

FOSTERING THE DEVELOPMENT OF REGIONAL TOURISM POTENTIAL THROUGH UPGRADE OF THE RELATED INFRASTRUCTURES

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1. Basic Information

1.1 CRIS Number (Phase 2): BG 2006/018-343.10.02

1.2 Title: FOSTERING THE DEVELOPMENT OF REGIONAL TOURISM POTENTIAL THROUGH UPGRADE OF THE RELATED INFRASTRUCTURES

1.3 Sector: Economic and Social Cohesion

1.4 Location: Republic of Bulgaria

1.5 Duration: 26 months (FM 2005)

14 months (FM 2006)

2. Objectives

2.1 Overall Objective:

Reduce regional disparities and achieve sustainable regional growth through enhancing the potential of the tourism sector and provide business opportunities and higher incomes to local population.

2.2 Project purpose:

Increase the investment attractiveness in areas with tourism potential through improving their accessibility and water supply and sewage networks.

2.3 Accession Partnership (AP) and NPAA priority (and implementing measures envisaged by the Action Plan for AP priorities related to strengthening administrative and judicial capacity)

The project addresses the priorities identified under the economic criteria in the **Accession Partnership** and the implementing measures envisaged by the **Action Plan** for strengthening administrative and judicial capacity related to:

- development of a favourable business environment and capacity to cope with competitive pressure and market forces within the Union
- improving the competitiveness of the Bulgarian business and hence the Bulgarian economy
- insurance of the necessary administrative capacity to prepare for the significant investments needed in road infrastructure, in anticipation of being able to benefit from EU Structural Funds

2.4 Contribution to National Development Plan (and/or Structural Funds Development Plan/SDP)

Achieving **balanced and sustainable regional development** is one of the key national priorities defined in the National Economic Development Plan (NEDP) 2000-2006 and directly addresses the strategic goal to increase employment, income and local infrastructure quality gaps. The government's regional policy places a particular emphasis on the smoothing of inter-regional disparities triggered by supply and demand forces.

The project is compliant with PHARE MAP 2004-2006 Priority 3: “Business-Related Infrastructure (BRI) Development”, Measure 2: “Tourism development infrastructure” with indicative actions for interventions envisaged for development and modernisation of the infrastructure necessary for enhancing the regional tourist potential (transport, water supply, sewerage and other facilities).

2.5 Cross Border Impact:

Not applicable

3. Description

3.1 Background and justification:

The government policy efforts in the area of tourism are dictated by the ever-growing role of the sector in Bulgaria’s socio-economic development. Its share in GVA went up to reach 12-13% over the 2000-2001 period. Foreign direct investment in tourism in the 1992-2001 period reached 169 MEUR, accounting for 4.2% of total FDI in the country. As a result of both domestic and foreign investment in new projects, the tourist sector became one of the fastest growing industries in Bulgaria.

In 2001, there were over 131,000 permanently employed and over 50,000 seasonally employed persons in the tourist industry (according to expert estimations), while total employment in the sector (also including workers in related business activities) ran at 338,000. Projections till 2006 point to 28-30% growth of permanent employment in the industry relative to 2001. In 2003, tourism is practically in private hands with over 98% of fixed assets in the sector being privatised and is developing as a true market economy sector based on free enterprise.

Development of tourism is one of the major conditions for generating and maintaining a stable economic growth and hence balanced development of regions. On the other hand, business-related infrastructure is important prerequisite for attracting and employing local, inter-regional, national and foreign resources to the region. However, while some areas have known dynamic development, other regions have stagnated, mainly due to the unfavourable peripheral transport situation and inadequate public utilities. Outdated and poor local infrastructure (which is state/municipal property) remains obstacle for economic growth, especially in underdeveloped areas with tourism potential.

By reason of restricted budgets, municipalities (especially smaller ones), in which tourism is the main means of livelihood, could not anticipate funds for investments in the relevant infrastructure. Besides, this is an important reason for gradual decrease of the number of tourists generally accustomed to visit such tourism sites. The World Bank also highlights the risk of promoting tourism in Bulgaria without substantial rehabilitation of infrastructure (World Bank Bulgaria: *The Dual Challenge of Transition and Accession*, 2001).

The selection of activities under this project include investment in transport, water supply and sewerage infrastructure at selected tourist sites, which can help provide major investments into regional economy. Transport and environment infrastructure projects that are eligible for ISPA support (whose total cost exceeds 5 MEUR) will not be financed under this project.

The Ministry of Regional Development and Public Works is the governmental body responsible for the management of water and sewage companies and together with municipalities for maintaining and improving the municipal roads and water supply and sewerage infrastructure. The ministry has already completed a study identifying areas with tourism development potential to the level of municipalities (NUTS IV). 97 municipalities were identified complying with the selected criteria. A summary report of the study is enclosed in **Annex 5**.

Implementing BG 2003-004-937.11.02 “Water Supply in Areas with Tourism Development Potential”, MRDPW has invited all eligible tourism-related municipalities to apply for funding. Since available funds were limited, the ministry limited the participation to one single project proposal per municipality. Nevertheless, 86 applications concerning improvements of water supply and sewage infrastructure in target areas have been received which demonstrates an increasing demand in target areas for infrastructural improvements. Unfortunately, the tendering of this project was unsuccessful although the good level of preparedness of the applications. Therefore, the financing of these ready projects is still pending under Phase 1 of this 2005-2006 multi-annual project.

Following the phased approach and building upon previous Phare projects: BG0102.04 Road Access to Tourist Sites and BG 2003-004-937.11.02 Water Supply in Areas with Tourism Development Potential, this investment scheme intends to finance projects, for which funds under these budget lines were exhausted, as well as other project proposals designed by the potential applicants in the meantime. In order to update the status of projects, a separate selection procedure will be organized. Furthermore, a clear integration of both roads and water supply/sewerage interventions for infrastructural improvements in the target areas will be required by the applicants in order to achieve best impact possible.

The results from the study for identifying areas with tourism development potential are reliable and will be broadly used for targeting the interventions under the proposed 2005-2006 project. The study demonstrates good approach and justification for the selection of tourist locations. Furthermore, gives enough flexibility for narrowing or broadening the range of eligible areas upon decision. Details are given in Annex 5.

3.2 Sectoral rationale:

Not applicable

3.3 Results

Phase 1 and Phase 2 (FM 2005, 2006)

- Improved road connections to the targeted tourist areas
- Tourist sites designated by sign-posts placed on the main roads
- Increased quality of the existing water supply and sewage drainage networks through rehabilitation/reconstruction
- New constructed or extended water and sewage networks/capacity

Indicators of achievement:

- Some 35+ integrated projects for improving road connections and water supply/sewerage networks in target areas implemented
- Approximately 110 km of roads reconstructed or upgraded (degree of network completion in %)

- Time saved, measured by reduction of journey time and accessibility gains (minutes)
- Approximately 160 km. new or renewed water pipes laid and associated
- No of local tourist businesses served by new/improved water supply networks
- Population serviced with improved water quality (%)

3.4 Activities (including Means)

Phase 1 and Phase 2 (FM 2005, 2006)

Component 1: Improvement of roads (Works)

This component will support projects for improving the insufficient road network which precludes development in target areas of tourist interest. The anticipated activities are as follows:

- Rehabilitation/Reconstruction of municipal (4-th class) and/or regional (3-rd and 2-nd class) roads to meet the appropriate standards
- Sign-posting of business and tourist sites on the main roads

The component will be implemented through a separate works contracts. Average cost estimation for road improvement is 150 000 EUR per km.

Component 2: Improvement of water supply and sewerage networks (Works)

This component will support projects addressing the lack of adequate water supply and sewage provision, which again precludes development in target areas of tourist interest. The anticipated activities are as follows:

- Rehabilitation/Reconstruction of existing water supply and sewage drainage networks in order to provide a reliable supply and treatment cycle and increase a given local network's capacity as well as providing a reliable supply and treatment cycle
- New construction or extension of existing water and sewage networks and local storage tanks in order to ensure the provision of required water quantity, as well as steady water pressure to balance the network and guarantee a stable supply

The component will be implemented through a separate works contracts. Average cost estimation for water supply/sewerage networks improvement is 100 000 EUR per km.

