The influence of the European Union cohesion policy on European tourism destinations

Lessons from the Portuguese Algarve for the Bulgarian Black Sea Coast

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MA European Tourism Management

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Declaration of Authorship

I declare that this is my own unaided work. I have not included any material or data from other authors or sources which are not acknowledged and identified in the prescribed manner. I have read the section in the Student Handbook on Assessment Offences and understand that such offences may lead the Examinations Board to withhold or withdraw the award of Master of Arts.

Breda, July 30th 2007
Erik Spliet

Note: The author by which this dissertation is written suffers from dyslexia, despite the effort to reduce the effects the reader might come across some mistakes related to this disability.
Abstract

The cohesion policy of the European Union aims to reduce regional disparities and improve social and economic conditions in underdeveloped regions. Structural funds are the most important instruments by which the support is accomplished. Tourism is recognized to be an industry which is able to improve social and economic conditions and is therefore recognized as a tool to achieve the goal of cohesion. The EU has recently been enlarged with ten mainly eastern European countries, all containing regions with tourism potential. In order to profit most of the EU accession new member states need to reflect to previous examples.

With the knowledge gained through the literature study a hypothesis could be drawn. The defined hypothesis is; “The tourism industry is THE industry which makes it able to overcome regional disparities. It is for this reason from key importance that authorities implement EU cohesion funds in order to develop and/or improve tourism products in regions which are economic and socially behind on developed EU regions”

In order to verify the hypothesis, the influence of the structural funds on the Portuguese Algarve have been researched. This formed an example for the Bulgarian Black Sea Coast region that just entered the EU. In depth research including literature studies in combination with interviews at the Algarve showed that the projects supported by structural funds formed the basis for tourism development. The tourism industry was used as a tool to improve social and economic conditions. At present the Algarve can sustain without the full help of the structural funds. Research proved that the Bulgarian Black Sea Coast is far from these practices and is recognized by the EU to be a priority one region. This means that the region is allocated to all structural funding instruments.

Practices in the Algarve portray that regional political decision making and clear tourism development plans are the basis for the right implementation of the structural funds. Only if this is the case, tourism is able to develop in the best possible way. As a consequence the industry is able to improve social and economic standards. The Bulgarian Black Sea Coast authorities should define if they put the focus on the tourism industry. If that is the case they should adept and learn from the Portuguese Algarve.
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### Abbreviations

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<tr>
<td>CCDR</td>
<td>Comissao se coordenacao da regiao do Algarve/ Commission of Coordination of Regional Development</td>
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<tr>
<td>CEEC</td>
<td>Central Eastern European Countries</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECB</td>
<td>European Central Bank</td>
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<tr>
<td>EEC</td>
<td>Eastern European Country</td>
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<td>EMU</td>
<td>European Monetary Union</td>
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<td>EU</td>
<td>European Union</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>ISPA</td>
<td>Instrument for Structural Policies for pre Accession</td>
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<td>INTERREG</td>
<td>Interregional cooperation</td>
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<tr>
<td>PESTE</td>
<td>Political Economic Social Technological Environmental</td>
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<tr>
<td>PHARE</td>
<td>Poland and Hungary Assistance for Restructuring their Economies</td>
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<tr>
<td>SAPHARD</td>
<td>Special Accession Programme for Agriculture and Rural Development</td>
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<tr>
<td>WTO</td>
<td>World Tourism Organisation</td>
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<td>WTTC</td>
<td>World Travel &amp; Tourism Council</td>
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Thank you!
Chapter One - Introduction to the Topic

1.1 Context and rationale
The European Union has no specific policy towards the tourism industry (McDonald et al. 2003). However the tourism industry is recognized to be one of the most important industries which should be able to achieve European Union (EU) cohesion goals (European Parliament, 1993 in Mc Donald et al, 2003). The Cohesion policy aims to improve economic and social conditions of underdeveloped EU regions by way of (economic) assistance provided by developed EU countries, in order to make them able to catch up with established EU member states (European Commission, 2007). The discrepancy between the attention of the EU for the tourism industry and the importance of the tourism industry does however not mean that the tourism industry is not influenced by EU Policies. On the contrary tourism is indirectly influenced by many EU policies and is able to take advantage out of these policies (Harrop, 2000). By means of adaptation to EU policies and the use of aid provided by the EU, the tourism industry can become a motor for improvement of economic and social conditions in regions with tourism potential.

The EU has just been enlarged with ten mainly Central Eastern European Countries (CEEC). These countries all have a tourism potential (Hall et al. 2006). In order to take the most advantage out of the accession to the EU, countries should realize that the tourism industry is a key industry in the goal of economically and socially catching up with the established member states (Coles and Hall. 2004). It is for this reason of great importance that the new member states take lessons out of practices from previous accessed member states (Tulmets, 2005).

The Algarve, an established tourism destination in the south of Portugal, has since the accession of Portugal to the EU been profiting largely of the aid and policies provided by the EU (Cardoso and Ferreira, 2000). Through structural funds the region has been able to strengthen economic conditions and in this context improved living conditions. Besides this the region has been taken advantage from other EU policies as the single market (free movement of people and liberalization of air transport) and the Economic and Monetary Union (EMU) (Padinha, 2007). The Algarve is recently recognized as one of the only regions in Portugal to be able to stand on her own feet (EC, 2007). In other words the tourism industry
has achieved the goal of the EU to help regions in the process of catching up with old established member-states.

Bulgaria is one of the countries which recently entered the EU and comprises over a very diverse tourism product (Iliev, 2006). The authorities recognize that the tourism industry is one of the main industries which is able improve economic and social conditions (Ministry of Regional Development and Public works, 2007). The Bulgarian Black Sea Coast is one of the regions with tourism potential and should be able to achieve economic and social progress (Ministry of Regional Development and Public works, 2007). This region has the same basic (sun, sea, sand) tourism characteristics as the Algarve (Werdler and Zeeden, 2004). By way of learning of previous practices in the Algarve the Bulgarian Black Sea Coast should be able to improve her tourism product and achieve EU cohesion goals.

1.2 Reason for choosing this topic

The Topic for the dissertation has come forward out of my interest for European tourism and EU politics. The Course European tourism policies in the first semester of my master course in European Tourism Management made me aware that recently much has been changed within the European Union. The Enlargement of the EU with ten new countries, most of them with a communist history and therefore totally different organised societies is a great challenge for the Union and will influence our daily life as well. Today’s newspapers are filled with stories about the impact of the enlarged EU. Europe is changing and as I am a European citizen it does influence my personal life as well.

These factors in combination with my tourism background made me aware of the implications and chances for the tourism industry in Europe. It made me curious, and I started to argue what the real impact of the tourism industry is on European countries/regions. I asked myself the question if accession countries could learn from the previous practises in the tourism industry. From an academic point of view little research has been done on the topic, especially on what and how the new accession countries can learn from previous examples. These factors in combination with the knowledge I gained at University made me go thinking about the possibilities to write about. The dissertation idea came to exist.
1.3 Aim and Objectives

The Aim of this research is:

“to research what the influence is of the EU cohesion policy on tourism industries, and to identify how and what accession countries can learn from previous practices at tourism destinations, in order to be able to catch up with established member states.”

Objectives

The aim of the dissertation will be achieved by setting the following objectives:

- To carry out a thorough analysis on how EU policies influence the tourism industry and how the tourism industry can take profit out of these policies, in order to improve social and economic conditions in new member states.
- To research by which external influences the Algarve tourism product has been influenced through history and how the EU cohesion policy contributed to the development of the region since the accession to the EU.
- To investigate what influenced Bulgarian tourism history, how the Black Sea Coast tourism product can be identified and what the tourism related implications are.
- To review what and how the Bulgarian black-sea region can learn from the Portuguese Algarve.

1.4 Structure the study

Chapter 1 provides background information about this research, it offers the reader information about reason for writing the dissertation, and portrays the developed aim and objectives.

Chapter 2 presents the used methodology in order to meet the aims and objectives of the research. It encompasses a logical explanation for the selected methods and the limitations.

Chapter 3 portrays a comprehensive view on the most important knowledge related to the aim of the research. It will give a closer look at the influence of the EU cohesion policy on the tourism industry in the context of the EU enlargement.
Chapter 4 and 5 handles the research findings and forms the body of the study. This Chapter will analyse the gained information in order to be implemented and to find out the issues of the study.

Chapter 6 Brings the findings of the research together and will portray how and what the Bulgarian Black Sea Coast can learn from previous practises in the Algarve. The findings at the same time form the recommendations.

Chapter 7 provides the reader with a conclusion on what has been discussed in the previous chapters and gives suggestions for further research.
Chapter two - Methodology

2.1 Secondary and primary research

In the process of writing a dissertation usually two means of research are used, the first method is secondary and the second method is primary research. From secondary research existing information is used and from primary research missing information is obtained (Veal, 2006). In order to be able to tackle the problem and find answers to the research questions, for this study secondary as well as primary research has been carried out.

2.2 Method of Research

Two types of secondary and primary research can be defined, namely: quantitative and qualitative research (Veal, 2006). With the quantitative approach, a study concerning statistics and numbers is carried out. In this study statistics and numbers have been gained through secondary research. Qualitative research is information which is not gained by numbers (Finn et all, 2000). The qualitative methods used for this research are a combination of structured and informal interviews. Due to the character of this study qualitative information forms the basis, nevertheless quantitative information is in some cases used in order to support qualitative information.

2.2.1 Secondary research

In order to portray a clear picture of the dissertation topic it is essential to start with a literature review which sets the context of the study, and provides the knowledge which should be gained to be able to understand the main problem of the dissertation (Veal, 1997). Besides the literature review, throughout the dissertation secondary research is used. In case of leaking information secondary research is supported by primary research. Despite limited secondary research on the body of the dissertation useful academic literature and journal articles, provided information about the background of the Portuguese (Algarve) and Bulgarian (Black Sea Coast) tourism industry. Further secondary information was gained through reports provided by Portuguese and Bulgarian tourism authorities as well as governmental organisations and local agencies related to the EU. Besides this EU websites proved to be a good and reliable source. In some cases secondary research could function as a manner to verify information gained by way of primary research.
2.2.2 Primary research

The fact that secondary research on the body of the study is limited made it necessary to gain information through primary research. Information concerning the Algarve was gathered through a combination of structured and informal face to face interviews. Structured interviews use the same questions in the same order in all interviews (Brotherton, 1999) for this reason subjectivity could be avoided. Other advantages of this method of research are that the questions always keep the goal of the interview central and it avoids exceeding of time limits. Informality is source for a comfortable setting which might increase honesty and willingness to talk openly (Gubrium & Holstein, 2002; Veal, 2006). Interviews were carried out face to face and took from a minimum of 15 minutes to a maximum of 2 hours. Interviews at concerning the Algarve were conducted on the spot with tourism experts working for governmental tourism organisations, professors related to the tourism faculty of the Algarve University as well as with tourism experts working for private companies and an interview conducted with the director of the Algarve agency dealing with EU policies.

Primary research concerning the Bulgarian tourism product was difficult to obtain due to a bad cooperation of Bulgarian authorities. Questionnaire based interviews for example send to tourism authorities in Bulgaria were not submitted. Though the researcher achieved to gain some useful information through interviews with the Bulgarian Embassy in the Netherlands, telephone interviews with the Bulgarian tourism board, and by way of contacting and interviewing Bulgarian citizens working in the tourism industry and living at the Black Sea Coast. In addition useful information was gained through an interview with a tourism expert doing research on Eastern European tourism markets. The interviews were piloted in order to avoid mistakes and indistinct questions (Bell, 2000). Piloting proved that the questions were good, and resulted information which needed to be obtained. To avoid leakage of information a second person assisted by way of writing down the information (Silverman, 2005). A list of interviews can be found in appendix nr. 3 and 4.

2.2.3 Sampling

According to Veal, (2006) a sample should include the following criteria:

1. The required level of precision
2. The level of detail in the proposed analysis
3. The available budget
The amount of interviews to obtain a satisfying result does not have to be very large, therefore in a good sample can be reasonably small (Veal, 2006). It is however from great importance that a well balanced amount of interviews existing of different parties with different interests and points of views are used in order to form a realistic and subjective study (Gubrium & Holstein, 2002). The previous paragraph portrays which different parties are been interviewed in order to be able to realise a good sample. The topic of the study appeared to be a subject with limited primary sources, which resulted in a smaller sample. The study was narrowed down to, two markets which realised a concrete sample, and made the researcher able to do more in depth research. In total 40 persons/organisations were approached which resulted in 10 interviews.

