



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION

on

CHALLENGES TO BULGARIAN TOURISM IN THE PROCESS OF EUROPEAN INTEGRATION

(on its own initiative)

Sofia, 21 July 2005

On 30 March 2005 the Plenary Session of the Economic and Social Council took decision to draw up and adopt at its own initiative Opinion on Challenges to Bulgarian Tourism in the Process of European Integration.

The president of the ESC assigned the Standing Commission on Social Policy to draw up an opinion adopted a draft of the Council's opinion on 13 July 2005.

Mrs. Donka Sokolva was appointed a Rapporteur.

At its Thirteenth Plenary Session, held on 21 July 2005, the Economic and Social Council adopted this Opinion.

I. INTRODUCTION

Tourism is the most prosperous industry of Bulgarian economy, which characterizes with dynamic development and sustainable growth rates that have best expressed for the last ten years. Its contribution to the GDP of the country is undisputable. The present situation of the industry is mostly due to the efforts of the private entrepreneurs. Almost all tourist sites are in private ownership. Significant foreign investments have been also attracted. Powerful hotel, restaurant, and tourist operating chains are penetrating into the market, which helps the country to get actively involved in the process of globalization of the tourist industry. Considerable Bulgarian investments are also at hand, incl. "green field" investments. A law and sub-law regulatory base has been adopted for the operation and development of tourism in our country.

At the same time, **regardless the growing results and the tourism contribution to the development of the Bulgarian economy, there are a number of problems that impede the adjustment of the branch in compliance with the European and world quality and hospitality standards.**

There is a substantial potential, which has not been used for the development of tourism in the country.

The Economic and Social Council upon considering:

- the contribution of tourism to the currency revenues and the payment balance of the country;
- the contribution to the country's GDP formation and growth;
- the place and importance of the branch for the employment;
- the significance of tourism for the receipts to the state budget;
- difficulties facing the tourism coming from the economic development of the country and the still low levels of personal available income of the population as a factor for an effective creditworthy demand of high quality tourist services by the Bulgarian nationals;
- necessity of raising the competitive advantages of the branch in the conditions of globalization and intensifying European integration;
- necessity of improving the institutionalized social and civil dialogue between the organized civil society and the governmental bodies;
- opportunities and risks for the development of tourism and the need of targeted policies, measures and programs,

And also on the authority of art. 5, para 4 and 5 of the Economic and Social council Act,

The Economic and Social Council took decision to prepare a statement of the challenges to the Bulgarian tourism in the European integration process.

The Council has pointed out that the present statement is a follow-up of a number of meetings and discussions organized by the Commission of Economic Policy of the Council with the

participation of experts in the area of legislation and the practice on the issues related with the tourism industry.

When discussing the problems of tourism the views, standpoints, and suggestions of the branch (sector) organizations of the employees as well as the organizations of the employers¹ have been taken into account.

The Statement of the Council aims at drawing the attention of the public and the governmental bodies on the problems and eventual possibilities for their settlement through partnership and coordinated actions for the development of a competitive tourist industry in the Republic of Bulgaria.

II. Brief review of the situation and the trends in the tourism industry²

The transition to market economy, the processes of privatization and restructuring, combined with the general stagnation of economy in recent times had relatively short-term negative impact on the situation of the Bulgarian tourism, which had overcome quite quickly the economic crisis and started to gain sustainable growth. The growing number of tourists and the rate in the currency revenues are particularly notable in this respect. In the period 1000 – 2004 they marked an annual increase by over 15 percent for Bulgaria, while the world growth was within the limit of 3-5 percent per year. The World Tourist Organization plans an average annual rate of increase in the international travels by 4,1 percent on world scale and by 3 percent in Europe.

Tourism is one of the main branches with significant contribution to **the currency receipts** of the country. In the year 2001 were realized 1,2 billion US Dollars gross incomes from tourism, and in 2004 they exceeded 1,7 – 1,8 billion US Dollars, forming about 11 percent of the country's GDP. In 2005 it is expected to attain 11,5 percent of the GDP.

Over 70 thousand peoples are directly occupied in tourism. About 80 thousand persons are indirectly involved in the sales of goods and services to the tourists. Hence the branch contributes substantially to the **employment** and occupying more than 250 000 persons. Over 6 thousand families operate their own hotels, restaurants, or work as tourist operators and agents.

More than 98 percent of the tourist sites are in **private and joint stock ownership**. For the last several years in Bulgaria tourist sites have been built with over 50 000 beds in new or renovated and reconstructed hotels. Approximately 70 percent of the old facilities are

¹ Reference is made to the views, recommendations, and statements of the Bulgarian Association of the Tourist Agencies, the Bulgarian Tourist Chamber, the Bulgarian Hotel and Restaurant Keepers' Association, Bulgarian Association of Alternative Tourism, Union of Hotel-keepers in the "Golden Sands" Resort.