Preference will be given to projects focused in areas, which clearly demonstrate a high tourism potential and with a clearly justified need for development support in both areas of roads and water supply/sewerage. In this respect, applications/proposals including targeted integrated interventions in both areas will be preferably encouraged.

Component 3: Works supervision – Roads (Service)

The service contract will cover the supervision of works activities for improving the road networks (component 1), following the requirements of the Bulgarian legislation as well as the PRAG.

Component 4: Works supervision – Water Supply and Sewerage (Service)

The service contract will cover the supervision of works activities for improving water supply and sewerage networks (component 2), following the requirements of the Bulgarian legislation as well as the PRAG.

In addition, two separate service contracts under PPF 2005-2006 will be used to back the application process for Phase 2, review applications and assist the selection of sites for road works and water supply/sewage works of integrated proposals/schemes for local/regional development of a given tourism area.

Furthermore, the expertise will be mobilised for assisting the local authorities in preparing relevant preliminary project documentation (technical designs, bill of quantities and feasibility studies where appropriate and necessary). The Consultant together with the MRDPW will review and verify the financial, technical and other qualities of project applications. It should make cost estimation of the proposed works in order to include adequate to the available budget number of infrastructure sections in the tenders.

Moreover, the Consultant will assist the IA in preparing the application package for expression of interest in integrated infrastructural projects and the procurement documentation for works and works supervision components. The ToR for the assignment will be prepared by MRDPW IA and Contracting Authority for this service will be the CFCU.

3.5 Linked Activities:

BG0102.04 Roads access to tourism sites

This scheme, which is grounded in the business-related infrastructure strategy of the National Development Plan, address the poor state of the municipal road network. It is targeted on improving road access to tourist sites in the North East and South Central planning regions, which have been selected for their tourism potential and poor local road networks. The scheme supports road rehabilitation, reconstruction and sign posting. The project places particular emphasis on improved accessibility to tourist sites and associated businesses.

BG2003/004-937.11.02 Water supply in areas with tourism development potential

This project, involving investment, aims to reduce regional disparities through enhancing the potential of the tourism sector, and provide business opportunities and higher incomes to the local population by improving the supply of water and sewage networks in areas of existing and potential tourism development and concentrations of SMEs. It is expected to result in a modern water supply system at sites of tourist interest or concentrations of SMEs from other sectors and improved sewage drainage networks in these target areas.

BG0102.03 Development of the Bulgarian cultural tourism

This scheme enhances the quality of cultural tourism products offered in Bulgaria, thereby contributing to the growth of a sector with significant potential for the country's economic development. Projects renovate important cultural heritage sights, upgrade associated publicly-owned infrastructure, and provide marketing and tourist information. The project places particular emphasis on the potential for sustainable growth in tourism sector and employment.

BG0202.02 Development of Bulgarian eco-tourism

This project aims to achieve sustainable growth of the eco-tourism sector through improvement of the market positions of the tourist industry, In focuses on diversification of the tourist products and improvement of service quality; expansion of the geographical spread of tourism and its seasonal distribution; improvement of the qualifications and skills of the labour force in tourism and promotion of the tourist products in the country and abroad.

BG2003/004-937.11.03 Pilot integrated scheme for regional development actions

This project, which involves investment, aims at creating the conditions for balanced endogenous development in the Bulgarian regions; reducing intra-regional disparities in employment, income and development opportunities; and strengthening the administrative capacity for effective implementation of regional programmes, thus ensuring strong input of the regions in the programme management cycle taking place at national level.

3.6 Lessons learned:

Lessons learned from previous years show that timely and professional preparation of project documentation is a prerequisite for proper project implementation. The broad trend is the loss of up to 50-60% of the contractual time available before effective implementation begins. Given the finite time period for contracting, the effect is to reduce the available time for implementation. In addition to that, a number of projects during the recent two years had their tendering and contracting processes delayed and projects have been contracted close to the expiration of the contracting period of the respective FM, thus shortening and risking the successful implementation. Tied use of Phare Project Preparation Facility helps to reduce time lost by bringing in external assistance for preparing project tendering documentation prior to signing the financial memorandum. However, management of the PPF should be more sensitive to preparatory projects for ESC investments. Sequencing the implementation between two different Contracting Authorities (CFCU for the PPF and Phare IA, MRDPW for the ESC investments) sometimes appears to be risky because of the good coordination needed and the availability of funds under the facility.

Criteria already defined for selection of sites and projects will be built upon and improved to ensure best relevance possible. Findings from previous projects monitoring reports and evaluations will be largely taken into account for appointing proper and timely corrective actions.

The implementation of previous projects has acknowledged that definition of selection criteria is very important for achieving the best impact possible. Organizing the projects in different lots in accordance with their geographical situation seems to be rather practical for improving performance and efficiency. Monitoring activities need particular attention for keeping the contractors bound to their contract engagements and responsible for timely delivery of results. Thus, eventual extension of the contracts duration will be avoided. In addition, appropriate measures should be anticipated to insure potential risks for the infrastructure coming from external factors as calamities or other unforeseen events.

Experience in implementation of previous projects shows that while the study for targeting the interventions in tourism potential areas was timely prepared, some delays have been registered in starting of the related preparatory project. The dependence of works and works supervision components from this preparatory project for assisting the development of project proposals and elaboration of tender documentation has consumed most of the contractual time available and imposed some revisions of the implementation and procurement plans. Selection of projects should be based on clear eligibility and technical criteria.

Preparation of the water supply component under Phase 1 could be reported as advance, since the projects which will receive support have been already defined and the tender dossiers for works and works supervision will be timely finalised. The launch of the tendering for the two contracts is expected to take place as scheduled in the implementation chart (annex 2). On the other hand, the identification of the sections under the roads component is still ongoing.

Nevertheless, the implementation of this component is coherent with the Phase 1 time schedule and no potential delays are expected.

In addition, the project implementation will be closely coordinated with the implemented tourism-related measures under the operational programme “Regional Development” 2007-2013, which is also under the responsibility of the Ministry of Regional Development and Public Works. This will achieve continuity and complementarity of the investments in tourism infrastructure and will avoid potential overlapping at project level.

4. Institutional Framework

Steering Committee

The SC will be chaired by the Ministry of Regional Development and Public Works and will include representatives from the following institutions:

- Ministry of Regional Development and Public Works
- Ministry of Economy and Energy
- Road Executive Agency
- Ministry of Environment and Waters
- Ministry of Transport
- State Tourism Agency
- Other key partners and national presented NGOs in the field of tourism (if appropriate).

Partners at the regional and the municipal level are the Local Government Administrations, Regional/Local Associations and various regional and local organisations.

All activities will be in accordance with the Municipality Ownership Act – State Gazette 44 of 1996 and amended 34/06.04.2001 and/or The Act for State Ownership - State Gazette 92 of 16th November 1951 - with subsequent amendments promulgated in State Gazette 59 of 2000.

Implementing Agency

Phare Implementing Agency within MRDPW will be the Employer fully responsible for tendering and contracting the components under this project, the sound financial monitoring and control and will make the payments to the contractors, which will be the Engineers to deliver on-site works activities and infrastructural improvements. Owners of the assets after project completion will be the municipal authorities for the municipal roads and water supply/sewerage networks and/or the Road Executive Agency for the 2-nd and 3-rd class roads.

PIUs

Two separate PIUs will be designated for the operational implementation of activities. “Public Works Activities” Directorate at MRDPW will be designated to supervise and monitor the activities related to improvement of roads infrastructure. Extra experts from the Ministry of Transport and Communications and Road Executive Agency will be attached to the PIU. On the other hand, “Water and Sewerage” Directorate at MRDPW will be responsible for the activities in the water sector. Extra experts from the Ministry of Environment and Waters will be attached to the water-related PIU. PIUs will play the role of FIDIC Employers for the works contracts. Separate Memoranda of Understanding will clearly define segregation of tasks, reporting chain and documentation flow between the IA and the PIUs.