2.3 Method and justification

The study exists over four parts presented in chapter three, four, five and six. At first a clear picture of the dissertation topic has been portrayed in order to give the reader a broader view on the EU cohesion goals. The research was narrowed down to the cohesion policy after the author realized that a EU wide approach was to broad to investigate. In addition to the cohesion policy the accession process is portrayed and a extensive attention has been given to how the EU influences the tourism industry. In this context a thorough review about the EU policies influencing the tourism industry most is carried out. The literature review portrayed a gap for further research and made it possible to draw a hypothesis. Chapter four, five and six investigate if the hypothesis is based on reality. Research on how the Portuguese tourism industry developed through history has been done with special interest for the Algarve and the influence of the EU cohesion policy. Next external factors influencing the Bulgarian tourism industry are investigated. A closer look at the Bulgarian Black Sea Coast is given in order to identify the tourism product and the implications. Eventually the Algarve and the Black Sea Coast are brought together and the findings from the previous chapters will portray what and how the Bulgarian Black Sea Coast should learn from historical practices. The chapter will allow to give a main answer to the aim of the research. Finally, conclusions are given.

In order to meet the aim of the dissertation two regions needed to be found, one with experience related to EU cohesion policy and tourism and another which was about to embark in this process. The Algarve and the Bulgarian Black Sea Coast appeared to be destinations that meet this criteria. Further the Portuguese Algarve formed a good example for the
Bulgarian Black Sea Coast because it has the same basic tourism destination characteristics. Besides this the external influences through the history of both destinations can in broad lines be compared. At last due to my studies at the University of the Algarve I was able to do research on the spot.

### 2.3.1 Alternative research methods

The study could have been approached in different ways. In this study the starting point is the EU, this however could also have been the Algarve tourism industry or the situation and implications at the Black Sea Coast. Besides, the study is researched from a more political and macro point of view, where micro and local approach is also interesting. The choice for the destinations and tourism products can also be subject of discussion, and without a doubt other destinations and tourism products can answer the aim of the research as well.

### 2.4 Limitations

Due to various factors optimal research towards the dissertation topic was limited, the implications are:

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<td>Objectives can be researched in far more detail, limited time made this impossible.</td>
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<td>Qualitative primary research gained through interviews are due to subjective answers because of personal or institutional interests not always reliable.</td>
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<td>3</td>
<td>Limited time and financial resources were the reasons that in-depth primary research on the spot in Bulgaria could not be done.</td>
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<td>4</td>
<td>Due to language barriers of the researcher as well as tourism experts, some literature could not be studied and interviews could not be conducted.</td>
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<td>5</td>
<td>Poor resources provided by governments made it difficult to develop a good basis for research.</td>
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<td>6</td>
<td>Unclear responsibilities of organizations made gaining of information difficult. Authorities were not able to provide information needed.</td>
</tr>
<tr>
<td>7</td>
<td>Bulgarian authorities were not willing/able to cooperate, and it was difficult to embark in contact with the right persons.</td>
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<td>8</td>
<td>The wide influence of the tourism industry makes it difficult to put the focus on one single subject, certainly when the influence of the EU on the tourism industry is studied, research should therefore always be taken from a broader perspective.</td>
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9 Numbers and statistics are difficult to compare because of different manners of and undefined calculation methods.

10 Limited information concerning the Black Sea Coast, forced the researcher to study the subject from a broader perspective.
Chapter three - Literature review
3.1 Introduction

The European Union (EU) effects the tourism industry with the implementation of various policies (McDonald, et al. 2003). In addition the tourism industry is an industry which brings economic and social prosperity to regions (Mill and Morison, 2002). In this context the tourism industry should be able to function as a tool to help new accession countries to overcome regional disparities with other EU regions. This chapter portrays how the tourism industry is influenced by EU policies and how the tourism industry can help underdeveloped region in the process of economic and social expansion. It will start with a short explanation of the EU cohesion policy followed by an overview concerning the recent enlargement, examples of previous accessed countries, and the process of becoming a member of the EU. Next different EU policies influencing the tourism industry are analyzed and the role of tourism in this context is explained. At last the chapter is narrowed down to the structural funds. The method of how the structural funds are allocated is explained.

3.2 The cohesion policy of the European Union

"the Community shall strengthen the economic and social cohesion of the enlarged Community in order to promote the harmonious, balanced and sustainable development of the Community. It shall be aimed at reducing the economic, social and territorial disparities which have arisen particularly in countries and regions whose development is lagging behind, to the speeding-up of economic and social restructuring, and to the ageing of the population" (European Commission (EC), 2007a p.6).

The aim of economic and social cohesion of the European Union as described above has brought prosperity to many underdeveloped European countries (McDonaldsds, et al. 2003). At present regions can receive full financial support if the Gross National Income per inhabitant is less then ninety percent of the community average (EC, 2007a). The EU cohesion policy makes it able for countries which lay back on established member states to catch up with other member states (Hall et al. 2006). Integration for new members states stands for catching up (Delhey, 2001). Catching up with the developed members states of the EU means not only that economic growth is required it also imply that a faster growth is necessary. In other words the regions that lag behind should perform better than the high developed regions. The fund which makes this integration possible is called the cohesion fund, and in worth €46.9 billion (EUobserver, 2007). Money is made available by established EU countries, these
countries are called the net contributors (Harrop, 2000). Besides the goal of economic integration and political stability improvement of quality of life is another objective which should be achieved by the cohesion policy. Becoming a member of the EU is because of this policy a high priority of many non EU countries (Feist, 2001). The cohesion policy is however questioned by Paas, (2003) who argues that joining the European Union will in the first years drive up prices which can result in a higher cost of living, because wages do not always grow as fast. Besides this, higher labour costs in the beginning can result in growing unemployment.

3.3 The recent enlargement

The European Union just concluded the biggest enlargement of the Union in her history (Hall et al. 2006). The ten new accessed member-states encompass an increase of 75 million people to the EU population and increased the economy with 850 billion euro (Islam, 2004 in Coles and Hall, 2005). According to Harrop (2000) the accession of the Central Eastern European Countries (CEEC) will offer an important economic and political profit (Read and Bradley, 2001). Due to the enlargement the EU will benefit from increased competition, growth of trade and higher investment, and will protect the countries to fall back to the Russian standards. According to Delhey, (2001) the recent accessed member states which include the former Eastern European Countries (EEC) Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia in 2004 and Romania and Bulgaria in 2007 can learn a lot about previous enlargements. After years of change from a socialist system to a democratic system and the implementation of a free market economy the accessed countries now hope to find political stability and economic growth through joining the Union (Hall et al. 2006). There is a hope that the economic gap between the existing members and the new members states will be diminished in the upcoming years and that the new member states become true competitors (Harrop, 1994). Tourism is an important industry which is able to achieve positive growth (Institute for Tourism and Recreational Research in Northern Europe, 2004). Previous Members States had to deal with the same situation and proved that catching up is possible however it takes a lot of effort and time (Preston, 1997).

3.3.1 Previous accessed countries

Various countries have proven that the process of catching up is difficult, but that the cohesion policy is effective in helping the countries to catch up and overcome disparities
Portugal for example who joined the Union in 1986 together with Spain (EU, 2007a) where same as most of the recent accessed countries, countries who lagged behind on the rest of Europe. Similar to the former Eastern European Countries (EEC) they transferred their socialist structure into democratic structures and implemented a free market economy (Preston, 1997). Delhey (2001) argues that these are the countries who increased the awareness of real disparities and showed the challenge to achieve economic and social cohesion. Logically the process of catching up and integration is much more difficult for countries with a political, economic and social background which is far from EU standards. As a result the criteria which were set to join the European Union were much more easily achieved by the countries which had a well functioning market economy, and stable governments (Hall, et al. 2006). Taken into account that for example the Per Capita GDP in Bulgaria is only 22% of the average in 1999 the integration process involves a substantial investment (Delhey, 2001). Thus the recent enlargement means sacrifices of existing member states. The “net contributors” are however not prepared to pay more and for this reason the financial support will be less as intensive as with previous much smaller enlargements (Harrop, 2000). The cake should be eaten by more countries (Delhey, 2001). Still the cake is very big and the financial resources are substantial.

Table 1: Financial resources 2007

<table>
<thead>
<tr>
<th>Activity</th>
<th>Operational Expenditure</th>
<th>Administrative expenditure (DG managed) (2)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy development, strategy and evaluation</td>
<td></td>
<td></td>
<td>0,00</td>
</tr>
<tr>
<td>1303 European Regional Development Fund and other regional interventions</td>
<td>27,204,112.454,00</td>
<td>55,056.904,00</td>
<td>27,259,169,358,00</td>
</tr>
<tr>
<td>1304 Cohesion Fund</td>
<td>7,104,045.932,00</td>
<td>12,835,912,00</td>
<td>211,881,844,00</td>
</tr>
<tr>
<td>1305 Pre-accession Interventions related to the Structural Policies</td>
<td>219,500,000,00</td>
<td>0,00</td>
<td>219,500,000,00</td>
</tr>
<tr>
<td>1306 Solidarity Fund</td>
<td></td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td>Information and Communication</td>
<td></td>
<td>81,461,430,00</td>
<td>81,461,430,00</td>
</tr>
<tr>
<td>1301 Administrative and Management Support</td>
<td></td>
<td></td>
<td>0,00</td>
</tr>
<tr>
<td>Control</td>
<td></td>
<td></td>
<td>0,00</td>
</tr>
<tr>
<td>Total (of financial resources managed by the DG)</td>
<td>34,527,658,386,00</td>
<td>149,354,246,00</td>
<td>34,677,012,632,00</td>
</tr>
</tbody>
</table>

Source: European Commission, (2007)

3.3.2 Pre accession

“Accession is the culmination of the procession by which countries join the EU” Dinan (2000 p.1)
Before a country can become a member of the EU it should meet the criteria of the Copenhagen treaty, which were accomplished by the European Council in Copenhagen in 1993. It stated that as soon as countries could satisfy the principles of the treaty that they could become a member of the Union (Read and Bradley, 2001). Any European country which applies the principles of liberty, democracy, respect for human right and fundamental freedom and rule off law can in fact apply for the EU (EC, 2007b; Dinan, 2000). The criteria range from political, economic interests to the adoption of the acquis communautaire (The European Legislation) of which a summary can be found in appendix 4, it also considers the capability of institutions to implementation of the acquis (Tulmets, 2005). The following criteria are set by the European Commission:

- Political: Stable institutions guaranteeing democracy, rule of law, human rights and respect for protection of minorities
- Economic: a functioning market economy and the capacity to cope with competition and market forces in the EU
- The capacity to take on the obligations of membership, including adherence to the objectives of political, economic and monetary union
- Adoption of the acquis communautaire (the European legislation) and its effective implementation through appropriate administrative and judicial structures

Source: European Commission (2007c)

It is however the commission who assesses the application of a specific country. She can make the decision weather a country is ready for assessment or has to carry through more changes (EC, 2007c). Glenn (2004) relates the accession of a country with the ‘Europeanization’ of a country, the transformation from a non membership country to a member sate. Jaeger-Lenz and Robinson (2004) mention that by adopting the EU legislation countries become more politically stable and affluent, it involves change of legislation, trade policy, customs policy and financial reform in banks, services and many more public and private organisations (Larobina, 2001). Becoming a member of the EU has, dependant on the state of the accession country, an influence on the constructions of institutions (Clark, 2004). Because of the socialist background the adoption to the acquis was especially difficult for the new CEEC member states (Dempsey, 2003).
3.3.3 Pre accession funds

The process of accession often starts with becoming member of international institutions as for example the World Bank, IMF and OECD (OECD, 2006). This in order to develop economic, political and human improvements, which are required when a country intents to apply for membership (Delhey, 2001). Pre accession funds offered by the EU help the accession countries to meet the rules set for joining the EU. According to Tulmets (2005) there are three accession funds:

*Figure1: The pre accession funds*

| 1. PHARE (Poland and Hungary: Aid for Economic Restructuring) is a fund which originally was designed 1989 for the countries Hungary and Poland as being former Soviet countries but which is extended to other central European Countries, including Bulgaria (Read and Bradley, 2001). Bailey and Propris (2004) add that PHARE also helps to implement structural funds after the countries are accessed. |
| 2. ISPA (Instrument for Structural Policies for Pre-Accession) introduced in 2000 is an addition to PHARE (Bailey and Propris, 2004) and covers infrastructural projects and helps to bring legislation up to European standards. |
| 3. SAPARD (Special Accession Program for Agriculture and Rural Development) was same as ISPA introduced in 2000, in addition PHARE (Bailey and Propris, 2004) and is aiming on technical upgrading of the Agricultural sector as well helping the country to implement the acquis (body of EU legislation). This funds involves besides money also advise and support of European institutions (Edwards, 2006). |

Credit Control (2006) and EVD, (2007) however mention that from the first of January 2007 the entire structure will be simplified. The pre accession funds will from that moment be called IPA (Pre-Accession Assistance). IPA will be made up out of “transition assistance and institution building, regional and cross boarder co-operation, regional development, human resource management and rural development” (Credit Control, 2006 p.32). Though the basis will be the same as in the previous planning period.