² By official data of the National Statistical Institute and the Ministry of Culture and Tourism.

reconstructed and renovated. Hotels 3, 4 and 5 “stars” comprise over 80 percent of the beds. As a whole there are over 180 000 beds in the elite hotels and about 150 000 beds in the family hotels and hostels, and etc.

Every year 7 million **foreigners** visit Bulgaria, out of which 4 million arrive in the country to spend their vacation and rest. In the year 2004 their number was by 14,4 percent higher in comparison with the year 2003. The principal tourists flow comes mostly from the EU member-states forming 60 percent of the number of the foreign tourists in the country. The European Union is the most important market for the international tourism of Bulgaria. Tourists come mainly from Greece, Germany, United Kingdom, Macedonia, Russia, Czech Republic, Sweden, Finland, and etc. Negative dynamics mark the foreign tourists from Russia, Macedonia, Serbia and Monte Negro, Belgium, Ukraine, and etc.

The high rates of tourism growth for the last years has had a positive impact on the development of building, agriculture, food industry, transport, and etc.

The main factors, which will influence the development of this branch in short-term period, are:

- the accomplished restructuring of the ownership on the assets in the branch and implementation of the best practices in the member-states of the European Union;
- decentralization of management;
- effective and rational use of the natural, social, cultural and economic resources of the country;
- harmonization of the Bulgarian legislation to the European one in relation with the requirements for the regulation of the tourism activity;
- social and ecological aspects for the sustainable development of the branch;
- efficient dialogue with the organized social society;
- membership of the country in world, European and regional tourist structures and associations³;
- enlargement of the European Union and EU membership of Bulgaria;
- possibilities for using the funds of the pre-accession, structural and cohesion EU Funds for investments connected directly with tourist branch and with the development of the general infrastructure.

The acknowledgement of the main factors discloses the delicate situation in tourism, regardless of the positive economic results, which may cause negative impact on the economic subjects and as a whole may reduce the competitive advantages of the branch. In order to avoid the negative impacts it is necessary to undertake targeted measures, initiatives, and programs, including also by the governmental bodies. Additional grounds for such suggestions give us the steps, efforts and programs carried out by many other countries in the region like Greece, Turkey, Croatia and other popular tourist destinations

³ WTO – World Tourist Organization, WFTAA – World Federation of Tourist Agencies Associations, BAFTAA – Balkan Federation of Tourist Agencies Associations, and etc.

like Spain and Italy, as well as some of the more substantial problems in the tourist branch in Bulgaria.

III. MAIN CURRENT PROBLEMS IN THE TOURISM BRANCH

In spite of the increasing results and the contribution of tourism to the development of the Bulgarian economy, **a number of problems** have been generated and are at hand, which set back the free, accelerated, and sustainable extension of the positions of the branch at home and abroad.

The analysis of the results from tourism shows, that in Bulgaria the realization is still delayed of a quite large for its potential national, regional and local policy for the organization, development and management of an effective tourism, which will establish the country amongst the highly developed tourist states of proper position in the international tourist market.

1. The Economic and Social Council has drawn the attention to the fact that Bulgaria participates in the European tourist market by less than 1 percent. The positions of the country have worsened in the Russian and Ukrainian market, and the acting visa regime appears to be an additional impediment. The positions cannot be restored either on the markets of Poland, the Czech Republic, Slovakia, Hungary, and other countries in central and Eastern Europe. The number of the tourists from those countries is unsatisfactory.

2. The actions of the state are unconscionably delayed regarding the **diversification of the tourist product**. For the time being it is relied mainly on the sea tourism, which forms about 70 – 75 percent of the incomes and to a very extent on the winter mountain tourism. The other kinds of tourism such as the cultural and historical, the religious, ecology, village, adventure, spa and congress tourism for which the country disposes of great potential, are at the initial stage of development.

3. **Quality and diversity of tourist services** still constitute a key problem for the branch. It is a consequence of a number of unfavorable factors – the quality of the human resource, infrastructure problems, communications, quality and food processing, insufficient hygiene and high noise levels from the entertainment sites and facilities.

4. The **risk levels for the foreign and Bulgarian nationals** still remain high, and they are related with of their safety and security in our tourist destinations and complexes.

5. Serious matter of concern is the further intensifying problem with the **training and qualification of the staff**, engaged with tourism, who cannot cover the constantly changing current and appearing new demands and requirements as a result of the dynamic changes on European and world scale. The gap stays still larger between the skills of the work force

acquired in the educational system and the needs of the economy, particularly in the area of the high and information technologies in tourism.