5. Detailed Budget

	Phare/Pre- Accession Instrument support	Co-financing			Total Cost
€M		National Public Funds*	Other Sources**	Total Co- financing of Project	
Year 2005 (Phase 1) Investment support jointly co funded					
Works Contracts (Roads)	8.100	2.700		2.700	10.800
Works Contracts (Water Supply and Sewerage)	8.100	2.700		2.700	10.800
Service Contract (Supervision - Roads)	0.400	0.140		0.140	0.540
Service Contract (Supervision – Water Supply and Sewerage)	0.400	0.140		0.140	0.540
Investment support – sub-total	17.000	5.680		5.680	22.680
<i>% of total public funds</i>	<i>75 %</i>	<i>25 %</i>			
Year 2005 Institution Building support					
IB support – sub-total					
Total project 2005	17.000	5.680		5.680	22.680

	Phare/Pre- Accession Instrument support	Co-financing			Total Cost
€M		National Public Funds*	Other Sources**	Total Co- financing of Project	
Year 2006 (Phase 2) Investment support jointly co funded					
Works Contracts (Roads)	4.200	1.400		1.400	5.600
Works Contracts (Water Supply and Sewerage)	4.200	1.400		1.400	5.600

Service Contract (Supervision - Roads)	0.240	0.080		0.080	0.320
Service Contract (Supervision – Water Supply and Sewerage)	0.240	0.080		0.080	0.320
Investment support – sub-total	8.880	2.960		2.960	11.840
% of total public funds	75 %	25 %			
Year 2006 Institution Building support					
IB support – sub-total	/	/	/	/	/
Total project 2006	8.880	2.960		2.960	11.840

(*) contributions from National, Municipal authorities, FIs loans to public entities, funds from public enterprises

(**) private funds, FIs loans to private entities

The national co-financing will be provided by the National Fund Directorate at the Ministry of Finance. All operational and running costs and the maintenance of the equipment will be provided by the beneficiaries

6. Implementation Arrangements

6.1. Implementing Agency

The Implementing Agency will be the Ministry of Regional Development and Public Works.

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Project selection:

The Ministry of Regional Development and Public Works will prepare the application package, evaluation grid and detailed guidelines for potential applicants supported by the PPF Consultants. The application package will be consulted with EC Delegation and upon agreement the eligible municipalities with tourism development potential will be invited to apply for funding from the investment scheme. Once the applications are received, the PAO will appoint Evaluation Committee to assess the application using the defined selection criteria in the evaluation grid. The Committee will rank the applications and propose the best for funding on a top-down basis to the limit of funds available.

After the awarded applicants are already known, the IA and the PPF Consultants will make cost estimation of the proposed works in order to include adequate to the available budget number of infrastructure sections in the tenders and prepare a tender dossier for works, arranging the projects in several lots as appropriate depending on their location and character. The Implementing Agency will launch two procurement procedures for works and two for works supervision. Thus, four contracts will be concluded avoiding complications in managing many grant contracts and related works and works supervision sub-contracts. Moreover, the municipal authorities as grantees have limited experience in PRAG sub-contacting and therefore there is a clear risk that quality and timing of implementation could be seriously undermined.

6.2. Twinning

Not applicable

6.3. Non-standard aspects

There are no non-standard contracts or tender procedures envisaged within this project.

6.4. Contracts

FM 2005

Works Contracts (Roads)	-	10.800 MEUR
Works Contracts (Water Supply and Sewerage)	-	10.800 MEUR
Service Contract (Supervision - Roads)	-	0.540 MEUR
Service Contract (Supervision – Water Supply and Sewerage)	-	0.540 MEUR

FM 2006

Works Contracts (Roads)	-	5.600 MEUR
Works Contracts (Water Supply and Sewerage)	-	5.600 MEUR
Service Contract (Supervision - Roads)	-	0.320 MEUR
Service Contract (Supervision – Water Supply and Sewerage)	-	0.320 MEUR

The envisaged average size of individual roads-related projects is approximately 150,000 EUR per km and for water/sewage projects – 100,000 EUR per km, implying a total of some 35+ sub-projects under the investments scheme for both 2005 and 2006 phases.

7. Implementation Schedule

7.1. Start of tendering/call for proposals

November 2007

7.2. Start of project activity

August 2008

7.3. Project completion

September 2009

8. Equal Opportunity

The investment scheme implementation procedures will ensure that the project brings benefits to men and women and to ethnic groups in equal measure. Special attention will be paid to ensure that women and members of ethnic groups are included in the projects activities.

9. Environment

The investment scheme will not be harmful to the environment. All of the individual projects envisaged an environmental impact assessment report as part of their feasibility study and the evaluation criteria. With an improvement in water supply a positive impact – ecological improvement is expected. The resultant business development will have no negative impact on the environment.

10. Rates of return

Rates of return can only be calculated for the individual projects approved under this investment scheme. The evaluation criteria will seek to select projects that provide significant rates of return based on economic benefits such as increased employment and income from tourism.

Individual projects will create considerable economic and social benefits – determined in the evaluation criteria. Therefore, they will contribute to creation of a sound tourism and business entrepreneurial environment and initiate economic growth across the territory of Bulgaria.

Public financed projects in principle will not bring profits to the private sector. They are supported in order to be economically viable because they create benefits to the specific location, especially when and where they will contribute to the safeguarding and to the creation of employment.

All feasibility studies will be calculated under Guide to Cost Benefit Analysis.

11. Investment criteria

11.1. Catalytic effect

The catalytic effect will include:

- improvement of business infrastructure.
- Assisting the strengthening of the tourist market
- stimulating entrepreneurship in tourism and attract investment for regional development

Phare contribution will seek to provide an investment solution that promote tourism and/or business development in the selected areas and contribute to the restructuring of the tourism infrastructure, to SMEs and provides employment opportunities. Without the Phare support this level of tourism and business development would take place much later (if at all) but not in such a comprehensive and complementary way as envisaged in this project.

11.2. Co-financing

The necessary co-financing for this project will be provided from Bulgarian national budget through the National Fund. The beneficiaries (municipalities for municipal roads and/or Road Executive Agency for 3-rd and 2-nd class roads) will have to provide at least 10 % of the total cost of their projects as own financial contribution to demonstrate commitment for the project.

11.3. Additionality

No other finances will be displaced by this Phare intervention.

11.4. Project readiness and size

The procurement documentation for launching call for proposals should be ready by the time of signing the Financing Memorandum for Phare 2005 and 2006 budget. In case of each phase, only projects ready for tendering can be supported.

The selection of the locations will use the finding of the study for identifying areas with tourism development potential. Summary of the study report is enclosed in Annex 5.

11.5. Sustainability

The Ministry of Regional Development and Public Works, together with the regional/local authorities involved, assure sustainability as a prerequisite in preliminary project identification. Sustainability will depend upon the future capacity of the Bulgarian Government to finance such schemes without external aid donor support. It is considered unlikely that such a capacity will exist prior to 2006. The envisaged upgrading and development of water supply and transport infrastructure should be operational over the long term, however contracts will ensure that the direct beneficiaries will allocate sufficient funds to maintain and keep the infrastructure in good condition.

11.6. Compliance with state aids provisions

The project is in accordance with item 92(3)a of the Treaty of Rome. All actions financed by Phare will be carried out in line with DIS and will respect and comply with State Aid agreements.

12. Conditionality and sequencing

The project will start after signing of the 2006 Financial Memorandum.

To speed up project implementation, PPF Consultants will be mobilised by the end of 2006 to perform the necessary preparations as described in the activities section.

Mobilisation of the PPF Consultants from 2005 allocation will be done as quickly as possible following the procedure.