3.3.4 Twinning

It is not only money which helps the potential member states to achieve the regulations of the acquis. The support provided by the EU given to pre accession countries by EU officials helps the countries to reform their structures of institutions and avoid making mistakes (El-Agraa, 2004). This help is named twinning. Bailey and Propris (2004) state that twinning is program of knowledge transfer from existing member states to new members states. Thus twinning
implement best practice from the existing member states that function as good examples for structural reform. (Tulmets, 2005) Twinning projects can bring two, three or more delegates from different member states together which help a country in her pre accession stage to develop. In addition the head of commission reports on the progress a country makes. The advantage of twinning is that countries can be monitored in their progress, other countries are involved and the accession countries enjoy helping out of first hand (Tulmets, 2005) and countries are often pushed to adapt their structure towards European Standards (Harrop, 2000). The need for this help is expressed by Secka, the former Czech ambassador of the EU who states in Dempsey (2003 p.12) “We just did not have the skilled people, the civil service, the experts who knew EU law, the people who could implement them, the graduates who were trained in EU law”. It are however not only the institutions who need to make use of existing knowledge it are also potential industries, who need to focus on previous examples. The tourism industry is not an exception. (Nicolaides, 2001)

3.4 Tourism as a tool to achieve regional prosperity

Tourism has considerable potential for boosting the economies of less developed regions… the industry is able to generate a rapid and highly visible impact on incomes and employment by injecting new expenditure from external sources (European Parliament (1993) in McDonald et al, 2003 p. 226).

This quote portrays why the tourism industry is so important for the EU in reaching her goals of cohesion and equal opportunities in the process of catching up. It is however the same tourism industry who can profit a lot from EU policies. (Akerhiem, 2003) For this reason the tourism industry should deserve a better position on the EU agenda. Basically all industries are influenced by the EU, and the tourism industry is no exception to the rule (Rita 2000). The European Union has however no specific policy towards the tourism industry, (McDonald et al. 2003) it has no specific Director General and is part of DG enterprise, under the division D, services, trade and tourism (Rita, 2000). Nevertheless due to the far reaching and widespread influence of the tourist industry, the industry has to deal with a high number of EU policies (Costa and Eccles, 1996). The fact that the EU has no specific policy is remarkable if we see what the economic influence is. According to Rita (2000) the European tourism industry holds 5.5% of the EU GDP and 6% of employment and 30% of the services export. The disappearance of tourism is also remarkable when noticing that the European
Commission (2002 and 2003 in Coles and Hall, 2004 p.6) states that the tourism industry is one of the most “significant and vibrant of economic activities, not at least in terms of job, income and wealth creation in each member state, but also for the social benefits it offers and the potential it provides as a framework of stewardship of distinctive cultures and environments”. Comparing this with the cohesion policy of the Union presented in the first paragraph of this chapter one can conclude that the tourism industry is “the” industry which can help the European Community to achieve her goals.

3.4.1 Involvement of the EU on the tourism industry through the history

According to Williams and Shaw, (1998) it is only since the late 70’s and the beginning of the 80’s that Europe started to appreciate the benefits of tourism. Before this the EU was focused on agriculture and liberalization of trade of goods. This was not the only reasons why tourism was not considered by the EU. The member states were also resistant towards the influence of the EU in the Tourism industry. Tourism was seen as a national affair (Williams and Shaw, 1998).

In 1982 the EU made the first serious attempt for an European strategy towards the tourism industry. These policies were mainly focused to preserve European national heritage, and the protection of nature. Robbinson (1993). The tourism policy existed in article 2 of the treaty of Rome (McDonalds et al. 2003). The aim of the treaty of Rome was to bring EU member states closer together, and increase individual relations (McDonalds, et al. 2003). Tourism was seen as one of the objectives to achieve this aim. Nevertheless tourists spread cultures and people were travelling all over Europe (Hall et al, 2006). This objective was supported by a few policies which mostly were part of the EU single market which also found her grounds in the 1985 treaty of Rome, (Fritzpatrick, 1989) and has her fundaments in the common market (Krugman and Obstfeld, 2003). It included free movement of people and the freedom to provide tourism services. Besides it encompassed regional development and protection of the environment.

Figure 2; The European Community policy framework for tourism

<table>
<thead>
<tr>
<th>A. freedom of movement and the protection of EC tourists</th>
</tr>
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<tbody>
<tr>
<td>• flexible custom checks</td>
</tr>
<tr>
<td>• reduction police checks at boarders</td>
</tr>
<tr>
<td>• Social security provisions for tourists</td>
</tr>
<tr>
<td>• Assistance for tourists and regulations car insurance</td>
</tr>
</tbody>
</table>
During the eighties and the beginning of the nineties the discussion about the tourism industry endured. However is was almost a decade before a new serious focus on tourism emerged, this time in name of the 1990 “European Tourism Year”. Although less money was spent on this project it increased the awareness of the industry and it resulted in the 1991 Action Plan for tourism (Williams and Shaw, 1998). This action plan included:

**Figure 3: The 1991 European Community Action Plan for Tourism**

- Development of the tourism industry, with a specific emphasis on small and medium sized businesses
- Improvement of the quality of services supplied by the tourism industry
- Improvement of the competitiveness of the tourism industry at the world level
- Safeguarding the quality of the national environment, of the cultural heritage and the cultures and traditions of the host population
- Improvements of the (economic) protection of tourists
**Actions:**

1. Improving knowledge of the tourist industry and ensuring greater consistency of community measures
2. Staggering of holidays
3. Trans national measures
4. Tourists as consumers
5. Cultural tourism
6. Tourism and the environment
7. Rural tourism
8. Social tourism
9. Youth tourism
10. Training
11. Promotion in third countries

Source: Commission of the European Communities (1991)

As a result of this, tourism received entity in the treaty of the European Union in 1992 (McDonald et al. 2003). With the entity of tourism an opening was found to achieve that tourism received her own title, which allowed the development of specific decrees and acts. Following on this in 1995 the green paper on tourism was developed which sets out in which fields the Union should be involved and which fields should not been touched. The years which followed the EU was not able to achieve agreements on larger topics as economic and political issues, for this reason the tourism industry was not able to obtain her own title (Williams, and Shaw, 1998). Though this did not mean that the tourism industry was not influenced by the EU anymore. The EU kept on interfering in the tourism industry under other titles. (Williams, and Shaw, 1998)

### 3.4.2 The single market

Looking back at the policy framework the EU booked some successes. Achievements can mostly be found in important single market related issues as freedom of movement of people, goods and services and the liberalization of air travel. These policies realized a better accessibility of EU tourism destinations for EU citizens (McDonald, et al. 2003) Free movement of people was stimulated by the EU customs Union (Johnson and Turner, 2003) and the Schengen acquis (est, 1990) which removed boarder controls (Smeral, 2003 in World Tourism Organisation, 2004). The liberalization of the airline industry was a direct outcome of the deregulation of air services among the member states and the abolishment of the ability
to protect national air-carriers, (Almeida, et al. 2007) and result of the third package established by the council, and arranged:

Figure 4: the third package

- Regulations guaranteeing free access to community air routes, “community air carriers shall permitted by the member states concerned to exercise traffic rights on routes within the community”.
- Regulations prohibiting member states from setting air fares in most cases, “fares shall be set by free agreement between the parties to the contract”.
- Regulations requiring community airlines to obtain license and require community airlines to be kept within majority community control.

Source: McDonalds et al. (2003 p.196)

This was at the same time source for the emergence of low cost airlines which made travelling much cheaper and accessible for a larger public (Eurostat international, 2006) and (Harrop, 2000). The single market also encompassed the increase of foreign investment by international organizations in underdeveloped regions and realized import of knowledge due to free movement of workers (Hazari and Segro, 2004). Besides the policy framework improved working conditions and protection of EU tourists.

Corresponding to single market a common currency “the Euro” was implemented in 2002, this was a result of the Economic and Monetary Union (EMU) (Bahar and Kopzak, 2006). The euro affected the tourism industry, in special in the field of price competitiveness (Mouthinho, 2000). Euro countries became more expensive and became therefore less attractive than some non euro countries. On the other hand elimination of foreign exchange costs made travelling cheaper (Travel Gazette, 2004). The Euro also stimulated the mobility of persons as well as goods and capital (Ratz and Pulczko, 1999 in Ratz and Hinek, 2005).

The single market is in line with the EU goal of cohesion and equal chances and according to the treaty of Rome in McDonalds, et al. (2003 p. 26) “promote a harmonious balance and sustainable development of economic activities of employment and social protection”. McDonald et al. (2003) mentions that the biggest influence on the tourism industry has not been the steps which were made by the EU in the direction of the tourism industry but the fact that social and economic cohesion became significant. This was the opportunity for the
industry to prove its value and an opportunity to take advantage out of a various policies (Cooper, et al. 1998). With the implementation of the ERDF and other social funds, a lot of money flew into the development of the tourism industry, the paragraph about regional policy and structural funds will go more in depth on this issue.

3.4.3 EU tourism situation at present

Mr Frangialli, the secretary general of the World Tourism Organisation (WTO) recently argued in World Tourism Organisation (2003) that the EU is still absent in the discussion of the influence of tourism on the Community and should be more involved and appreciate the benefits of the tourism industry. Yet even more because, in the just accessed CEEC countries the tourism industry has always been the industry that accomplished economic change (Williams and Balaz, 2000). Tourism is therefore recognized as a tool to achieve goals of catching up, equal chances and social progress, and should therefore play an important roll (McDonald, et al. 2003).

3.4.4 The new CEEC Member States

Frangialli (2003) in WTO, (2003) predicts that the enlargement of the European Union will encompass a change in tourism flows, inbound as well as outbound. It is likely that it will also be a source for new tourism development. According to Keppel (1990 in Costa, 1995) the increasing tourism numbers will have an increasing impact on economies of CEEC countries. Especially the western European tourists who will have interest in tourism products in this region (Hall, 2006). Dr Reinhard Klein (2004, in Coles and Hall, 2004) however mentions that it specially will have an effect on fast numbers which will show an enormous increase because of the relatively small actual demand. Hall et al. (2006) states that the tourism products in the CEEC have a high potential and vary from ethnic diversity to cultural richness of the Soviet Union, to beaches in the south east at the Black-sea and the mountains in for example the Czech republic (Hall et al. 2006). Strong negative feeling about soviet history result that the attention for historical attractions is controversial, and tourism products in this field are therefore difficult to develop (Edwards, 2006).

Despite the absentness of tourism, in EU official documents Mr Frangialli, (2003 in WTO, 2003) mentions that the Union has a positive influence on the tourism industry. The most important policy is however the cohesion policy which supports underdeveloped regions by way of structural funding. Structural funds, which create the opportunity for improvement of
infrastructure and development of tourism products (Cooper et al. 1998). Other important policies previously mentioned are the single market and the EMU. The importance of the cohesion policy has been highlighted by Hall et al. (2006) and Nash, et al. (2006). They argue that with the support of European money and the application of several tourism policies the tourism industry can be a driver for social and economic change within the EU including the new accessed members.

3.5 Regional policy and structural funds

“The Structural Funds work towards the goal of achieving economic and social cohesion in the European Union. Resources are targeted at actions which help bridge the gaps between the more and the less developed regions which promote equal employment opportunities between different social groups” (EC, 2006d).

There are many ways in how the EU tries to accomplish integration and equality. Structural funds are one of the most important policies which make the goal of cohesion and reduction of regional disparities possible. Due to the positive effects of tourism on underdeveloped regions (employment, diversification of industries etc) the tourism industry progressively becomes an important industry for support through structural funding (McDonald, et al. 2003). According to McDonald, (2003) and Edwards, (2007) the structural funds represent the most extensive funding instrument, and is therefore the main layer of the Cohesion policy. The structural funds in fact dedicate money to regions which lay back on the other regions within the Union. The allocation of the funds is done on the basis of regional development plans which agreed upon two sights, one the member State and two the Community (McDonald, et al., 2003). There are different structural funds which all have their own objectives (Nash, et al., 2006). Because of the widespread influence of the tourism industry the industry can in fact make use of all the structural funds (Edwards, 2007). According to Cole and Hall (2004) the financial support from structural funds should be gained through instruments designed primarily for other purposes.

Figure 5: the cohesion process described in a figure
According to Delhey, (2001) the regional policy, which is a synonym for structural and cohesion policy, is the most important instrument which makes integration of the European Union happen. Mairate (2006) mentions that the policy is the basis of the improvement of economies of countries which economically lay back on the average of the European Union, have a higher unemployment or/and depopulation rate in comparison with other Member States. By way of investment in infrastructure, product investment and support of local projects the EU is trying to overcome the disparities between the different regions within the Union (Faludi, 2006). The aim of regional policy is to assist at the places, where help is needed most and to implement the help directly on the spot (Mairate, 2006). The EC (2007)

The structural funds in the planning period from 2000 to 2007 can been divided into four parts namely;

Figure 6; Structural funds in planning period 2000 - 2006

- The European Regional Development Fund (ERDF), which was established in 1975 (QCA III, 2007) and aims to diminish regional inequality in the Union and support the development and conversion of regions (EC, 2006e).
- The European Social Fund (ESF) was established in 1960 (QCA, 2007) and aims to stop and fight unemployment, as well as developing human resources and promoting integration into the labour market (EC, 2006f).
- The European Agricultural Guidance and Guarantee Fund (EAGGF) was established in 1964 (QCA, 2007) and is divided in two sections, the Guidance section and the Guarantee section. Within the framework of European economic and social cohesion policy, the EAGGF supports rural development and the improvement of agricultural structures (EC, 2006g).
- The Financial Instrument for Fisheries Guidance (FIFG) is established in 1994 (QCA, 2007) and aims to achieve a sustainable balance among fishery resources and their exploitation. Beside this it tries to improve the competitiveness of the industry and the development of areas who rely upon it (EC, 2006h).