6. The Council considers that crucial for tourism are the problems related with the extremely **low quality, or even entire lack of infrastructure countrywide**. It is one of the basic reasons for impeding the development of not only the sea and the winter tourism but also of the other varieties of tourism. The national, regional, and local infrastructures, and more concretely the roads for the development of the settlements and the regions of cultural and historical, rural and ecological tourism, do not meet the modern demands of the tourists.

7. The lack of targeted state policy for attracting **Bulgarian and foreign investments** has created chaos in giving **concessions and house building** in the tourist zones. The illegal and unaccomplished construction within the term set represents an extra obstacle for the development of the branch. The state does not dispose of a policy for orienting and directing the investments to regions, settlements, and resorts important for the country.

8. The Economic and Social Council has noted with dissatisfaction that typical **national atmosphere is still missing** in the country for hospitable meeting of the foreign and Bulgarian tourists at the border check points and in the national and local infrastructure sites – airports, railway stations, bus stations, and etc. In most cases **the quality and diversity of the services** and goods **offered** are below the level of the requirements and standards of the European countries. **The control** in the system **has gone down** which impedes any systematic cares of the state and the business related with the behavior of the economic subjects.

9. No matter that according to the Tourism Act the state has defined tourism as an industry of priority importance for the economy of the country, the Economic and Social Council points out that there do not exist clearly stated priorities in tourism. Moreover, **a complex and interrelated regulatory base** is missing in relation with the state economic incentives in the field of the tourist services – clear and long-term tax policy, license policy, policy in the area of fares and charges, insurance, and so on.

10. The Council expresses its concern about the presence of a **shadow sector in tourism**, which has a negative impact on the competitiveness and the quality of the services and turns out to be a serious detaining factor for the long-term development of the bigger tourist sites and services. Particularly disturbing is the problem with the high number of those working without employment contracts in the branch. This number exceeds 50 000 persons by expert's data. The use of child's labour in the family tourist business is also alarming. Referring to expert's assessments the losses for the republican budget from hidden and unpaid taxes by the branch are calculated to about BGN 120 million per year. The gray economy affects additionally the country. This is related with the impression left in the tourists about our country as a destination of low prices, because of the low quality provided.

11. The Council has noted with anxiety that serious problems are at hand, and they are related with **the coordination of the efforts for the development of the branch and the infrastructure** – on national, regional, and local level. The cooperation between the governmental institutions, the bodies of the local governance and the tourist associations is unsatisfactory and of low efficiency.

Each of the problems stated, independently or in combination, exercises a serious detaining impact on the ambition for faster development and extension of the tourist branch in Bulgaria. Their negative impact cannot be overcome solely by the efforts of the tourist companies, the firms and the branch organizations, without the participation of the state institutions, which should be concerned directly with the results of their activity in relation with the solution of certain economic and social problems on national, sector, regional, and local scale. .

IV. MAIN CONCLUSIONS AND RECOMMENDATIONS

The Economic and Social Council,

After making a thorough analysis of the problems arisen in tourism;

After considering and discussing the statements and the suggestions of the representatives of the organizations of the employers and of the organizations of the employees and the experts from the tourist branch, containing therein;

After taking into account the opinion of the experts and representatives of the groups, represented in the Council;

After taking into consideration the achievements stated as well as the serious problems accrued for the last several years, which hinder the development and the diversification of tourism in areas where our country disposes of an extremely rich potential;

In execution of its function and role to voice the interests and the will of the organized civil society and to consult the governmental bodies on the main problems of the economic and social development of the country,

Appeals to the governmental bodies on national, regional, and local level, to the public and specialised non-governmental organizations in the field of tourism making the following **proposals** for overcoming the accrued problems:

1. The Council has drawn the attention that Bulgaria disposes of a potential for the development of all kinds of tourism. The Council is convinced that for the targeted solution of the problems and outline of the priority directions for the development, extension and

prosperity of the tourist branch, it will be necessary in short term to work up a **Strategy for sustainable development of the Bulgarian tourism** jointly with the branch organizations of the employers and employees. This strategy will define the midterm and long-term **goals and priorities** facing the branch by giving accent also to the following issues:

- defining the guidelines of **the product policy** by conducting a national policy for “hospitality” on all levels and development of additional tourist services;
- directions for **diversification** of the tourist product and creation of favorable conditions and environment for the development of all forms of specialized tourism – cultural and historical, spa, ecological, rural and congress tourism. The Economic and Social Council considers it necessary that the portion of the different forms of specialized tourism would in short term increase in the total revenues of the branch and reach 40 percent;
- reducing to minimum the portion of the gray economy in the branch;
- undertaking measures for permanent and effective control on the payment of the taxes due, charges, social contributions, and other payments to the republican and local budgets;;
- **tax and other economic incentives** for the development of the branch and the infrastructure and for attracting foreign and local investments;
- **giving on concession** of the beaches, mineral springs and other historical and natural places of interest;
- **marketing policy** and positioning of Bulgaria on targeted markets;
- setting up of a modern and effective system for **training and qualification** of the cadres needed in tourism;
- involvement in the building and maintenance of the national, regional, and local infrastructure;
- place, role and **commitments** of the state, the bodies of the local authorities, the local and regional organizations and the business in the area of tourism.