ANNEXES TO PROJECT FICHE

1. Logframe in standard format
2. Detailed implementation chart
3. Cumulative contracting and disbursement schedule by quarter

4. Reference list of relevant laws and regulations
5. Summary Report for defining areas with tourism development potential

ANNEX 1: LOGFRAME PLANNING MATRIX		Programme name and number	
FOSTERING THE DEVELOPMENT OF REGIONAL TOURISM POTENTIAL THROUGH UPGRADE OF THE RELATED INFRASTRUCTURES – PHASE 2		Contracting period expires FM 2005 – 30 November 2007 FM 2006 – 30 November 2008	End of execution of contracts FM 2005– 30 November 2009 FM 2006– 30 November 2009
		Total budget (FM 2006): 11.840 MEUR	Phare budget (FM 2006): 8.880 MEUR
Overall objective	Objectively verifiable indicators	Sources of Verification	
<ul style="list-style-type: none"> Reduce regional disparities and achieving sustainable regional growth through enhancing the potential of the tourism sector, and provide business opportunities and higher incomes to the local population 	<ul style="list-style-type: none"> Diversification of local enterprises production Net job creation (N_e) Increased regional GDP per capita (~6%) per year 	<ul style="list-style-type: none"> National Statistics Institute National Employment Office BARDA, BIBA, ASME, Tourism Agency Reports and Reviews 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> Increase the investment attractiveness in areas with tourism potential through improving their accessibility and water supply and sewage networks 	<ul style="list-style-type: none"> Boost of traffic flows through the municipal roads in the target areas (40%) two years after project completion Increase in water consumption efficiency and purification (35%) Satisfaction rates and increased No of clients/ tourists (30%) by 2012 Value added generated in tourism per year (10%) 	<ul style="list-style-type: none"> Regular reports of REA and its regional offices Water quality audits and regular water quality reports Tourism organizations and institutions official data and surveys 	<ul style="list-style-type: none"> Continuous Government commitment for support of regional development policies in the field of tourism
Results	Objectively verifiable indicators	Sources of Verification	Assumptions

<p>Phase 1 and Phase 2 (FM 2005, 2006)</p> <ul style="list-style-type: none"> Improved road connections to the targeted tourist areas Tourist sites designated by sign-posts placed on the main roads Increased quality of the existing water supply and sewage drainage networks through rehabilitation/reconstruction New constructed or extended water and sewage networks/capacity 	<p>Phase 1 and Phase 2 (FM 2005, 2006)</p> <ul style="list-style-type: none"> Some 35+ integrated projects for improving road connections and water supply/sewerage networks implemented in the target areas Approximately 110 km of roads reconstructed or upgraded (degree of network completion %) Time saved, measured by reduction of journey time and accessibility gains (minutes) Approximately 160 km. new or renewed water pipes laid and associated No of local tourist businesses served by new/ improved water supply networks 	<ul style="list-style-type: none"> Reports from REA and Water Supply and Sewage companies Municipal records Project Progress and Final Report Monitoring and Evaluation Reports Supervision Reports 	<ul style="list-style-type: none"> Good marketing and promotion of the region towards investors Strong regional partnership developed Works contracts smoothly and successfully implemented
Activities	Means		Assumptions

<p><u>Phase 1 and Phase 2 (FM 2005, 2006)</u></p> <p><u>Works contracts:</u></p> <ul style="list-style-type: none">▪ Rehabilitation/Reconstruction of municipal (4-th class) roads and/or regional roads (3-rd or 2-nd class) to meet the appropriate standards▪ Signposting of business and tourist sites from the main roads▪ Rehabilitation/Reconstruction of existing water supply and sewage drainage networks in order to provide a reliable supply and treatment cycle and increase a given local network’s capacity as well as providing a reliable supply and treatment cycle▪ New construction or extension of existing water and sewage networks and local storage tanks in order to ensure the provision of required water quantity, as well as steady water pressure to balance the network and guarantee a stable supply <p><u>Service Contract (Works supervision)</u></p> <ul style="list-style-type: none">▪ Supervision of works contracts for improving road and water supply/sewerage networks	<p><u>Phase 1 (2005)</u></p> <p><i>Works Contracts (Roads) - 10.800 MEUR</i> <i>Works Contracts (Water Supply) - 10.800 MEUR</i> <i>Service Contract (Supervision - Roads) - 0.540 MEUR</i> <i>Service Contract (Supervision – Water Supply) - 0.540 MEUR</i></p> <p><u>Phase 2 (2006)</u></p> <p><i>Works Contracts (Roads) - 5.600 MEUR</i> <i>Works Contracts (Water Supply) - 5.600 MEUR</i> <i>Service Contract (Supervision - Roads) - 0.320 MEUR</i> <i>Service Contract (Supervision – Water Supply) - 0.320 MEUR</i></p>	<ul style="list-style-type: none">▪ Effective implementation mechanism at national and regional level is set out▪ Upright sub-contractors
		<p>Preconditions</p> <ul style="list-style-type: none">▪ PPF contracts timely implemented

ANNEX 2: DETAILED IMPLEMENTATION CHART

	2005 (quarters)				2006 (months)												2007 (months)												2008 (quarters)				2009 (quarters)			
Phase 1 / FM 2005 - updated	I	II	III	IV	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	I	II	III	IV	I	II	III	IV
Tendering PPF contractor																																				
Projects selection																																				
Projects preparation																																				
Tender dossiers preparation (works)																																				
Drafting ToRs for supervision																																				
Tendering work contracts'																																				
Awarding and signing works contracts																																				
Tendering Service Contract - Supervision																																				
Awarding/ signing supervision contract																																				
Supervision, implementation																																				
Works implementation																																				
End of works activities																																				
Defect Notification Period																																				

	2006 (quarters)				2007 (months)												2008 (months)												2009 (quarters)				2010 (quarters)			
Phase 2 / FM 2006	I	II	III	IV	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	I	II	III	IV	I	II	III	IV
Tendering PPF contractor																																				
Projects selection																																				
Projects preparation																																				
Tender dossiers preparation (works)																																				
Drafting ToRs for supervision																																				
Tendering work contracts ⁷																																				
Awarding and signing works contracts																																				
Tendering Service Contract - Supervision																																				
Awarding/ signing supervision contract																																				
Supervision, implementation																																				
Works implementation																																				
End of works activities																																				

ANNEX 3: CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER

Project title: FOSTERING THE DEVELOPMENT OF REGIONAL TOURISM POTENTIAL THROUGH UPGRADE OF THE RELATED INFRASTRUCTURE																	
Contracting (Phase 1)	Cumulative contracting schedule by quarter in MEUR																Total
	2006				2007				2008				2009				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Works Contract (Roads)						10.800	10.800	10.800	10.800	10.800	10.800	10.800	10.800	10.800	10.800		10.800
Works Contract (Water Supply and Sewerage)						10.800	10.800	10.800	10.800	10.800	10.800	10.800	10.800	10.800	10.800		10.800
Service Contract (Supervision - Roads)						0.540	0.540	0.540	0.540	0.540	0.540	0.540	0.540	0.540	0.540		0.540
Service Contract (Supervision – Water Supply and Sewerage)						0.540	0.540	0.540	0.540	0.540	0.540	0.540	0.540	0.540	0.540		0.540
Total Contracting Phase 1						22.680	22.680	22.680	22.680	22.680	22.680	22.680	22.680	22.680	22.680		22.680
Contracting (Phase 2)	Cumulative contracting schedule by quarter in MEUR																Total
	2007				2008				2009				2010				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Works Contract (Roads)							5.600	5.600	5.600	5.600	5.600	5.600					5.600
Works Contract (Water Supply and Sewerage)							5.600	5.600	5.600	5.600	5.600	5.600					5.600
Service Contract (Supervision - Roads)							0.320	0.320	0.320	0.320	0.320	0.320					0.320
Service Contract (Supervision – Water Supply and Sewerage)							0.320	0.320	0.320	0.320	0.320	0.320					0.320
Total Contracting Phase 2							11.840	11.840	11.840	11.840	11.840	11.840					11.840
Total contracting:							34.520	34.520	34.520	34.520	34.520	34.520					34.520

Project title: FOSTERING THE DEVELOPMENT OF REGIONAL TOURISM POTENTIAL THROUGH UPGRADE OF THE RELATED INFRASTRUCTURE

Disbursement (Phase 1)	Cumulative disbursement schedule by quarter in MEUR																Total
	2006				2007				2008				2009				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Works Contract (Roads) – PHARE						1,013	2,026	3,039	4,052	5,065	6,078	7,091	7,091	7,091	8,100		8,100
Works Contract (Roads) – National Co-fin.						0,338	0,676	1,014	1,352	1,690	2,028	2,366	2,366	2,366	2,700		2,700
Works Contract (WS&S) - PHARE						1,013	2,026	3,039	4,052	5,065	6,078	7,091	7,091	7,091	8,100		8,100
Works Contract (WS&S) – National Co-fin.						0,338	0,676	1,014	1,352	1,690	2,028	2,366	2,366	2,366	2,700		2,700
Service Contract (Supervision – Roads) - PHARE						0,050	0,100	0,150	0,200	0,250	0,300	0,350	0,350	0,350	0,400		0,400
Service Contract (Supervision – Roads) – National Co-fin.						0,018	0,036	0,054	0,072	0,090	0,108	0,126	0,126	0,126	0,140		0,140
Service Contract (Supervision – WS&S) - PHARE						0,050	0,100	0,150	0,200	0,250	0,300	0,350	0,350	0,350	0,400		0,400
Service Contract (Supervision – WS&S) – National Co-fin.						0,018	0,036	0,054	0,072	0,090	0,108	0,126	0,126	0,126	0,140		0,140
Total Disbursement Phase 1						2,835	5,673	8,511	11,349	14,187	17,025	19,863	19,863	19,863	22,680		22,680