One can imagine that especially underdeveloped countries within the EU benefit from the structural funds. In the last years could be seen that undeveloped countries as Spain, Portugal and countries from Eastern Europe have been subsidized most. Nevertheless some regions in developed countries also profit from EU funds (Edwards, 2006). According to EC (2006i) the total budget for the structural funds is €195 billion. This situation is changing since the EU is enlarged with 12 new member states.
3.5.1 Objective regions

The break up of the structural funds is dedicated by the need for structural funding. Those regions which need assistance most are called objective one regions (EC. 2007j). The priority for objective one regions are highest and they therefore receive most aid. Regions who were seen as more developed received the status of objective two or three (McDonald, et al., 2003).

The structural funds were broke up as follows:

Figure 7; *Breaking up of structural funds*

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective one</td>
<td>67.9 %</td>
</tr>
<tr>
<td>Objective two</td>
<td>11.5 %</td>
</tr>
<tr>
<td>Objective three</td>
<td>12.3 %</td>
</tr>
</tbody>
</table>

The remaining percentage were brought up as following

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community initiatives</td>
<td>5.3 %</td>
</tr>
<tr>
<td>Others</td>
<td>1.3 %</td>
</tr>
</tbody>
</table>

Source: McDonald, (2003 p. 240)

The objective regions for the planning period of 2000 – 2006 are separated as portrayed in the figure on the next page:
In the process of writing this report, Europe is on the ache of a new planning period 2007-2013 this involves a change of the model and the allocation of money to the new priority regions (EC, 2007k). In reality it mainly involves change of names of the policy areas. Though with the realisation of a new planning period the weight of the structural funds is changing from the traditional high involved regions to the new accessed regions that now need the structural funds more (EC, 2007l). According to Parker (2006) Spain was the main receiver of European structural funds in the previous planning period. In the planning period 2007 – 2013 Poland will be the main receiver.

Source: EC (2007k)
The next figure portrays that the objective one regions in the new planning period called convergence regions has been moving.

Figure 9: *Structural funds planning period 2007 – 2013*

Source: EC (2007m)
In the new planning period the construction of the structural funds will be like it is portrayed in the figure below.

Figure 10; *Structural funds and instruments*

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Structural funds and instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convergence</td>
<td>ERDF</td>
</tr>
<tr>
<td></td>
<td>ESF</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td></td>
</tr>
<tr>
<td>Regional competitiveness and</td>
<td>ERDF</td>
</tr>
<tr>
<td>Employment</td>
<td>ESF</td>
</tr>
<tr>
<td>European Territorial</td>
<td>ERDF</td>
</tr>
</tbody>
</table>

Source EC, (2007n)

### 3.5.2 The Convergence regions

The convergence regions are the (old objective one regions) least developed regions, the per capita GDP should be at least less than 75% of the community average. The total amount is EUR 282.8 billion. Besides this it also takes into account those regions which are passing out their status and are no longer eligible for maximum financial support anymore because the regions have been developing (EC, 2007n). The tourism industry is one of the tools which can be used to achieve the convergence objective and therefore can apply for the various structural funds (EC, 2007n).

### 3.5.3 The Regional Competitiveness and employment regions

The regional competitiveness and development fund (former objective two) aims to strengthen the competitiveness and attractiveness of specific regions. It promotes economic integration through the support of innovation and the promotion of knowledge society, entrepreneurship, and protection of environment and improvement of accessibility. Besides, it has the goal to upgrade level of jobs by means of investing in human recourses. The former objective one regions, now called “passing in” regions, enjoy the biggest amount of support. Logically the tourism industry take part in this objective as well, it for example is source for growth in jobs. (EC, 2007n)

### 3.5.4 European Territorial regions

The European Territorial Cooperation objective aims to strengthen cross boarder cooperation through the support of projects which cross boarders. It supports interregional projects as well, being inter-territorial projects, besides it aims to make exchange of experience possible.
This new objective was in the previous planning period called INTERREG. Because tourism projects cross regional and country boarders tourism profit from this objective and the related structural funds (EC, 2007n).

3.5.5 The different structural funds in the new planning period

As can be seen in figure ten, the structural funds for the new planning period are coupled to the different objective regions. Comparing the new situation with the previous planning period we see that some small changes occur (EC, 2007o).

Currently there are three structural funding instruments namely:

1. European Regional Development Fund (ERDF)
2. European Social Fund (ESF)
3. Cohesion fund

Source: EC (2007o)

3.5.6 European Regional Development Fund

The European Regional Development Fund aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The ERDF finances:

Figure 11; *ERDF fund*

- Direct aid investments in companies (in particular SMEs) to create sustainable jobs;
- Infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport;
- Financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions;
- Technical assistance measures.

Source: EC, 2007p

3.5.7 European Social Fund

The aim of the social fund is to improve employment and job opportunities within the European Union (EC, 2007q). The social fund involve; (see next page)
Figure 12: Social fund

- adapting workers and enterprises: lifelong learning schemes, designing and spreading innovative working organisations;
- access to employment for job seekers, the unemployed, women and migrants;
- social integration of disadvantaged people and combating discrimination in the job market;
- strengthening human capital by reforming education systems and setting up a network of teaching establishments

Source: (EC, 2007q)

3.5.8 Cohesion fund

The cohesion fund is developed for the most underdeveloped countries in the European Union. The Gross National Income per inhabitant should be less then 90% of the community average. The cohesion fund is designed to achieve stable economies and reduce social and economic shortfall. All the former EEC countries including Bulgaria can apply for this fund besides this Portugal, for some regions, and to a lesser extend Spain are eligible to apply. The fund supports trans European infrastructure and environmental issues which can also mean energy efficiency and railway systems (EC, 2007r).

Through history the tourism industry profited heavily of the financial help dedicated by the EU. McDonald et al (2003) portrays an indication what amounts of money are spend over the years on European tourism:

- 1975 – 1985 1,2% off all the ERDF money was dedicated to the tourism industry
- 1989 – 1993 approximately ECU 2.149 billion were allocated to the tourism industry
- 1994 – 1999 approximately Euro 4.2 billion were allocated to the tourism industry

Source: McDonald et al. (2003)

Due to implementation of structural funds the basis for a good tourism product can be achieved. For this reason structural funds are from high importance in the process of building a tourism product which is able to strengthen economies and improve social standards.
3.6 Conclusion and hypothesis

This literature study portrays that the cohesion policy of the EU is of key importance for new accessed member states. The tourism industry is an important industry which is able to achieve economic prosperity and social improvement. Due to the wide interests of the tourism industry, influence of EU policies can be found in different fields. The structural funds can support the tourism industry by financing basic facilities needed to develop and improve tourism products. Therefore, the cohesion policy and in specific the structural funds form the most important focus of this research. It is however remarkable that literature concerning the subject of the study mainly portrays a positive view about the tourism industry and her influence. Negative influences which go hand in hand with tourism development portrayed by an increasing amount of authors in tourism studies, was rarely present.

For further research the following hypothesis can be drawn:

|“The tourism industry is ‘the’ industry which makes it able to overcome regional disparities. It is for this reason from key importance that authorities implement EU cohesion funds in order to develop and/or improve tourism products in regions which lay economically and socially behind on established EU regions.”|

Lack of examples make it valuable to find out if this hypothesis is based on reality. It is interesting to research how EU policies influenced a tourism destination in practice. In the next chapter the influence of the EU on the Portuguese Algarve is investigated from the moment that Portugal entered the EU.
Chapter four - EU involvement in the development process of the Algarve
4.1 Introduction

Portugal has been one of the most visited tourism destinations in Europe for many years. (Economist Intelllicence Unit, 2003). The country is traditionally very popular with three main destinations namely the United Kingdom, Germany and The Netherlands (Cardoso and Ferreira, 2000). There are many different factors which made Portugal the popular tourism destination it is at the moment, not at least the attractive tourism product. The Algarve is by far the most important tourism destination (CCDR, 2003). This chapter will analyze what and how the EU cohesion policy influenced the development of the Algarve, and will portray which role the tourism industry occupied in the process of catching up with established member states. The Algarve tourism industry can not be seen separate from the general tourism development in Portugal, it is for this reasons that the first paragraphs elaborate on the entire Portuguese tourism product and the external influences. Following the Portuguese tourism situation at present is portrayed. Next the research is narrowed down to the Algarve tourism product, and a thorough investigation on how the EU cohesion policy influenced the Algarve tourism region is described, ending with an example out of practice. In conclusion the external factors are summarized in a PEST analysis.

4.2 Path of dependence

The Portuguese tourism industry is an industry that reflects the Portuguese history, influenced by political change and economic recovery. It is in this context that the development of the tourism product should be seen. Portugal was able to access the EU in 1986 as a reward for improved economic and political recovery after the collapse of the communist Salazar regime (Turismo, 1994 in Daniel and Ramos, 2002). The Salazar regime left Portugal as one of the poorest countries in Europe, (Lewis and Williams in Williams and Shaw, 1998) the Portuguese industry was by that time still dominated by weak industry based on agriculture and textile (Preston, 1997 and Mintel, 2004). Through the years the tourism industry became one of the most important industries to realize economic recovery, and finally accomplished the EU goal of catching up with established EU countries.

4.2.1. Tourism history before the accession to the EU

Although the Portuguese tourism industry is one of the most flourishing in the world, the tourism history has been very turbulent (Daniel and Ramos, 2002.). It was especially in the period before the accession to the EU in 1986 that the tourism industry was unstable. Reasons
for this instability were manifold and varied from the inward focus and small attention for the tourism industry in the 60’s to economic crisis in the main markets (UK and Germany) after the downfall of the Salazar regime in the 70’s (Lewis in Williams and Shaw 1998). Portugal (the Algarve) therefore really started to be a major destination with the depose of the Salazar regime in the 70’s (Edwards and Sampaio in Pompl and Lavery 1993). In the early years of the 20th century less attention was given to the tourism industry and the tourism economy was only focused on domestic tourism. This changed in the 60’s. The opening of Faro airport in the Algarve was one of the first signs for a more outward focus which was source for increasing amount of foreign tourists and attracted foreign exchange to strengthen the weak economy. Due to the opening of Faro airport tourism numbers increased indeed. Algarve Tourism numbers increased from 232 in 1950 to 1.1 million in 1970, and 7.3 million in 1988 and 12 million in 1994 (Lewis and Williams, 1998). After the restoration of democracy in 1974 the priority shifted to the development of high quality tourism product development, which was realized by the help of a tourism fund made available by the government. Most of the money flew to the Algarve. This in combination with the looser regulations for private companies made that the tourism industry was able to grow and attract more (foreign) tourists.

4.2.2. The eighties

This changed through the years and the exclusive focus shifted to a mass focus with positive as well as negative results. Mass tourism package holidays took over the exclusive market and was subject to an increase of tourism numbers, however also a lower per capita expenditure and environmental problems (William and Shaw, 1998). As a result tourism numbers doubled in the 80’s. This enormous growth however should be seen in the context of economic crises in main markets Germany and the UK during the 70’s and the instable political situation after the Salazar regime (William and Shaw, 1998). Due to economic and political recovery in the 80’s Portugal was able to commit to the acquis and was rewarded by the EU with the desired membership in 1986 (Euromonitor Intrenational, 2006). Following on the accession to the EU the Portuguese government put more effort on the tourism industry, and developed a tourism plan (Edwards and Sampaio in Pompl and Lavery, 1993). The tourism industry was seen as the industry which was able to recover the economy and overcome regional disparities (Cardoso, and Ferreira, 2000). This all happened in line with the increasing attention for the tourism industry by the European Union (Edwards and Sampaio in Pompl and Lavery, 1993).
4.2.3 The nineties

From the beginning of the nineties less academic research has been done on the development of the tourism product, though a report of the Eurostat international (2006) mentions that the growth of tourism continued during the nineties. Sources of these growing numbers were the ongoing construction of tourism buildings especially in the Algarve (Correia and Crouch, 2004). Different external macro influences also had an impact on the tourism product. There was for example the succession of governments that achieved a ministry of tourism, which was culminated in 1995 as the ministry of Industry Trade and Tourism. In line with this ministry the significance for regional tourism boards was acknowledged. This board received more administrative and economic autonomy. At the same time neo liberalism was introduced with an increasing amount of private capital in the tourism industry as result. (William and Shaw, 1998). Daniel and Ramos, (2002) argue that the Portuguese tourism industry suffered from more competition during the nineties. Countries such as Turkey and Spain became real competitors, on the sun, sea and sand products. In real terms tourism in Portugal declined, were it occupied the 13th place in 1989 on the world ranking list for tourism destinations it now occupies the 20th place in absolute size (WTTC, 2007). It was due to the financial help of the EU that large infrastructural projects increased the accessibility of tourism regions (Bota, 2007). The infrastructure at that time was very poor (Padinha, 2007). The significant improvements created a platform for further growth (Euromonitor International, 2006).