2. The Council considers that it is advisable to update and specify **the laws and the other regulatory acts** on the basis of the **Strategy**, relating to the activities in the tourist branch and its free and effective development. Clear economic rules and commitments, organizational structures and their relationships connected with the fast solving of the problems of regulatory and practical nature should be established on the authority of these laws. Particular attention should be paid to the preparation and the adoption of regulatory acts for the territorial and architectural construction of the tourist settlements and resorts.

3. The Council is convinced that special attention should be drawn to **the national advertising abroad** in relation with the advantages of our country in the field of tourism. National Advertising Fund should be set apart for the financing of this activity, which has to be supplied with funds from the state budget, charges for registration and category classification of the tourist sites, and other local fees. And the National Council of Tourism should manage it.

The Council recommends to work up and to adopt a national logo and motto, which will differentiate the country from its competitors in the respective market segment. It is necessary

to create an efficient mechanism for cooperation between the state bodies and the non-governmental organizations on national, regional, and local level for the popularization of the national and Balkan festivals, traditional holidays and festival of the settlements, and etc., including for the prolongation of the tourist season.

The Council considers that it is advisable to resume the operation of the tourist representations of Bulgaria abroad, and particularly in the countries where the main tourist flow was generated, as well as in the countries of potentials for growth – in Berlin, Frankfurt, London, Moscow, Kiev, Stockholm, and etc.

4. The Council finds it necessary to set up an adequate and effectively functioning **institutional structure** for the management of tourism in compliance with the modern tendencies on world and European scale, based on the public private partnership (PPP). In this relation the Council recommends to:

- establish a specialised permanent Committee of Tourism at the National Assembly, which is to improve the regulatory framework for the regulation of tourism;
- found Ministry of Tourism with clearly defined functions and engagements, which is to conduct and co-ordinate the state policy and actions of the governmental institutions of competency in the tourism area;
- establish a National Council of Tourism at the Council of Ministers as a state-public body in which representatives of the government and of the branch tourist organizations of the employers and trade unions should be involved on a parity principle.

5. The Council has voiced its firm position that legal guarantees should be provided for equal participation of the representative organizations of the employers, of the representative organizations of the employees and of other socio-economical partners in the activities related with consulting, identifying of the problems and developing policies, instruments and measures for their solving. The Council is convinced that functions should be assigned on the branch organizations for the registration of the tourist activities and the category classification of the tourist sites. It is advisable to delegate also powers for the control related with the observance of the regulatory provisions and the normal ethics in the branch.

6. The Council insists that all forms of social and civil dialogue should be used, including also the Economic and Social Council, in order to keep the employers employees, and other representatives of the civil society informed about the engagements assumed during the negotiations held for the accession to the EU and the rights and obligations ensuing for the country.

7. The Council has underlined the need of developing a modern system for vocational education and training of the work force. Referring to this the following activities have been recommended:

- working up of state educational requirements for acquiring a qualification in professions from the tourist branch in accordance with the market needs and in compliance with

European requirements and regulations, with the active participation of the organized civil society;

- establishing regulations for the encouragement of the production and study practice in real environment;
- forming a new type of relationships between the educational system and the enterprises in the branch in order to raise the quality of education and training;
- setting up specialised centres for vocational training at the branch employers' organizations and trade unions in tourism for acquiring a new or improvement of the acquired qualification in a profession or a part of the profession as a guarantee for the introduction of new standards in the education, training, servicing and the quality of the tourist product;
- establishing instruments for validation of the professional knowledge and skills obtained through in-company learning and training.

8. The Council insists that actions should be undertaken in order to increase the capacity of the branch organizations of the employers and of the employees for participation in programmes and projects under the pre-accession, structural and cohesion EU Funds for the development of the different kinds of tourism. In this relation it is advisable to set up a system for incessant training of the organizations of the employers, of the employees and of other organizations of the civil society for the development, management, execution and monitoring of projects financed with funds from the structural and cohesion EU funds.

9. The Council considers advisable that the civil society should be involved in the management of the structural funds which will contribute to the better commitment between the plans and the needs of the Bulgarian citizens and hence will ensure **their better utilisation**.

The Economic and Social Council, recognising the decisive and still growing significance of tourism for the economy of Bulgaria, insists that the National Assembly and the Council of Ministers would undertake urgent actions for the adjustment of the legislation and the practice in this sphere in compliance with the modern requirements and recommendations of the European Union, with the nature, historical and cultural data of our country as well as with programs and policies applied by countries – popular tourist destinations and competitors of Bulgaria.