Disbursement (Phase 2)	Cumulative disbursement schedule by quarter in MEUR																Total
	2007				2008				2009				2010				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Works Contract (Roads) - PHARE							0,700	1,400	2,100	2,800	3,500	4,200					4,200
Works Contract (Roads) – National Co-fin.							0,230	0,460	0,690	0,920	1,150	1,400					1,400
Works Contract (WS&S) - PHARE							0,700	1,400	2,100	2,800	3,500	4,200					4,200
Works Contract (WS&S) – National Co-fin.							0,230	0,460	0,690	0,920	1,150	1,400					1,400
Service Contract (Supervision – Roads) - PHARE							0,040	0,080	0,120	0,160	0,200	0,240					0,240
Service Contract (Supervision – Roads) – National Co-fin.							0,013	0,026	0,039	0,042	0,055	0,080					0,080
Service Contract (Supervision – WS&S) - PHARE							0,040	0,080	0,120	0,160	0,200	0,240					0,240
Service Contract (Supervision – WS&S) – National Co-fin.							0,013	0,026	0,039	0,042	0,055	0,080					0,080

Total Disbursement Phase 2							1,966	3,932	5,898	7,844	9,810	11,840					11,840
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ANNEX 4: REFERENCE LIST OF RELEVANT LAWS AND REGULATIONS

I. EU Legislation

The project relates to the following Community Directives:

- Framework Water Directive 2000/60/EEC
- Directive 98/83/EEC on the quality of waters intended for human consumption
- Directive 91/271/EEC on urban waste water treatment
- Directive 91/676/EEC on the protection of ground water against pollution caused by certain dangerous substances
- Directive 76/160/EEC on the quality of bathing water
- Directive 75/440/EEC on requirements for quality of ground waters for drinking water supply, amended by Directives 79/869/EEC and 91/692/EEC.

II. National Legislation

In the water sector the Government of Bulgaria has adopted the following legislative documents:

- Water Act (State Gazette 67/1999 enter into force on 28.01.2000, last amended by State Gazette 6/23.01.2004);
- Territorial Structure Act (State Gazette 1/2001, enter into force on 01.03.2001, last amended by State Gazette 36/2004
- Norms for designing water supply systems
- Norms for designing sewage systems
- Ordinance No 9 for using water supply and sewage systems (State Gazette 77/1994 as amended by State Gazette 47/1998)
- Ordinance No 2 on the quality of waters intended for human consumption (State Gazette 63/2002);
- Ordinance No 7 on wastewater discharge in the sewage systems (State Gazette No98/2000);
- Ordinance No 8 on rules and norms for situation of technical networks in settlements (State Gazette 72/1999
- Sanitarian and Technical Rules and Norms for construction and exploitation of facilities for water supplying settlements and industry with drinking water
- Ordinance No 14 on the resort resources, resorts and resort sites (State Gazette 79/1987 as amended by State Gazette 88/2000);

Other related documents:

- National Programme for Priority Construction of Drinking Water Treatment Plants and related water supply networks
- Strategy for Management and Development of Water Supply and Sewage Sector adopted by CoM on 18.03.2004
- National Programme for Priority Construction of Urban Wastewater Treatment Plants for settlements above 10 000 equivalent inhabitants
- National Programme for Priority Construction of Urban Wastewater Treatment Plants for settlements with population between 2 000 and 10 000 equivalent inhabitants
- National Programme for Priority Construction of sewage systems in municipalities with over 10 000

CRITERIA AND TERRITORIAL SCOPE OF AREAS

SUMMARY REPORT

1. Review of the existing surveys on tourism potential and tourism regionalisation in Bulgaria

Despite of the existing differences in approaches, criteria and results of the examined assessments, all surveys indicate that Bulgaria has wealthy as well as diverse recreation and tourism resource potential. About half of the country territory has considerable resource potential for tourism development. In practice, there is no any significant area without more or less favourable recreation resources. This means that no one area should be entirely excluded from tourism development and that every municipality has resources to develop some kind of recreation and tourism. The resource potential however, is differentiated and concentrated in space, while some areas are more attractive than others.

The results of the assessments made in the past cannot be used directly because of the **complicated and non-transparent (difficult for verification) methodology** used, which reflects negatively on the **results' reliability**; most of the assessments **are not made on the basis of territorial-administrative units** and/or at the level of municipalities; a big part of the assessments **could be seen as outdated** in view of the changes in tourism development and the dynamic of tourism resources. Yet, although indirectly, some of these assessments could be applied, mainly for **verification of the results of the current assessment** based on different methodology and up-to-date information.

The review shows also possibility for use of some **tourism regionalisation schemes** and the **tourism localisations** defined in the 1980s.

2. Definition and operationalisation of the tourism potential and the areas with tourism potential

On the basis of the analysis, tourism potential is defined as **the ability of the area (the municipality) to create a complete tourism product and to develop economic viable tourism**. Besides, it is not obligatory that this ability is realised (at least not entirely) at the moment, but bearing in mind contemporary tourism development features trends, it should exist.

In practice, every area has certain tourism potential. This is true because of the existence of great number of tourism types, each of them based on different resources or attractions (different areas have different potential for different tourism types respectively), as well as because the tourism demand is heterogeneous – the various tourism market segments search for different conditions and attractions, which also influences the tourism potential of the area. **But not all areas could develop economically viable tourism**, e.g. tourism that brings substantial economic (and other) benefits, and accounts for the necessary costs of the private investors and the public authorities. And if for private investors the risk is a matter of own judgement, public investments require more careful approach. Therefore, one of the main principles of this study should be the **selective approach** – not to identify areas or municipalities with **any** tourism potential (as the past assessments and analyses review shows, in Bulgaria there are no area without any tourism potential), but to identify those areas and municipalities, which have potential for successful development of **economically viable tourism**.

The municipalities with tourism potential are defined as municipalities, which correspond in a great degree to the following requirements (in their aggregation):

- a) municipalities with tourism resources (attractions) that allow a considerable volume of tourism demand to be drawn, which ensures economic effective tourism development in a short or a medium term
- b) municipalities, which are situated relatively close to significant centres of creation and distribution of tourism demand, incl. generators of “secondary” tourism flows (sites for longer stays from which shorter, usually one day trips, are undertaken)
- c) municipalities, which are able to create bigger spatial formations (or regional products) because of their proximity to/ neighbouring with other municipalities that have tourism potential and higher development level
- d) municipalities, where the awareness for tourism development exists and a certain local initiative for tourism development and support is available.

Tourism potential could be divided conditionally into: primary (resource) or potential in the narrow sense and secondary, or potential in the broad sense (including the location and the accessibility of the territory, the current level of development and utilisation).

The presence of a certain level of tourism development (accommodation facilities, tourism flows etc.) is not included in the specific requirements for definition of a municipality as having tourism potential because there are areas, which have potential that is still not utilised even to a minimum extent. But it could be the most indisputable evidence for the area attractiveness and for the existence of potential, i.e. to be considered as an additional criterion, moreover that it is closely linked to the need of infrastructure development. From that point of view, the municipalities could be theoretically divided into three groups:

a) municipalities, where at least a minimum tourism development exists and where deficits bound to the quality of tourism services or the widening of tourism absorption (and create risks for the environment).

b) municipalities with high values of tourism pressure, which creates risk for the future development (however, these municipalities could also need infrastructure, if this does not bring to further increase in tourism pressure); main care here should be given to prevent infrastructure from over-sizing, which would reinforce of the so-called development “vicious circle”.

c) municipalities with high primary potential but lack of tourism development because of sharp infrastructure deficits.