4.2.4 The twenty-first century

In the beginning of the 21st century roughly 28 million people visited Portugal of which half were tourists (EIU ViewsWire, 2003). Unless this enormous number, tourism growth came to an end and stabilized at the 21st century (Euromonitor International, 2006). It was also from the beginning of the 21st century that Portuguese officials started to realize that sustainable tourism is important for the tourism industry. The emergence of Agricultural tourism in the North was one of the regions which showed that trend (Edwards, 2007). Portuguese authorities realized that alternative tourism was a good way of diversification of tourism products, besides it was a way to improve the living conditions in the underdeveloped regions (Kastenholz, 2005). Most alternative tourism projects can be found back in the Northern part of the country, alternative tourism was however also introduced in the Algarve, in order to increase the diversity of the tourism product which was up to that moment dominated by beach tourism (Direccao-Genaral do Desenvolvimento Regional, 2000).
4.2.5. Tourism situation at present

The tourism industry of Portugal at present is described by the WTTC (2007, p.2) as being “a very large, most intensive, and slow growing Travel and Tourism economy”. According to the WTTC (2007) Portugal will enjoy to generate, 31.9 billion Euro of economic activity in 2007. The expectation is that this will grow to an amount of 53 billion Euro by 2017. It will contribute 6.4% to the Portuguese GDP in 2007 and is expected to grow to 7.2% by 2017.

Figure 13; Tourism growth Portugal

Source: WTTC 2007

Figure 14; Travel and Tourism Gross Domestic Product

Light blue line is T&T industry Dark blue line is T&T economy GDP

Source: WTTC 2007

In 2007 18.4% of the total employment can be found back in the tourism industry, which counts for 959.000 jobs. This is expected to grow to 1.060.000 jobs in 2017 which equals 20.3% of the total employment (WTTC, 2007).
Figure 15; *Travel and tourism employment (‘000 of Jobs)*

Source: WTTC, 2007

**External influences in summary**

As portrayed previously, macro level organizations and policies influenced the Portuguese tourism industry. In the early days it were mainly National authorities who influenced the tourism industry. With the accession of to the European Union an important organization increased interest in the Portugal as well (Bota, 2007). As explained in chapter two of this dissertation, the EU influences tourism industries in various way’s, the Algarve forms a good example.

**4.3 The Algarve in focus**

The Algarve tourism destination is visited every year by many European tourists, and finds her grounds in the mid 60’s with the development of Faro airport (CCDR, 1997) 5.5 million tourists visited the region in 2006 and they together used 33 million bed-nights. The region is mostly visited by the English, German and the Dutch. The Irish are however a quick rising market (CCDR, 2006). The strengths of the destination are the beautiful beaches and excellent climate in combination with relatively cheap prices (Oliveira, 2007). Due to it’s favourable climate the Algarve is an all year round destination (Padinha, 2007). The Algarve comprises over a wide range of accommodation from low budget to five star hotels. 38 % of all tourism accommodation in Portugal can be found back in the Algarve (CCDR, 2006). Besides this, the Algarve was able to diversify her product through the development of golf tourism and the implementation of MICE tourism. The Algarve is recognized to be one of the best Golf destinations in the World (CCDR, 2006). In total it counts more than 55 golf courses and a
number of 12,000 registered golfers (Correia et al., 2006). Oliveira (2007) mentions that this number is still growing. Correia et al. (2006) argues that golf tourism and sustainability are the future for the Algarve. Applying high service in combination with attention for environmental issues will attract many high value tourists, and will impact social and environmental conditions in a lesser extend than beach tourism. According to Videira, N. et al. (2006) golf tourists in the Algarve doubles the expenditure of an average tourist in the region. Next to the MICE and golf industry the Algarve has also developed a focus on SPA, Senior and outdoor/sports tourism (Ramos, et all in Costa, 2004) and (Economist Intelligence Unit, 2003). Due to the implementation of these segments the region was able to extend the season (Oliveira, R. 2007 and Correia, 2006).

The seasonality is however still a major problem in the Algarve, as Beach tourism keeps playing the most important role In summer the occupation of accommodation establishments is 4 times higher than in winter time (CCDR, 2006). Besides this a problem of the Algarve is that tourism is particularly situated at the cost, more inland the benefits of tourism are less or not present (CCDR, 2003). However, since the year 2000 there has been an attempt to develop tourism more inland, agricultural, natural, historical and cultural tourism are developed to achieve more profit and quality tourism more inland as well (Direccao-Genaral do Desenvolvimento Regional, 2000). Unless the focus on sustainability, beach tourism was still able to expend, Algarve tourism product has been growing through the years and every year more and more tourists decide to spend their holidays at the Algarve.

Figure 16; *Tourism growth Algarve.*

Source: National statistical institute, Portugal
4.4. EU cohesion policy, and Algarve tourism industry

As described in chapter three, through the years the EU has been implementing new policies which influenced the tourism industry. Examples include the single market and the EMU. The cohesion policy and in specific the structural funds supported the Algarve tourism industry. Reasons for this is that tourism is the motor of the economy and is the industry which brought and brings prosperity to the region (CCDR, 2006). By way of financial aid dedicated through the various funds, the region was able to form a basis for improvement of economic and social conditions, realized by the tourism industry (Bota, 2007). According to Cardoso and Ferreira (2000) the Portuguese tourism industry and in specific the Algarve have been profiting widely of the structural funds and many projects has been supported in order achieve growth and competitiveness of the sector.

4.4.1. Structural funds in the Algarve since the accession to the EU

Examples of projects named in this chapter are mainly based on the planning period 2000 – 2006. Portugal however also received structural support from the beginning of the accession and according to Edwards and Sampaio, (1993) even before the accession to the EU due to pre accession funds.

The allocation of structural funds before the year 2000 is described by Cardosso and Ferreira (2000) as follows. The European Union supported the economic integration of various regions through various projects. It was the governmental organizations in that time that separated the economic aid of the EU. The government invested in the Algarve tourism industry since 1987 with SIFIT (System of the Financial Incentives to Tourism investments) Portuguese Hotel Association (1993) in Vasconcelos (1993) mention that, due to the decentralization of governmental organizations, local authorities became in power of the implementation of the structural funds. As a result the structural funds could be implemented more specifically and therefore contribute better to the overall goal of economic growth and improvement of quality of life. In the Algarve the Commission of Coordination of Regional Development (CCDR) the former CCR was and is in charge of the handling of the structural funds (Bota, CCDR). It was this same organization which before the accession to the EU made a plan how the structural funds could be implemented. During the years several regional planning projects were developed which were streamlined with the planning periods of the European Union. The fact

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1 Amounts mentioned in this chapter should be viewed with caution due to unknown methods of calculation and adaptation of statistics from different sources. Discrepancy is therefore the case.
that European money was brought together with local money, which was allocated to the main regional planning objectives (set by the CCDR), made it possible to spend money in the most effective way (CCDR, 2005)

The planning periods was named Quadro Communitario de Apoio (QCA) (Community Support Framework) and was supported by public money as well as European money mostly in the name of FEDER (ERDF). The tourism industry profited most of the ERDF funds, however the tourism industry in a lesser extend also enjoyed support through the ESF and EAGGF funds and from 1994 also the fisheries fund. The sum of the aid made up a total amount of money, portrayed in table 2. Through the years different QCA’s were developed.

Table 2; The different planning periods (QCA’s)

<table>
<thead>
<tr>
<th>PLANNING PERIOD</th>
<th>CCDR PROJECT</th>
<th>TOTAL AMOUNT OF MONEY AVAILABLE</th>
<th>NAME EU STRUCTURAL FUND</th>
<th>AMOUNT OF PROJECTS</th>
<th>AMOUNT OF EU MONEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre accession</td>
<td>NA²</td>
<td>0.684.107</td>
<td>ERDF</td>
<td>NA</td>
<td>0.152 million Euro</td>
</tr>
<tr>
<td>1986 – 1989</td>
<td>NA</td>
<td>33.2</td>
<td>ERDF</td>
<td>125</td>
<td>13.764 million Euro</td>
</tr>
<tr>
<td>1990 – 1993</td>
<td>I QCA</td>
<td>78.4</td>
<td>ERDF</td>
<td>229</td>
<td>74.8 million Euro</td>
</tr>
<tr>
<td>1994 – 1999</td>
<td>II QCA (PROA)</td>
<td>754.9</td>
<td>ERDF</td>
<td>1108</td>
<td>566.6 million Euro</td>
</tr>
<tr>
<td>2000 – 2006</td>
<td>III QCA (PROALGARVE)</td>
<td>2213</td>
<td>Various structural Funds</td>
<td>ERDF, ESF etc</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: CCDR, 2005 (25 years Algarve)

4.4.2. Planning period 2000 – 2006

At time of writing this research we just left planning period 2000 – 2006. During this planning period named QCA III Portugal profited a lot of the structural funds. According to the EC, (2006s) Portugal profited of almost 26 billion on funds. These funds were same as in the previous planning period spread over the different regions, and supported various sectors such as economy, agriculture, environment and Culture. Figure 17 portrays the percentages allocated between the structural funds.

² NA = Not Available
Due to the involvement of the tourism industry in different objectives the tourism industry was able to profit from various funding instruments in the third planning period QCA III. The first objective set in QCA III for the Algarve was, “to assert regional economic competitiveness, centred in the array of tourism and leisure activities by taking on this specialisation, although bearing in mind the need to extend the array of activities centred around this economic priority and, at the same time, impart dynamism to the exploitation of territorial economic resources.” (Direccao-Genaral do Desenvolvimento Regional, 2000 p.127) During this period all the Portuguese regions including the Algarve were allocated to objective one, and therefore enjoyed the maximum of EU support. The operational program for the Algarve was named PROAlgarve and had a specific interest in the tourism and leisure industry(CCDR, 2005). PROAlgarve in total received an amount of 485.306.359 euros which was spread over the four structural funds in the following way.

- ERDF $\Rightarrow$ 389.829.359
- ESF $\Rightarrow$ 56.275.000
- EAGGF $\Rightarrow$ 37.445.000
- FIFG $\Rightarrow$ 1.757.000

Source: (EC. 2006t)
The following map portrays the allocation of the funds in Portugal, and shows that the Algarve was one of the many objective one regions.

Figure 18; *Eligible region structural funds, 2000 – 2006*

The financial support dedicated to the Algarve encompassed a total amount of 2.260 million Euro, of which 770 million euro was dedicated to operational program PROAlgarve. (CCDR 2003) According to the EC (2007v) the structural funds will contribute 453.340 million to the total budget. The financial help was separated over three priority areas namely. Priority one encompassed the improvement of life in the region by improving the infrastructure, public amenities and investment in local authorities (EC, 2004z). Priority two encompassed the improvement of life in the areas which lay back on the rest of the region and Priority three was source for the development of human recourses, such as employment, health care, transport and environment. Besides the improvement of life the priority also improved the conditions for the tourism industry in the region (Bota, 2007).
Table 3; Breakdown structural funds

<table>
<thead>
<tr>
<th>EU CONTRIBUTION</th>
<th>ERDF</th>
<th>ESF</th>
<th>EAGGF</th>
<th>FIFG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total: 479,006,359</td>
<td>387,623,359</td>
<td>52,181,000</td>
<td>37,445,000</td>
<td>1,757,000</td>
</tr>
<tr>
<td>100,00%</td>
<td>80,92%</td>
<td>10,89%</td>
<td>7,82%</td>
<td>0,37%</td>
</tr>
</tbody>
</table>

Source: EC (2007v)

4.4.3. Planning period 2007 – 2013

Due to the good performances of the Algarve in the previous planning period, the Algarve is in the planning period 2007 – 2013 considered to be a passing out region. This means that the Algarve does not have the objective one status anymore. However, the region will still be supported by structural funds. The Algarve can in total count on 280 million euros (EC, 2007w).

Figure 19; Eligible regions structural funds 2007 - 2013

Source: EC (2007w).

At the moment of writing this study, parties involved in the allocation of the structural funds for planning period 2007 -2013 still did not agree on to which projects the money will be allocated. This is a result of slow decision making process and due to bad connections
between the Portuguese authorities and EU officials (Bota, 2007). It is however likely that a considerable amount of money will be dedicated to tourism related projects at the sea shore as well as inland (Padinha, 2007 and Alfonso, 2007).

