initiatives planned, or recently started by the Bulgarian government, in the field of tourism. It draws on a variety of research reports and policy reviews, which are listed at the end of the chapter.

Tourist attractions

Steeped in history and with a diverse physical landscape, the potential for tourism in Bulgaria is vast. Bulgaria has enjoyed a substantial growth in income from international tourism over the past decade, but despite its diversity, the mainstream beach/resort tourism and snow sports remain the major draw. There are also opportunities to develop cultural, historical, spa and ecotourism in the country. Despite the wealth of tourism assets such as mineral springs, beautiful scenery and archaeological sites, these sector remain underdeveloped. The country has yet to make the most of these latter tourism assets, which could lead to much-needed diversification of the industry and a wider spread of tourism receipts throughout the country. (Mintel, 2007)

Summarising, the main tourist attractions of Bulgaria can be grouped as follow:

- Black Sea resorts: 380 kilometres of coastline, with beaches, mineral water springs, blue flag-winning resorts, holiday villages and campsites.
- Snow sports: in winter, Borovets, Bansko, Pamporovo and Aleko are the main resorts for snow sports but also function year-round. Many of these winter resorts are undergoing renovation and development (in particular in the area of Bansko) and new ski tourism centres are being established.
- Spas: Bulgaria is increasingly becoming known as a spa destination and is proving to be popular year-round. It has round 600 natural mineral springs, but the majority of spas are underdeveloped and have poor facilities.
- Historical tourism: it is underdeveloped in Bulgaria but presents an area of great potential given its colourful historical pas, being home to many ancient civilisations.
- Other tourism assets: many new types of tourism are beginning to grow in popularity. Hiking, climbing and cycling tourism are experiencing strong growth in popularity among foreign visitors. Other attractions for the outdoor enthusiast include Bulgaria's three national parks, ten natural parks, 90 reserves, 429 reservation areas and 350 natural landmarks. (Mintel, 2007)

Economic conditions of tourism development at national level

Tourism in Bulgaria is a large and a fast growing sector, and an important driver of national economic growth over the last decade. In 2005, tourism contributed 4.5% of GDP directly and 3.9%

of employment (111 000 jobs). Moreover, the indirect effects were 15.9 % of GDP and 13.6% of employment (400 000 jobs). (OPRD, 2007)

Tourism contribution in Bulgaria is slightly above the average for EU-25 (direct contribution of 3.8% to GDP and 4.1% of employment; and an indirect contribution of 10.1% of GDP and 11.5% of employment) and significantly higher than for Central and Eastern Europe (direct contribution of 2% to GDP and 1.7% to employment; and an indirect contribution of 9.1% to GDP and 7.4% to 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 with 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 2005 with annual growth rates after 2000 of between 4.5 and 17.9%. The growth of visitors for the purpose of recreation 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 rate of 18% reaching €1 955 millions and €914 millions respectively. In this way, tourism is accounted for 14% of exports and 56% of the export of services in 2005. The positive balance of tourism has had an impact on reducing the huge deficit of the balance of payments; by as much as 26% in 2005 (and in previous years by as much as 50%).

- Despite the significant growth of inbound tourism, domestic 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 with 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 of 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.

Institutional and local actors involved in tourism development

Ministry of Economy and Energy

The Ministry of Economy and Energy has the responsibility 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 tourist activities, national marketing and advertising, assisting the activities of the regional, local and branch tourist organisations, ICT 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 responsible for tourism promotion. The Tourism Act[2] changed its status to a State Agency within the responsibility of the Council of Ministers.

National Tourist Board

The National Tourist Board functions as a consultative body under the authority of the Minister of the Economy and Energy. It aims to assist in the implementation of a national tourism 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 the Economy and Energy, Ministry of Foreign Affairs, Ministry of the 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.

Strengths of Bulgarian tourism sector

Due to its natural and historical diversity within a relatively limited space, Bulgaria has considerable potential for tourism development. (OPRD, 2007) The growth figures provided above demonstrate that some of this potential is already being realised.