3. Identification of a set of suitable criteria (and respectively, indicators and threshold values) for outlining the areas with tourism potential and their grouping (categorisation) on the basis of tourism development potential

In accordance with the above views, the following main principles are adopted in development of the methodology for identification of the municipalities with tourism potential:

- Implementation of enough selective approach, but with minimising the risk for “exclusion” of municipalities with substantial tourism potential
- Transparent and the most possible simple methodology, based on objectively verifiable criteria and indicators
- “Equal treatment” of municipalities, based on the criteria and indicators used, and exclusion of any occasional subjective decisions on particular cases
- Consecutive elaboration of different options/versions (with gradually complication of the methodology) up to achievement of a suitable one.

On the basis of the review of possible indicators, a limited number is chosen (with some complex indicators, i.e. calculated on the basis of several others), which is enough to characterise all different

dimensions of municipalities' tourism potential. An important principle is the preference of criteria and indicators coming from the legislation and in a lower degree – of those coming from the analytical studies.

The indicators used in this study and the respective sources of information are:

Indicator	Source
Inclusion in tourism regionalization schemes	Dinev et al, 1974; Bachvarov, Apostolov, 1982
Presence of tourism localisations	Evrev, 1999
Presence of resorts	Annex 3 to Regulation 14/ 1987 (1992) and ordinances of the minister of health
Presence of national parks	Protected Areas Act, annex 1 (1998)
Presence of nature parks	National protected areas' data base (MEW), National Forestry Administration, information of MEW
Presence of objects, included in the list of the 100 national tourism objects	List of the 100 national tourism objects, prepared by the Bulgarian Tourism Association (2004)
Presence of cultural-historical heritage reserves (cultural monuments)	List of the reserves that are monuments of culture, National Institute for the Cultural Monuments (2002)
Cultural monuments of national importance	List of the cultural monuments of national importance, National Institute for the Cultural Monuments (about 1990)
Cultural events, included in the national calendar of cultural events	National calendar of cultural events (www.mi.government.bg/tourism/pol.html/)
Rating (scores) of nature potential, including: - attitude: absolute, relative, standard deviation - share of water surfaces and flows, and of forestry stock in the municipalities' territory	
	GIS data
	NSI, 2002
Examination marks of anthropological potential based on the above indicators	
Assessment of transport accessibility	GIS data
Assessment of current level of tourism development, including assessment of: - beds in accommodation facilities - nights spent in accommodation facilities - occupancy rate of the accommodation facilities	
	NSI, 2002 List of the accommodation facilities and places, categorised by the Ministry of Economy towards May 2004 (www.mi.government.bg/tourism)
	NSI, 2002
	NSI, 2002
Presence of organised local initiative for development of tourism	List of local and regional tourism organisations and their members, ME
Socio-economic impact of tourism	Estimations based on NSI (2002) and ME (2004) data
Physical and socio-economic pressure of tourism	Estimations based on NSI data, 2002

4. Application of the criteria and development of options for the scope of the municipalities with tourism potential

5 options with 11 sub-options are developed as a whole on the basis of assessment of all 263 municipalities in the country.

Number of municipalities defined as municipalities with tourism development potential	Option 5 – general potential (narrow and broad)	4 b	4 a	3 d	3 c	3 b	3 a	2 b	2 a	2 initial	Option 1
	124	126	150	153	121	141	160	93	112	160	217

Option 1 (based on tourism regionalisation, with the use also of additional criteria) is not considered as appropriate because of its too broad territorial scope and lack of selective approach.

Option 2 (correspondence to a set of limited number of obligatory requirements with definitely established threshold values) is notable for its simplicity, easy application and transparent methodology, but does not provide for enough consistent and indisputable results. Therefore, it is featured by certain political risk, and could be assessed as unacceptable (but subject to discussion). Sub-option 2b gives better results, but it requires the application of indicators that are related to the potential in its broad sense, which does not comply with the initially established methodological principles.

Option 3 (in particular sub-option 3d – with 153 municipalities) is considered as acceptable because it ensures relatively simple but logical and justified formulation of requirements, ensures results that could be assessed as consistent and because gives an opportunity for broadening and narrowing the territorial scope without creating any essential disturbance on the results' consistency and realism. Its main disadvantage is the necessity of turning to “non-transparent” quantified estimations (although they are received through clearly defined and described methodology, this could raise a certain risk).

Option 4, based on rating (scores) of natural and man-made potential, is distinguished by simpler formulation of requirements and application, and provides for more complex account of the resource potential. Its disadvantages are linked to the limited transparency of methodology, criteria and requirements, as well as to the equalisation of estimations and the related risks for exclusion of municipalities with potential (which is determined by presence of high scores towards certain criteria, while at the same time is decreasing due to low scores towards most of the criteria).

Sub-option 4b (126 municipalities) ensures more selective approach and excludes several municipalities with borderline scores of the potential (i.e. where doubt exists for their relation to one or other group); while at the same time it guarantees the inclusion of municipalities with significant natural and anthropological resources but with low rating of the overall resource potential. However, sub-option 4a (150 municipalities) is a bit broader and has the great advantage of minimising any political risk related to identification of municipalities with tourism potential and is therefore recommendable.

Option 5 (based on assessment of the potential in narrow and broad sense) is not recommended to be used because leads to underestimation of the primary (in the narrow sense) potential of a number of municipalities, also by reason of possible risks related to the reliability of information. Not at last place, it could exclude automatically a big part of the municipalities with medium level of primary potential, but with limited so far development in tourism or with peripheral location. Therefore, it is recommended this option to be used only as one of the criteria for internal differentiation (prioritising) of municipalities in the frame of the preferable option.

The comparison between different options and sub-options (11 altogether) outlines several municipality groups. The first group could be designated as “core” (108 municipalities), for which the existence of tourism potential is undeniable (included in all or almost all - 10-11 options). The second group (included in 5-9 options, 38 municipalities) could be characterised as “a soft periphery”, for which the existence of tourism potential could be doubtful. These are the “borderline” cases where a

decision is very difficult to be taken. The third group (included in 2-4 options, 25 municipalities) is “the hard periphery”, in which tourism potential is most likely to be limited. And in the end, the forth group (excluded in all options or included in only one of them, 92 municipalities) consists of municipalities, which are in practice without any (or with extremely limited) tourism potential.

The comparison **proves the consistency of options 3d and 4a** (which are recommended to be used): there are no any differences related to the “core” between the two options; differences related to the “soft periphery” are very small; both options include only limited number of the “hard periphery” municipalities.

The comparison shows also that **despite the different methodologies, both options give very similar results and the choice between them could be made mainly on the basis of preferences to the way, in which the requirements to the municipalities are defined and worded.**

As a result of the options’ comparison, option 3 is suggested (sub-option‘d’), which is described in more details under item 6, to be mainly used for identification of the municipalities with tourism potential. As a second (reserve) suitable option, option 4 (sub-option ‘a’) could be used.

Two options has been also elaborated and tested for differentiation of municipalities within option 3d:

a) on the basis of the success factors for effective tourism development estimated by the current development level (bed capacity) and the presence of a local initiative, as well as the possible impact of tourism development

b) on the basis of the success factors for effective tourism development estimated by the assessment of the overall potential (which beside the resource potential includes also the location and the accessibility of the municipality, the current level of tourism development and the presence of organised local initiative), as well as the possible impact of tourism development.

Most appropriate seems to be the second option which is presented in more details under item 6.

5. Conformity of the territorial scope of the municipalities with tourism potential with the tourism and regional policy directions

The tourism policy review shows that **at the present moment Bulgaria does not have clearly articulated spatially differentiated policy towards tourism development.** Therefore, within the frame of the current study and for the purposes of the infrastructure improvement project, modifications are not needed for the suggested territorial scope of the municipalities with tourism potential, which: a/ cover areas, allowing the development of different types of tourism and b/ to a significant extent are based on the tourist objects, described in the Tourism Act.

The possibility for compliance with the areas for targeted interventions under the Regional Development Act is tested by excluding for this purpose of Sofia and of the areas for economic development. On the basis of the results received, **it is not recommended the areas for targeted interventions to be used in defining the municipalities with tourist potential**, for the following reasons:

- There is no clear requirement for support to development of tourism or for orientation of the pre-accession instruments to be limited to the areas for targeted interventions.
- There are considerable risks for the project if using the areas for targeted interventions, which are connected to the so far high level of uncertainty on the time of their definition and final territorial scope result.
- Testing the approximate scope of the areas for targeted interventions compared to the recommended option for the territorial scope of the municipalities with tourism potential, does

not give satisfactory results: the number of the “remaining” in those defined as municipalities with tourism potential is very low (39) and a big part of the municipalities with high tourism potential are excluded.