4.4.4. Financed projects

Through the years many different tourism (related) projects profited of the large amount of money which was allocated to the region of the Algarve. Structural support was dedicated to outsized projects which supported the tourism industry indirectly as well as small projects, directly influencing the tourism industry. (CCDR, 2005) Oliveira, (1994, in Cardosso and Ferreira, 2000) mentions that the tourism industry profited indirectly as well as directly from an investment of 200 billion escudos (approx 1 billion euro’s), in the period before year 2000. This support was divided over two planning periods, namely, QCA I which encompassed 30 billion escudo’s and involved 550 projects and QCA II which encompassed 75 billion escudo’s and involved according to CCDR, (2006) 1108 projects (CCDR, 2005). The attention for investment in the tourism industry was specifically high because of the development of a regional plan dedicated to the tourism industry in 1995. (CCDR, 2005)

Large projects which supported the tourism industry encompassed:

- Building of the Algarve University, also including a tourism faculty
- Upgrading of Faro Airport
- Constructing of a bridge over the Guadiana river, connecting the Algarve with Spain.
- The constructing of the highway (A22) along the coast of the Algarve, connecting the different resorts/tourism establishment with each other.
- Constructing of a provincial road between all the seaside resorts/villages
- Water management and water supply, which solved the problems of water supply

Source: (CCDR, (2005); EC (2007v)

Smaller projects which influenced the tourism industry more directly included:

- Estatdio do Algarve for Euro 2004 (football)
- Theatro municipal de Faro
- Theatro Portimao
- Faro cultural city 2005
- Urban development and upgrading
- Development of urban parks
- Preservation of the Rio Fomosa national park

Source: CCDR (2005)
4.4.5 Examples funded projects

The EC (2007v) portrays on her website various success stories, the Algarve is one of the regions which are mentioned on this website and specifically the tourism industry encompass various projects which are considered to be very successful. In total six examples are being portrayed. examples, varying from the support in the development of a museum that functions as a restaurant to the restoration of an old market in the fishing village of Olhão. Other examples include the support to the municipality of Monchique, which despite her situation inland was able to develop a tourism product, and improve social as well as the economic situation.

There is however one project the author would like to elaborate on. This project shows that the local population as well as the tourism industry takes advantage of the cohesion policy of the EU. The project involves one of the main bottlenecks of the Algarve. It engages the shortage of drinking water (EC, 2007w). The enormous amount of water used by tourists in combination with the long dry summers was source for shortage of water. (Oliveira, 2007) It were however the local inhabitants of the Algarve, who suffered from this leakage. At some stage people were even limited to use water (Oliveira, 2007). To overcome this problem the EU supported a project with the help of the ERDF fund. (EC, 2007w) This project encompassed a major infrastructural water works project which encompassed the construction of enormous dams build kilometers inland which due to the principle of water vessels carried the water to municipal reservoirs which on their turn able to supply the sea-sight resorts with water in the high season. Due to this project the wells used by farmers to irrigate their land could be used all over the season, and were not influenced by the increasing amount of tourists (EC, 2007w).

The structural funds provided the Algarve with a good basis for tourism development and further sustainable growth (Padinha, 2007; Oliveira, 2007, Bota, 2007). It however also formed a basis for adaptation to other EU policies touching the tourism industry. (Oliveira, 2007) Good infrastructure in combination with the single market made the Algarve attractive with foreign investors (TUI, Thomas cook etc) and increased foreign exchange earnings and brought knowledge and expertise to the region. (Padinha, 2007) Besides, the investments in Faro airport made the region attractive for low cost airlines and better accessible for northern
European countries\(^3\). (Eurostat international, 2006) and (Almeida et all, 2007) Accessibility also improved due to the Schengen acquis, in combination with the improved infrastructure, which specially attracted tourists from Spain (CCDR, 2003). At last the Euro, which mainly influenced the region negatively due to increase of prices, resulting in weak competitiveness with low cost destinations as Turkey. (Motyka, 2007)

### 4.5 Conclusion and PESTE analysis

Summarising one can see that the Portuguese tourism industry has politically as well as economically been influenced. Throughout the history local, regional and national policies touched tourism in the Algarve. Not in the last place the EU cohesion policy positively influenced the tourism industry, moreover the tourism industry is the main industry which helped the Algarve to catch up with EU standards and achieved the EU goal of cohesion. Economic and social standards improved. Eventually the Algarve is now considered to be a region which can stand on her own feet. It is for this reason that the Algarve can function as an example for a region as the Bulgarian Black Sea Coast, especially because of the same characteristics. The external factors which influenced the tourism industry are summarized in the PESTE model below. The impacts vary from negative / threats for the tourism industry to positive impacts which occurred to be opportunities for the tourism industry. The following chapter encompass an analysis of the Bulgarian Black Sea Coast which functions as underdeveloped region with tourism potential in a just accessed EU country.

Figure 20: PESTE Portugal and Algarve

<table>
<thead>
<tr>
<th>Negative impacts / Threats</th>
<th>Positive Impacts / Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political</strong></td>
<td><strong>Political</strong></td>
</tr>
<tr>
<td>• Inward/domestic focus on tourism industry of Salazar regime.</td>
<td>• Inward focus changed to an outward focus, foreign tourists were welcome</td>
</tr>
<tr>
<td>• Unstable political situation after the dispose of Salazar</td>
<td>• Dispose of Salazar</td>
</tr>
<tr>
<td></td>
<td>• introduction democracy in 1974</td>
</tr>
<tr>
<td></td>
<td>• looser regulation for private tourism companies.</td>
</tr>
<tr>
<td></td>
<td>• Accession to EU in 1986</td>
</tr>
<tr>
<td></td>
<td>• Realisation of tourism development plan</td>
</tr>
<tr>
<td></td>
<td>• Realisation ministry of Industry trade and Tourism</td>
</tr>
<tr>
<td></td>
<td>• The implementation of structural funds incurred an restructuring of governmental organisations, who dedicated the structural funds to the right projects</td>
</tr>
<tr>
<td></td>
<td>• Decentralisation of governmental organisations, in order to implement structural funds in the best possible way.</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td><strong>Economic</strong></td>
</tr>
<tr>
<td>• Weak economic situation after the dispose of Salazar, no money to invest in the Tourism industry</td>
<td>• Dispose of Salazar and introduction democracy/introduction free market economy.</td>
</tr>
</tbody>
</table>

\(^3\) See appendix 7
| Economic crisis in main markets Germany and UK | Opening faro airport, due to increasing tourism numbers more foreign exchange earnings. |
| Mass tourism incurred increase of tourists with low per capita expenditure. | Allocation of money by government to the Algarve to develop tourism product |
| Tourism economy relies on only a few key markets | Introduction of mass tourism brought a lot of money to the Algarve |
| The Algarve relies on the tourism industry, no alternative industry are present | Pre accession funds invested in the economy |
| Implementation of Euro -> rising prices | Accession to the EU in 1986 |
| Implementation of Euro -> rising prices | Foreign exchange earnings due to outward focus. |
| • Opening faro airport, due to increasing tourism numbers more foreign exchange earnings. | • Allocation of money by government to the Algarve to develop tourism product |
| • Introduction of mass tourism brought a lot of money to the Algarve | • Pre accession funds invested in the economy |
| • Accession to the EU in 1986 | • Foreign exchange earnings due to outward focus. |

### Social
- Introduction mass tourism, more pressure on local inhabitants
- Many people are limited to work in the tourism industry
- Tourism is mostly sitated at the coast, more inland people do not profit from improved economic conditions increasing jobs etc.
- Tourism industry source for jobs
- Accession to EU in 1986
- Opening Algarve University with tourism faculty.
- Introduction mass tourism, more pressure on local inhabitants
- Tourism development more inland, increasing employment opportunities
- Structural funds made were source for many social developments, as building of universities and urban development
- Development water supply system

### Technological
- Opening faro airport, the Algarve was from that point much easier to access.
- High quality tourism product development end 1974
- Accession to EU in 1986
- Improvement of infrastructure improved the accessibility of tourism regions.
- Structural funds, made infrastructural construction possible
- Upgrading airport
- Construction theatro municipal Faro and Portimao
- Urban development and renovation
- Development urban parks

### Environmental
- Air pollution due to increasing amount of incoming flights
- Noise pollution due to increasing amount of flights
- Increasing amount of litter due to tourism
- Increasing amount of water
- Harm of nature due to tourism development
- Preservation Rio Formosa

Source: structure based on Lynch (1997)
Chapter five - The Bulgarian Black Sea Coast
5.1 Introduction

In order to take profit out of the accession, EU countries need to reflect on previous situations and need to adapt to examples of other countries. As mentioned in chapter three twinning should influence all industries of the new member states but surely also touch the tourism industry. (Coles and Hall, 2005) Due to the same tourism characteristics, (Zimmerman in Montanari, 1995) the Algarve forms a good example for the just accessed Bulgarian Black-sea region. However before one can state what and how the Black Sea Coast can learn from Algarve practices in the field of EU cohesion policy, first need to elaborated to what influenced the Bulgarian (Black Sea Coast) tourism product in general. This chapter starts with the explanation how Bulgaria realized to become a member of the EU. Followed by this, the Bulgarian tourism product is highlighted with special interest for external influences impacting the tourism industry through history. Subsequently the research is narrowed down to the Black Sea Coast and her tourism characteristics. Special attention in this part is given to the problems facing the tourism destination. At last existing information about future EU support is given. The PESTE analysis will summarize all external influences mentioned in the chapter.

5.2 Route to EU membership

After the political revolution, which caused a drastic change in the political structure from a communist to a democratic system in 1989, Bulgaria aspired to EC membership. The EC submitted this application in 1995 (Commission of the European Communities, 2006). At first the road to full membership seemed to be very long, mainly because political uncertainty and economic underdevelopment (Dinan, 2000 p.31). Besides this weak industry and bad infrastructure made it difficult to improve living conditions. Though Bulgaria has been developing economically and politically through the years (Commission of the European Communities, 2006). The tourism industry of Bulgaria is directly connected to political change and the economic recovery through the years.

5.2.1 Political change and economic development

Bulgaria was able to comply with the accession rules as described in chapter three in the end of 2006, and therefore could access the EU in January 2007 (World factbook, 2007). Very important in the accession progress was the political stability and reform of economic situation of the country. The fall of the iron curtain brought opportunities to accesses west
Europe and brought possibilities to trade (Bachvarov, 2006 in Hall et all, 2006). According to Euromonitor international (2006) since the fall of communism personal income increased enormously. This was a result of a free market economy which was the source for price liberalisation, introduction of competition and opening of borders to free flow of capital and labour (Euromonitor international, 2006). Increase in personal incomes was however through the years influenced by high inflation (CIA world fact book, 2007). The economic growth was limited due to underdeveloped markets and low skilled labour forces. In the end of the 90’s the situation improved as a result of the fall of the socialist government which was the beginning of a stable macro economic situation (CIA world fact book, 2007). The realisation of a currency board who coupled the Lev to the former D-mark reduced the inflation and increased investments, resulting in a decline of the budget deficit (Euromonitor international, 2006).

5.2.2 From 2000 upwards and present

Privatisation and liberalisation result in better performing market economy and a rise of personal incomes by 35% in the period from 2000 till 2005 (Euromonitor international, 2006). Rise of tax and social security fees as well as higher costs for heating, electricity and transport, however reduced this profits (Euromonitor international, 2006) The minimum income increased up to 175 Leva (89,47 euro) and monthly incomes lower then 50 euro a month dropt from 76% in 2000 to 46% in 2005. This in comparison with the western European countries still very low (World Bank, 2005).

Table 4; Mean annual gross and disposable income: 1990 – 2015

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<tbody>
<tr>
<td>Mean annual gross</td>
<td>3.6</td>
<td>82.7</td>
<td>2,938.9</td>
<td>5,083.4</td>
<td>5,989.8</td>
<td>7,072.1</td>
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<tr>
<td>Income (current)</td>
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<tr>
<td>Mean annual gross</td>
<td>3.6</td>
<td>1.8</td>
<td>1.9</td>
<td>2.5</td>
<td>2.6</td>
<td>2.6</td>
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<td>Income (constant 1990)</td>
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<tr>
<td>Mean annual disposable</td>
<td>3.5</td>
<td>72.1</td>
<td>2,321.0</td>
<td>3,725.8</td>
<td>4,405.0</td>
<td>5,245.2</td>
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<tr>
<td>Income (current)</td>
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<td>Mean annual disposable</td>
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<td>Income (constant 1990)</td>
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<tr>
<td>Disposable as % of Gross</td>
<td>96.69</td>
<td>87.19</td>
<td>78.97</td>
<td>73.29</td>
<td>73.54</td>
<td>74.17</td>
</tr>
</tbody>
</table>

Source: National Statistical Institute, Euromonitor International, 2006

4 Number portrayed are average numbers in real differences in income have increased in the last decades (Bogetic and Hassan, 1995)
Besides the economic growth encompassed by liberalization and opening of markets EU pre accession funds, made it possible for Bulgaria to catch up with the existing member states much quicker (Faludi, 2006). All the existing accession funds were brought into force. The funds included the in chapter three described, PHARE, ISPA and SAPHARD. Starting from 2004 Bulgaria received approximately 400 million Euros a year on pre accession funds. The framework in which the pre accession funds were allocated is also used for the recent implementation of structural funds (Bulgarian ministry of finance, 2007). A big issue in the process of becoming a member of the EU was corruption. Corruption is still source for leakage of money. According to EU ViewsWire, (2003) the Bulgarian grey economy is probably the largest in the region, it is estimated on 30% of the GDP. Although the government is putting effort on this problem, it is not likely that this problem will be solved in a very short period. (Centre for the study of democracy, 2006)

5.2.3 Predictions
The Economic Intelligence Unit (2007) predicts that the economic growth will fall from, an 6.4 \% growth in 2006 to 5.3 \% in 2007 to 4.5 \% in 2008. Because this will go hand in hand with a lower inflation which will slow down from 6.2 \% in 2007 and 3.3 \% in 2008, the expectance is that the disposable income won’t be influenced much. Though the accession to the EU will go hand in hand with a substantial economic input which will favour the Bulgarian economy and will incur a financial boost in the country (Hall, et all. 2006).