Much of current tourist activity is represented not only by the Black Sea coast and the mountains, but also by the nine sites included in the UNESCO World Heritage List. There are seven cultural and two natural heritage sites, more than 600 mineral springs, thousands of local cultural and traditional attractions, and more than 5% of the national territory in protected area status (including 3 national and 11 natural parks). (OPRD, 2007)

The relative proximity of Bulgaria to the major markets in Europe is also a factor that provides some competitive advantage, as does the competitive price level (reasonable value for money). In

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

recent years, there has been a degree of upgrading of existing tourist facilities and the building of new accommodation. Nevertheless, there remains a relatively low degree of development of areas that are potentially attractive for tourism, especially in rural areas. The warmth of the 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) is also seen by many as an important potential strength. (OPRD, 2007)

Tourism is perceived by many officials at different levels as one of the main tools to support regional and local development. Indeed, it is considered a priority area within 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. Advocates of tourism development draw attention to the fact that municipalities with developed tourism tend to have stronger economies than those with little or no tourism. (OPRD, 2007)

Weaknesses of Bulgarian tourism sector

Although tourism in Bulgaria has grown over the past decade, it has declined if comparison is made with the volume of tourist visits at the end of the 1980s (the number of nights spent is 3 times lower). Moreover, Bulgaria's tourism market share in global and European terms remains insignificant. Tourism development in Bulgaria suffers from serious interrelated structural weaknesses and obstacles:

- 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 where carrying capacity is either exhausted or in most cases overexploited.

- Bulgarian tourism is dependant on a limited number of markets. The share of the three leading foreign markets in terms of nights spent (Germany, UK, Russia) has decreased recently (from more than 70% at the end of 1990s to 59% in 2005).

- Seasonality of tourism demand is the highest within EU-27 which has significant implications not only for occupancy rates and revenues to the tourism industry, but also for the employment and skills development of employees (many businesses struggle to attract and keep skilled staff).

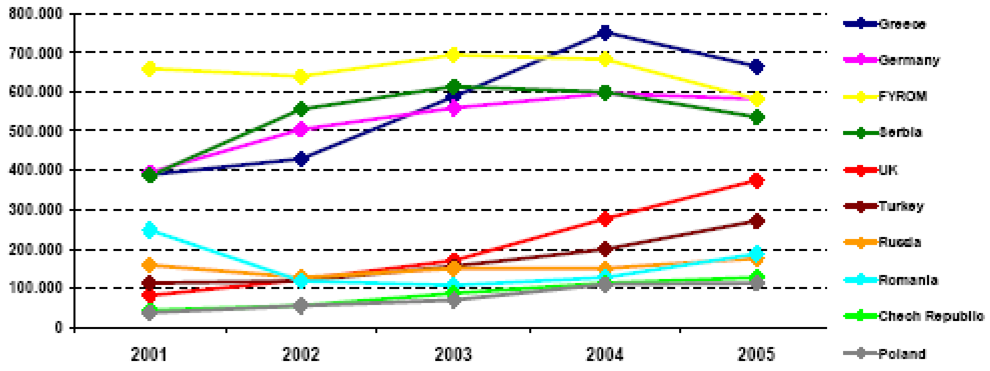
- The occupancy rate for accommodation is low but has increased of late (35% in 2005). The average length of stay of international tourists (2.4 days), the average revenue from each international tourist (€268) and their average daily spend (€167) have also increased. The growth of these indicators is, however, significantly slower than the respective growth of the number of international tourists and nights spent, indicating the ineffectiveness of the recent development. (OPRD, 2007)

- The transport infrastructure in the country has been in a poor condition for many years but is currently undergoing major investment as a result of the EU accession (e.g. development of the Sofia Airport, thanks to a loan from the EIB3; road policy due to ISPA4; railways

[3] European Investment Bank, www.eib.org.

refurbishment and modernisation project is currently underway). (Mintel, 2007) Despite of such efforts, the growth of tourism in Bulgaria is somewhat limited by the lack of international air agreements, preventing the low-cost sector from flourishing, and by the serious infrastructure issue of a quarter of the roads in poor condition. (Mintel, 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

Relevant tourism development policy documents

All current relevant tourism policy documents, including the National Tourism Development Strategy[5], 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.[6]

The National Strategic Reference Framework – Programming period 2007-13 -[7] 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)

[4] ISPA – Instrument for Structural Policies for Pre-Accession, launched in 2000, ISPA is one of the three financial instruments (with Phare and Sapard) to assist the candidate countries in the preparation for accession to EU.

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

[6] 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.

[7] 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.

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