- One of the preliminary criteria proposed for assessment is the level of unemployment, which in comparison to the areas for targeted interventions reflects, to a certain extent, the overall degree of development in simpler and reliable way.
- Last but not least, the indicator “potential tourism function” that is used for internal differentiation of the municipalities with tourism potential, gives a high priority to the smaller municipalities, especially when they currently have a certain level of tourist development (higher opportunities for future development, respectively), and to a great extent fulfills the possible role of the areas for targeted interventions.

6. Preparation of the final set of criteria and a scheme (map) of the municipalities with tourism potential

The criteria for the municipalities with tourism potential proposed under option 3 (sub-option ‘d’) are formulated as follows:

In order to be assessed as having tourism potential, a municipality should:

a) have within its territory a resort of national importance, at least two resorts of local importance according to annex 3, or tourism localisation according to annex 2

or

b) conform to minimum two of the following requirements:

- to get into the boundaries of a national or a nature park, or to have within its territory an object from UNESCO world heritage list
- to have within its territory officially recognised resorts (as defined in the Ordinance for the resort resources and resorts)
- to have within its territory natural objects included in the List of the 100 national tourism objects
- to have within its territory reserves of the culture-historical heritage or objects from UNESCO world heritage list
- to have within its territory a man-made object from the List of the 100 national tourism objects

or

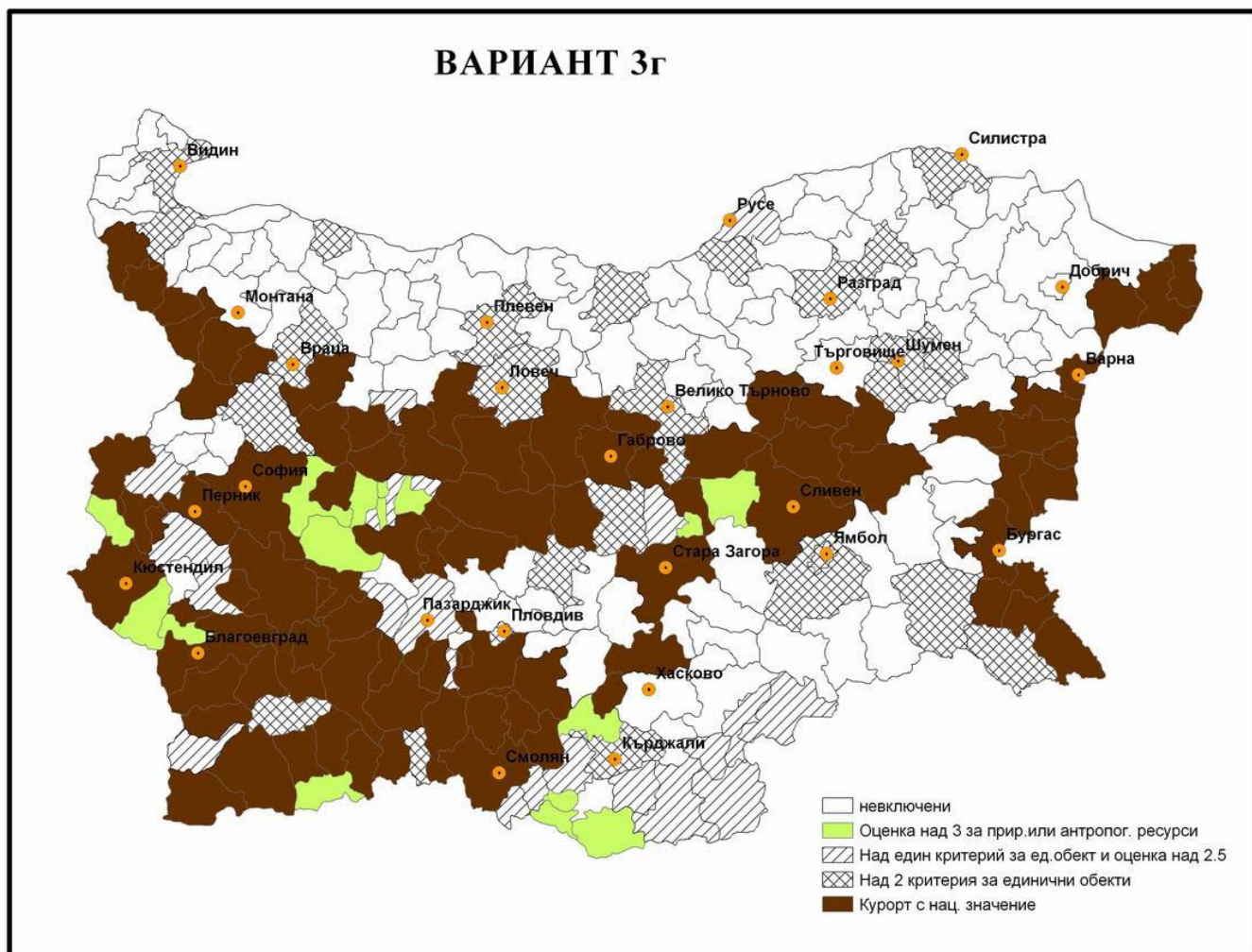
c) respond to at least one of the requirements under point b) and have an assessment of the natural or cultural potential more than 2,5 (option above 3,0)

or

d) have an assessment of the natural or anthropogenic potential more than 3 (option above 3,5)

The results of the application of requirements under option 3 are presented in a table and a map:

Criteria	Number of municipalities	
Resort of national importance, 2 or more resorts of local importance and tourism localisation	90	Rila, Sofia, Gabrovo, Varna, Balchik, Kyustendil, Sandanski, Samokov, Tryavna, Karlovo, Sliven, Kotel, Nesebar, Stara Zagora, Sozopol, Razlog, Kavarna, Teteven, Berkovitsa, Koprivshtitsa, Troyan, Tsarevo, Primorsko, Batak, Belovo, Belitsa, Garmen, Devin, Kresna, Yakoruda, Sapareva Banya, Pavel Banya, Smolian, Tchepelare, Hisarya, Blagoevgrad, Gotse Delchev, Simitli, Varshets, Panagyurishte, Peshtera, Asenovgrad, Kostenets, Dolna Banya, Apriltsi, Petrich, Pernik, Botevgrad, Belogradchik, Dryanovo, Dolni Chiflik, Velingrad, Byala, Pomorie, Avren, Rakitovo, Laki, Bratsigovo, Satovcha, Banite, Burgas, Rodopi, Perushtitsa, Etropole, Shabla, Elena, Sevlievo, Tran, Mezdra, Strelcha, Mineralni Bani, Dimitrovgrad, Gurkovo, Dospat, Georgi Damnyanovo, Varbitsa, Chiprovtsi, Kuklen, Kovachevtsi, Godech, Chuprene, Zemen, Boboshevo, Sungurlare, Ugarchin, Gorna Malina, Dalgopol, Antonovo, Pravets, Omurtag
Minimum two of the criteria for single objects	26	Svishtov, Bansko, Malko Tarnovo, Silistra, Veliki Preslav, Kazanlak, Veliko Tarnovo, Vratsa, Shumen, Plovdiv, Lovech, Kaspichan, Razgrad, Kardjali, Kozloduy, Vidin, Svoje, Borino, Ivanovo, Yambol, Tundja, Brezovo, Pleven, Ispirih, Dimovo, Sredets
Minimum one of the criteria for single objects and assessment above 2,5 for natural or anthropogenic potential	21 (13)	Krichim, Strumyani, Rudozem, Ardino, Septemvri, Russe, Zlatitsa, Madan, Madjarovo, Dupnitsa, Pazardjik, Anton, Maglizh, (assessment above 3) Ivaylovgrad, Lyubimets, Momchilgrad, Radomir, Krumovgrad, Yablanitsa, Breznik, Svilengrad (assessment 2,5-3)
Assessment above 3 for natural or anthropogenic potential	16 (3)	Tvarditsa, Pirdop, Zlatograd (above 3,50) Elin Pelin, Chelopech, Hadjidimovo, Nevestino, Ihtiman, Mirkovo, Kocherinovo, Nikolaevo, Treklyano, Kirkovo, Chernoochene, Chavdar, Nedelino (3,00-3,50)
TOTAL	153 (140/131)	
Not included municipalities with single objects	14	Belene, Gulyantsi, Dve Mogili, Devnya, Slivnitsa, Tutrakan, Dovrich-town, Elhovo, Krivodol, Bolyarovo, Nikopol, Tsar Kaloyan, Provadia, Betovo
Not included municipalities with assessment of natural or anthropogenic potential above 2,5	15	Montana, Parvomay, Djebel, Lessichovo, Dragoman, Kostinbrod, Suhindol, Bobov Dol, Makresh, Topolovgrad, Ruen, Kaloyanovo, Saedinenie, Smyadovo, Targovishte