5.3 Tourism Product, the path of dependence

“Tourism is perceived as one of the main tools to support regional and local development”
(Ministry of Regional Development and Public works, 2007 p. 45)

Bulgaria has one of the most divers tourism products, varying from UNESCO sights, cultural sights to historic cities and attractive skiing resorts (Iliev, 2006). It is however the Bulgarian Black Sea Coast which same as in history appealed to be the most visited tourism destination (Ministry of Regional Development and Public works, 2007). The Bulgarian Black Sea Coast together with the ski resorts and the capital city of Sofia is subject for 90\% of the total tourism development, this despite all the different tourism resources (Ministry of Regional Development and Public works, 2007). Today, Bulgaria receives approximately 7 million tourism arrivals (Mintel, 2007). Interesting is that the tourism growth of the last years is
mainly realized by tourists from the EU (Mintel, 2007). Tourism in Bulgaria counts for 16 percent of the GDP (Iliev, 2006). Earnings out of the tourism industry are however not enough to improve the tourism product. European Money is therefore of great importance (Hall, et al. 2006). Following the Ministry of Regional Development and Public works, (2007) the tourism industry can have positive influences on regional developments not only on tourism industry itself but also to related industries and services. Tourism can be source for an multiplier effect and therefore influence other industries (Cooper et al, 1998). According to Werdler and Zeeden (2004) the Black Sea Coast can in many way’s be compared with the Mediterranean coast and is therefore a competitor for Mediterranean countries, also because of the relative short distance from Northern western European countries, and attractive cheap prices.

5.3.1 History tourism Bulgaria

Lack of academic information about the history and current situation of tourism development makes it difficult to draw an extensive picture about tourism in Bulgaria. Though there are indicators which make it possible to write representation about the Bulgarian tourism industry. The history and political situation of the country makes that the development of the tourism product is different than most other tourism destinations in Europe. (Spassov, 2007) and (Werdler and Zeeden, 2004). Tourism development is directly connected to the socialist political history of the country (Werdler and Zeeden, 2004).

5.3.2 From the sixties to the year 2000

Until the demise of communism in 1989, Bulgaria was a preferred holiday destination for Eastern Europeans socialistic countries and domestic tourists seeking beach and the warm weather in seaside towns (Iliev, 2006). Tourism residents were build at the black sea coast mainly to accommodate state officials from Sofia. (Noack, 2006). Noack (2006) mentioned that state sponsored social tourism was integrated in the bonus system by the Socialists. In the beginning of the 70’s the first English and German tourists visited the Black sea coast. Foreign tour-operators dealed in this period with Bulgarian state owned travel agencies (Werdler and Zeeden, 2004). Though the focus was still more on surrounding countries Russia (Spassov, 2007). Different than Portugal the democratization process and economic recovery went slow because Bulgaria was surrounded by communist regimes and had due to the iron curtain no or at least bad accessibility to western Europe (Werdler and Zeeden, 2004).
It was until the overthrow of communism in 1989 that the Bulgarian tourism industry was flourishing. The collapse of the communist regime also meant the collapse of Bulgarian tourism (Williams, A and Balaz, V. 2000). In the search for a stable democratic situation and economic stability less attention was given to tourism. The traditional tourism markets had due to the collapse of the communist regimes in combination with the fall of the iron curtain the opportunity to travel to other tourism destinations (Iliev, 2006). In the end of the nineties the tourism industry started to be privatised, this was subject for increasing tourism development, and foreign exchange earnings (Ministry of Regional Development and Public works, 2007) Looking back at this situation, the privatisation should have been more structured (Spassov, 2007).

5.3.3 Tourism in the twenty-first century.

Mintel, (2004) portrays that the Bulgarian tourism industry is one of the fastest emerging tourism industries in Europe. According to Ministry of Regional Development and Public works, (2007 p. 43) “Tourism is both a large and fast growing sector, being amongst the drivers of the Bulgarian economy growth in the last decade” In 2004, Mintel predicted that towards the accession the EU tourism numbers will grow intensively. It are especially Germany and the UK who should be seen as growing markets. Every year more tour operators are developing tourism programs for Bulgaria (Mintel, 2004). Euromonitor international (2006) mentions that Bulgarian tourism developed very quickly from the year 2002, the tourism industry became one of the most important drivers of the Bulgarian economy. In the year 2005 the tourism industry contributed with 4 billion Lev 9% growth over the previous year. Euromonitor international (2002) argues that the tourism industry could have been worth 14 billion Lev if certain slow downs were been diminished. One of the reasons for the successes were foreign investment and trust in the country by foreign organisations. An indication for this appeared in World Fact Book (2001) in which is mentioned that the tourism product of Bulgaria has a great potential if investments are made, especially in infrastructure, and upgrading of tourism facilities to the western standards. In 1999 various US consulting firms pointed at the Bulgarian tourism industry as an potential industry for growth, and possibilities for US companies (World fact book, 2001). In 2004 -2005 these expectations became reality in which a high increase in construction of tourism facilities and hotels was measured (Euromonitor international, 2006).
The growth of tourism in the recent years has mainly been concentrated around the Black Sea Coast, inland tourism showed much less growth (Ministry of Regional Development and Public works, 2007). According to Euromonitor International (2006) Tourism numbers increased especially from western European countries, as the UK and Germany. Besides this Greece and Turkey were source for an increasing number of tourist arrivals in 2005. Following Euromonitor International (2006) reason for increasing tourism arrivals were trust in the Bulgarian economy as a result of accession to the EU. Trust in the future of Bulgaria can also be seen in the increasing amount of interest in real estate (Euromonitor international, 2006). On the way to accession to the EU the tourism laws were changed. Most important in this was the law that regulates that foreign tourists pay same prices as national tourists. (Euromonitor International 2006).

5.3.4 Current situation

Tourism is according to the Economist Intelligence Unit, (2006) the main earner of foreign exchange. According to Sofia news agency, (2007) the accession to the EU will cause a true tourist boom. The expectation is that tourism numbers in 2007 will increase with 10% to around 5.6 million tourists (Sofia news agency, 2007). The tourism growth in the current form mainly focused on the Bulgarian Black Sea Coast is according the Ministry of Regional Development and Public works, (2007) not able to sustain. Discrepancy between the demand side and the supply side is the cause. It is therefore advisable to look at other opportunities for tourism growth. Opportunities which exist in manifold since Bulgaria comprises over such an diverse tourism product (Mintel, 2007).

It is however remarkable that the tourism growth can not directly be traced in official tourism statistics. The WTTC (2007 pp.3) describe tourism in Portugal being "a middle-tier sized, most intensive, and middle-tier growing travel and tourism economy". Comparing this with the WTTC definition about the Portuguese tourism industry on page 40 of this work, we can conclude that Bulgaria is far behind on Portugal. Yet Bulgaria is on the doorstep to take profits incurred by membership of the EU, whereas Portugal, enjoyed the profits already for 20 years. The differences can also be seen in the tourism statistics. Bulgaria is expected to generate 8,379.4 million dollar, in 2007. The expectation is that this will grow to 17,728.5 million dollar in 2017. This is however only 0,1 percent of the world market share. The Bulgarian tourism industry is projected to put in 4.1% to the Bulgarian GDP in 2007 (WTTC, 2007). Looking at figure 21 which portray tourism growth in terms of tourism numbers and
income we see that the last few years are characterized by stability and from the year 2000 even some decline. This is however not as remarkable as the heavy fluctuation between 1990 and 2000, in which growth and decline alternated intensively. For the year 2007 tourism demand is expected to grow with 4.7 percent whereas the upcoming decade is expected to be characterized by a stable annual growth of 4.6 percent (WTTC, 2007).

Figure 21: *Tourism Growth Bulgaria*

![Tourism Growth Bulgaria](image1)

Source: WTTC 2007

Figure 22: *Travel and Tourism Gross Domestic Product Bulgaria*

![Travel and Tourism Gross Domestic Product Bulgaria](image2)

Light blue is T&T industry GDP; Dark blue is T&T Economy GDP

Source: WTTC, 2007

5.4 Black Sea Coast in focus

The Bulgarian black sea coast, has undeniable same basic characteristics (Sun, Sea, Sand) as the Algarve (Montyka, 2007). However there are differences. Think for example about the nature behind the coast, the climate, and other tourism products in the entire country. Where the Algarve distinct itself as a full year destination by way of golf tourism. The Black sea coast distinct itself by way of promoting culture and history as an additional product (Rashkov, 2007). For this reason one could argue that judging on the basis of only sun, sea
and sand is not be satisfying for a country as Bulgaria. Though it will give an example which meet the aim of this report, “how a tourism product can be influenced by the European Union and what and how it possibly can learn from previous accessed countries”. Besides this Bulgaria is often associated with the Black-sea (Lonely planet, 2006). The Black sea has always been the most important tourism product (Spassov, 2007).

5.4.1 Characteristics

The Bulgarian Black sea coast is characterized by long beaches, and shallow water, which is ideal for families with children (Mintel, 2007). Behind the coast the landscape is characterized by forests and a several historical villages, and sights from the ancient Greek culture. Besides this the product distinct itself because of her diverse attractions, which for example includes day trips to Sofia a visit to famous cloisters and even excursions to Istanbul (Eurostat international 2006). Two seaside regions can be defined. In the North the places Druzba, Albena and Zlatni all close to the city and airport of Varna and in the South, the places, Djuni and Nessebar close to the city and airport of Burgas (Werdler and Zeeden, 2004 and Lonely planet, 2006). The development of the Black sea coast is due to her history not always in line with the western standards. Though as one could have read, in the twenty-first century investments in the tourism product have been done in order to upgrade the product (Euromonitor international, 2006). According to Werdler and Zeedzen (2004) the black sea coast is still characterized by huge buildings which were developed by socialistic governments in order to accommodate domestic tourists or tourists from neighbouring countries. In those day’s tourism development was based on demand whereas these day’s tourism development it realized on the basis of supply (Werdler and Zeedzen, 2004).

The Bulgarian Black Sea Coast is blessed by the fact that it has two important airports, and therefore is easy accessible (Atanasov, 2007). Certainly now the country is member of the EU and enjoys the rules and regulations of open sky’s, profits can be taken. Besides this geographically, Bulgaria is relatively close to the important market Germany, as well as northern European countries (Mothyka, 2007). At the moment Bulgaria is still one of the most cheap holiday destinations which increases the competitive advantage. This however might change with the introduction of the Euro in the future.
5.4.2 The problems are manifold

The picture drawn in the previous paragraphs shows a very positive view, though the Black Sea Coast have some real shortcomings in the tourism field as well as in tourism supporting areas (Sofia Echo, 2006). Black sea tourism remains very concentrated, this incurs an increasing demand for infrastructures, for example water supply, sewage, electricity and roads (Ministry of Regional Development and Public works, 2007). According to Sofia Echo, (2006) Infrastructures are often in a bad state, roads and airports are not up to standard and are not able to handle big amounts of tourists. Besides this there is a lack of skilled tourism employees and due to the low prices and many old hotels the Black Sea Coast attract low-budget tourists. (CIA world fact book, 2007) To be able to handle the growing amount of tourists, heavy and uncontrolled construction was realized, which was source for dirt and noise pollution. (Economist Intelligence Unit, 2006) This resulted increasing pressure on the environment and local inhabitants. In fact it seems to be that tourism development is pushing it's limits (Ministry of Regional Development and Public works, 2007) The Ministry of regional development and Public Works (2007) mentions that seasonality and the limited number of incoming markets are other fields of concern. Seasonality is the highest of all member states. Besides this the occupancy rate of tourism is low. Other problems mentioned by the Ministry of regional development and Public works, (2007) are lack of quality tourism products, no consistent tourism promotion, lack of tourism boards in the main important origin markets, bad services in close relation with lack of skilled workforces, inadequate awareness of alternative tourism potentials, lack of tourism statistics and access to available tourism related information. Besides this it looks like that privatization starting in the 90’s is pushed to the limit. Involvement of governmental organizations is needed, mainly in fields of research education and consistent tourism policies, and also in the field of promotion abroad (CIA world fact book, 2007). EC (2007x) mention in a report about the implementation of EU support, that factors as mentioned above need to be improved. The report also mentions that tourism can function as an alternatives for decrease of industrial jobs and decrease of earnings out of agriculture.