Legend: 1 – not included in the municipalities with tourism potential; 2 – municipalities with assessment of natural or anthropogenic resource potential above 3; 3 – municipalities that respond to one of the criteria for single objects and with natural or anthropogenic resource potential above 2,5; 4 – municipalities that respond to two or more of the criteria for single objects; 5 – municipalities with a resort of national importance, at least two resorts of local importance or tourism localisation

If judged, the group without single objects and with assessment of the natural or anthropogenic potential from 3 to 3,5 (see point 'd' of the requirements) **could drop**, and the number of the included municipalities will decrease with 13 to 140. Exclusion of municipalities with single objects and an assessment 2,5-3 (see point 'c' from the requirements) is an additional possibility, where the overall number of the included municipalities is extra reduced with 9 to 131.

The last two lines of the table show the **possibilities for extension** of the territorial scope respectively to 167-168 and 182 municipalities (if assumed that too selective approach is applied).

The comparison with the preliminary selected projects shows their consistency with the above option. From 45 projects in more than 30 municipalities, there are only two cases where municipalities are not included in the scope of the municipalities with tourism potential – Zlataritsa and Djebel.

Within the frame of option 3d it is possible to differentiate municipalities according to two main criteria:

- a) assessment of the entire potential (resource potential, but also assessment of the location and the accessibility of the municipality, current level of tourism development, including also the existence of organised local initiative), which as a whole characterises the opportunities for effective tourism development
- b) possible impact of tourism development and respectively, more substantial changes of socio-economic conditions.

On the basis of the combination of these two criteria 12 groups of municipalities are determined, which could be summarised by degree of priority (into smaller number of groups) as follows:

1. With very high and high chances for successful development of effective tourism and high or medium potential tourism impact – 40 municipalities with assessment of the potential above 2,5 and of the tourism function – above 3;
2. Total of 57 municipalities divided into 2 groups with differing features:
 - a) with very high and high chances for successful development of effective tourism and limited potential tourism impact – 38 municipalities with assessment of the potential above 2,5 and of the tourism function – 2
 - b) with medium chances for successful development of effective tourism and limited potential tourism impact – 19 municipalities with assessment of the potential 2-2,5 and of the tourism function – above 3
3. With medium chances for successful development of effective tourism and limited potential tourism impact – 23 municipalities
4. With limited chances for successful development of effective tourism – a total of 33 municipalities with assessment of the entire potential below 2

97 municipalities from the group scored with 3 present are outlined for narrowing of the scope of the municipalities with tourism potential.

The results are shown in the table below:

		Potential tourist function			Total
		above 0,10 (assessment 4-5)	0,05-0,10 (assessment 3)	below 0,05 (assessment 2)	
Assessment of total tourism potential	above 3,0	Nessebar, Balchik, Primorsko, Varna, Sozopol, Samokov, Tsarevo, Bansko, Chepelare, Hissarya, Kavarna, Rila, Malko Tarnovo, Avren, Batak, Byala	Smolyan, Troyan, Tryavna, Teteven, Pomorie, Sandanski	Sofia, Karlovo, Kyustendil, Gabrovo, Sliven, Berkovitsa, Burgas, Devin, Assenovgrad, Kazanlak, Razlog, Veliko Tarnovo, Blagoevgrad, Stara Zagora, Panagyurishte, Plovdiv	38
		16 No./ 5	6 No./ 5	16 No./ 4	
	2,5-3,0	Dolni Chiflik, Koprivshtitsa, Varshets, Sapareva Banya, Apriltsi, Laki, Perushtitsa, Georgi Damyanovo, Strelcha	Pavel Banya, Belitsa, Banite, Kostenets, Elena, Belogradchik, Kresna, Dryanovo, Tran	Kotel, Pernik, Svishtov, Shumen, Lovech, Simitli, Veliki Preslav, Yakoruda, Velingrad, Svoge, Vidin, Sevlievo, Russe, Bratsigovo, Botevgrad, Petrich, Gotse Delchev, Peshtera, Belovo, Garmen, Vratsa, Rodopi	40
		9 No./ 5	9 No./ 4	22 No./ 3	
	2-2,5	Mineralni Bani, Shabla, Dolna Banya, Kuklen, Boboshevo, Chuprene, Borino, Kovachevtsi, Zemen	Strumyani, Dospat, Chiprovtsi, Ugarchin, Brezovo, Krichim, Gurkovo, Ardino, Breznik, Godech	Silistra, Razgrad, Pazardjik, Kaspichan, Mezdra, Ivanovo, Zlatograd, Sredets, Rakitovo, Radomir, Dimitrovgrad, Kardjali, Etropole, Dupnitsa, Madan, Yambol, Septemvri, Sungurlare, Isperih, Tvarditsa, Dalgopol, Satovcha, Pleven	42
		9 No./ 4	10 No./ 3	23 No./ 2	
	below 2,0	Nevestino, Anton, Mirkovo, Chelopech, Chavdar, Madjarovo, Treklyano	Zlatitsa, Pravets, Gorna Malina, Pirdop, Yablanitsa, Dimovo, Antonovo, Kocherinovo, Nikolaevo, Nedelino, Ivaylovgrad	Elin Pelin, Ihtiman, Omurtag, Maglizh, Varbitsa, Kozloduy, Tundja, Rudozem, Chernoochene, Hadjidimovo, Kirkovo, Krumovgrad, Lyubimets, Svilengrad, Momchilgrad	33
		7 No./ 3	11 No./ 2	15 No./ 1	
Total		41	36	76	153

7. Assessment of the necessity of additional criteria for identifying areas with tourism potential within the municipalities and proposal of respective criteria in case of such necessity.

The selection of specific projects, respectively areas (sites) with tourism potential within the municipalities with tourism potential can be based on the following criteria/ requirements:

- **Projects should be oriented exclusively at servicing the present and/or future tourism development.**

- **Characteristics of the areas** – priority is given to:

- a) out-of-settlement formations (resort complexes) with more than 200 beds – existing or envisaged to be built under other projects and plans in the short run (up to 5 years)
- b) whole settlements or large parts of bigger settlements with existing, or envisaged to be built under other projects and plans in the short run (up to 5 years), shelters and accommodation facilities with capacity of more than 200 beds.
- c) bigger servicing facilities at important attraction sites (resource objects – natural or cultural) – existing or envisaged to be built under other projects and plans in the short run (up to 5 years)

In principle towns with more than 50 thousand inhabitants are excluded, unless special circumstances allow their inclusion (for instance under item b)

- **Conformity with the tourism carrying capacity of the territory.**

Municipalities, which show interest, should demonstrate that development of water supply and sewage infrastructure will not lead to over-sizing of infrastructure and to further development (construction) of the accommodation base which exceeds tourism carrying capacity of the territory.

It is obligatory to require information about conformity with carrying capacity for the municipalities with high physical pressure (respectively high risk of over-loading). On the basis of density of beds and tourism intensity (nights per 1 person) the following municipalities with highest pressure, respectively with high risk, have been identified: Varna, Nessebar, Balchik, Primorsko, Chepelare, Sozopol, Burgas, Samokov, Byala, Avren, Kavarna, Dolni Chiflik, Bansko, Smolyan, Hissarya, Tsarevo, Pomorie, Batak, Shabla.

Since tourism carrying capacity concept is applicable in its pure mode only to small areas, it is not appropriate to exclude whole municipalities because of the existing tourism pressure that can affect only a part of the municipality (separate resort complex or resort)

- **Additional prioritisation** of projects may be accomplished on the basis of combined use of parameters like:
 - a) number of serviced beds
 - b) increase of potential tourism function