5.5 Current EU support

Bulgaria will entirely profit from full support of the EU structural funds during planning period 2007 - 2013. All the regions including the regions Severoiztochen and Yugoiztochen which are the Black Sea Coast regions are stated to be convergence regions which means that
they receive full support. The allocation of European Money for the planning period beginning in 2007 and ending in 2013 will in total be 6.032 million Euro (EC, 2007y). This amount is separated over the different objectives, namely:

Table 5; Allocation European money dedicated to Bulgaria 2007-2013

<table>
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<tr>
<th>Allocation European money dedicated to Bulgaria 2007 – 2013</th>
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<tbody>
<tr>
<td>Cohesion Fund</td>
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<tr>
<td>Convergence</td>
</tr>
<tr>
<td>European territorial cooperation</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: European Commission (2007y)

Figure 23; Eligible regions for structural funding

Source: European Commission (2007y)

The Bulgarian ministry of finance, (2007) mentions that the Bulgarian government will co-finance the projects, which will increase the budget up to approximately 12 billion Euros. The Bulgarian authorities has set 5 priority objectives;
Figure 24: *priority objectives Bulgaria*

1. Raising regional competitiveness on the basis of a knowledge based economy
2. Development and upgrading of infrastructure to create conditions for growth and employment
3. Raising attractiveness and quality of life in the planning regions
4. Integrate urban development and upgrading of urban environment
5. Development of co-operation for European spatial cohesion, promotion of partnership and good neighbourly relations for the purpose of development

Source: Ministry of regional development and Public works, (2007)

5.6. **Conclusion and PESTE Analysis**

Same as Portugal, Bulgaria had a very turbulent history, the following PESTE analysis (figure, 25) summarizes what the different external influences have been. The impacts vary from negative / threats for the tourism industry to positive impacts which occurred to be opportunities for the tourism industry. The next chapter will portrays the research findings and will give an answer on what and how the Bulgarian Black Sea Coast can learn from the Algarve.

Figure 25: *PEST Bulgaria and Black Sea Coast*

<table>
<thead>
<tr>
<th>Negative impacts / Threats</th>
<th>Positive Impacts / Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political</strong></td>
<td><strong>Political</strong></td>
</tr>
<tr>
<td>• Political instability after the collapse of the communist regime</td>
<td>• Revolution in 1989 change from communist state to democratic</td>
</tr>
<tr>
<td>• Leak of tourism research and statistics</td>
<td>• Fall of iron curtain 1989</td>
</tr>
<tr>
<td>• Leak of consistent tourism plan, and tourism organisations do not cooperate</td>
<td>• The EU submitted the application of Bulgaria to the EU in 1995</td>
</tr>
<tr>
<td>• Lack of tourism boards</td>
<td>• Fall of socialist government 1996</td>
</tr>
<tr>
<td>• Increasing interest in tourism industry</td>
<td>• Tourism development dominated by communist regimes</td>
</tr>
<tr>
<td>• Tourism development dominated by communist regimes</td>
<td>• Membership EU 2007</td>
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<tr>
<th><strong>Economic</strong></th>
<th><strong>Economic</strong></th>
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<tbody>
<tr>
<td>• Weak industry and bad infrastructure were source for bad economic performances</td>
<td>• Pre accession funds helped Bulgaria to achieve the regulations of the acquis (PHARE, ISPA, SAPHARD)</td>
</tr>
<tr>
<td>• High inflation diminished the effect of increasing income</td>
<td>• Many tourism development opportunities due to divers tourism product</td>
</tr>
<tr>
<td>• Low productivity and low skilled labour forces limited economic growth</td>
<td>• Increase in foreign exchange earnings due to increasing numbers of western EU tourists.</td>
</tr>
<tr>
<td>• Tourism in Bulgaria attracts low budget tourists</td>
<td>• Tourism is main earner of foreign exchange</td>
</tr>
<tr>
<td>• Low occupancy rates, tourism companies have no money to invest in products</td>
<td>• Implementation free market economy</td>
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<tr>
<td></td>
<td>• Development of currency board, which coupled the Lev to the D-mark</td>
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<td></td>
<td>• Decline of budget deficit</td>
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<tr>
<td></td>
<td>• Economic growth during the twenty first century endured</td>
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<tr>
<td>Economic Growth</td>
<td>Social</td>
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<td>-----------------</td>
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<tr>
<td>Expectations predict that economic growth will slow down a bit</td>
<td>Real growth in personal incomes in the end of the 90's beginning of 2000</td>
</tr>
<tr>
<td>Competitive advantage due low prices (cheap destination)</td>
<td>Fixed expenses increased (electricity, taxes, heating etc)</td>
</tr>
<tr>
<td>Tourism industry emerging and drivers of economy</td>
<td>Tourism put pressure on living conditions local populations</td>
</tr>
<tr>
<td>Membership EU 2007</td>
<td>Due to seasonality no full year employment</td>
</tr>
<tr>
<td>EU money for investment in economy</td>
<td>Bad services due to limited training facilities</td>
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<th>Social</th>
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<tr>
<td>Duet o free market economy, liberalisation and other policies of reform, disposable incomes increased</td>
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<tr>
<td>Increase minimum income</td>
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<td>Membership EU 2007</td>
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<tr>
<td>Tourism industry is source for employment</td>
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<tr>
<th>Technological</th>
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<tbody>
<tr>
<td>Tourism construction/development not up to standard</td>
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<tr>
<td>Improvement of infrastructure necessary</td>
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<tr>
<td>Bad state airports</td>
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<td>Heavy and uncontrolled construction</td>
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<table>
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<tr>
<th>Technological</th>
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<tbody>
<tr>
<td>Investment in tourism Construction by foreign companies</td>
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<tr>
<td>Tourism development opportunities behind the coast</td>
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<tr>
<td>Tourism development in the 21st century</td>
</tr>
<tr>
<td>EU money will encompass an increase in construction activities</td>
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<table>
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<tr>
<th>Environmental</th>
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<tbody>
<tr>
<td>Increasing water supply</td>
</tr>
<tr>
<td>Increasing amount of sewage and electricity use</td>
</tr>
<tr>
<td>Dirt and noise pollution, due to heavy construction</td>
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<table>
<thead>
<tr>
<th>Environmental</th>
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<tbody>
<tr>
<td>The attention for sustainable tourism is increasing</td>
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</table>

Source: structure based on Lynch (1997)
Chapter six - Research findings and recommendations

6.1 Introduction

Due to the accession, Bulgaria is on the doorstep of an enormous change. Now the country became a full member of the EU many opportunities arise. After analyzing the external factors influencing the Algarve tourism product and the Bulgarian Black Sea Coast, this chapter will portray if the Bulgarian Black Sea Coast is able to learn from Algarve practices. It will elaborate on what were the successes in the Algarve and what needs to be improved at the Black Sea Coast. This chapter will give an answer to an important part of the aim namely “how and what can accession countries learn from previous practices in tourism industries, in order to be able to catch up with established member-states”. At the same time the findings form the recommendation for the Bulgarian Black Sea Coast.

6.2 How can the Bulgarian Black Sea Coast learn from the Algarve?

In the literature study already came forward that new accession countries have to learn from previous practices. The Algarve tourism industry forms the example, portraying that regional prosperity with the help of the EU structural funds can be achieved. Also other fields as institutional reform, marketing and product development portray how a successful tourism product can be realized. The Bulgarian Black Sea Coast should therefore apply previous examples from the Algarve.

6.3 What can the Bulgarian Black Sea Coast learn from the Algarve?

The question what the Bulgarian Black Sea Coast can learn from the Algarve can after the study of the Algarve and Black Sea Coast also been drawn. Various external factors influenced the Algarve positively and many factors influenced the Bulgarian Black Sea Coast negatively. Positive influences adapted from PESTE analysis of the Algarve (p.50) form the basic solution for negative external influences adapted from the PESTE analysis of the Black Sea Coast (p.64), and make it able to answer the question, what the Black Sea Coast can learn from the Algarve.
6.3.1 Political

As one could have seen from Algarve practices political decision-making is the basis of success. It is clear that the focus put on the tourism industry by governmental organisations created the possibility to form clear objectives for the development of the region. This resulted in the realization of regional institutes, dealing with projects funded by the EU, and institutes in the field of tourism promotion and tourism research. Regional instead of national institutes dealing with the allocation of EU aid to specific regional projects made it possible to measure the direct results. At this moment of accession, the Bulgarian (Black Sea Coast) authorities should make important decisions for the future. It should make a decision whether they choose to put the emphasis on the tourism industry. If this decision is made, political choices on what projects the structural funds will be allocated should be defined. A plan should be developed on the direction and the focus of tourism products. A framework should be realized in which enterprises are encouraged and stimulated to develop sustainable tourism products. High quality tourism products which attract high value tourists need to be achieved. A small amount of high value tourists however can realize the same economic profits as a large amount of low value tourists. The focus on high value tourists will therefore decrease the social and environmental pressure on the region.

6.3.2 Economic

The economic support gained by the EU structural funds and money allocated by the Bulgarian authorities should be used to increase knowledge, and realize infrastructural projects. These two fields of interests form the basis for tourism development. The Algarve University was source for knowledge about tourism issues and development. Upgrading of the Airport made it able to receive more tourists, and the realization of a well developed road network, made it possible to transfer tourists to the various tourism destinations in the Algarve. These are exactly the shortcomings of the Bulgarian Black Sea Coast and should therefore form the focus of the development process.

6.3.3 Social

The Algarve as well as the Black Sea Coast portrayed that tourism and living conditions for local inhabitants is not always supportive. However from Algarve practices can be learned that investment in infrastructure urban renovation and development touch the tourism industry and the living conditions of local inhabitants. The Algarve portrayed that urban development, realization of theatres and the development of public parks improved living conditions. The
attention for issues like water-supply and other basic facilities for local inhabitants should not be diminished by increase of tourism numbers. Besides this job opportunities should not only be focused on the sea shore but should be spread over the region by way of tourism development more inland. In the allocation of the different structural funds, (ERDF, ESF, Cohesion) and the regional development plan the above mentioned factors should be taken into account.

6.3.4 Technological

Technological issues can mainly be found in infrastructural projects mentioned in the previous paragraphs. Infrastructural projects which should be supported by the structural funds are; renovation of airports, road, railway, and bus network, water and electricity supply, construction of public facilities as libraries, theatres and Universities. But also sustainable construction of hotels and resorts. Depending on the focus of type of tourism, development of all year round tourism facilities as golf courses (golf tourism) conference hall’s (MICE tourism) and museums and historical information centres (cultural tourism), need to be aimed for in order to diminish the seasonality.

6.3.5 Environmental

Environmentally, the Black Sea Coast can learn from the preservation of the RioFomosa national park, and the sustainable development of for example golf tourism. Besides the problem of water supply can also been adapted from Algarve practices. Other environmental impacts as noise pollution, sewage and electricity use should be minimized and solved through new projects. Information concerning these issues is due to lack of information in this field not portrayed in this research. This information might be adapted from other tourism destinations.

6.4 Conclusion

Research findings show that the Bulgarian Black Sea Coast can learn from previous practices in the Algarve. Political decision-making is one of the most important factor in the future of a region. If the tourism industry is chosen as a tool to achieve regional prosperity, clear objectives need to be defined and regional institution should be developed in order to implement structural funds in the best possible way. The structural funds should be used for infrastructural projects as well as renovation. Increase of knowledge should be achieved through realization of an University. Besides this attention should be given to the social
environment. Local inhabitants should take advantage out of the development process as well. Issues as shortage of water and electricity due to increasing tourism demand for instance should be avoided. Next to this tourists as well as local populations can profit from urban renovation, and realization of other facilities. In the construction of tourism project sustainability should be taken into account and issues as seasonality should be diminished by way of diversification of tourism products. At last attention should be given to environmental complications caused by tourism development. If lessons from the Algarve are not taken into consideration and the support for tourism development will not be given the future of the Black Sea Coast will be in danger. Chances that tourism will chose for other destinations will increase, with economic and social problems as a consequence.
Chapter seven - Conclusions

The secondary and primary research presented in this study has made it possible to find a satisfying answer to the aim of the research “to research what the influence is of the EU cohesion policy on tourism industries, and to identify how and what accession countries can learn from previous practises at tourism destinations, in order to be able to catch up with established member states”.

7.1 Literature review

A literature study presented a thorough analysis of how the tourism industry is influenced by EU policies and how tourism can help underdeveloped region in the process of economic and social expansion. With the knowledge gained the first part of the aim of the research could be answered. “what the influences is of the EU cohesion policy on tourism industries”. Literature study portrayed the importance of the EU cohesion policy for new EU members. The cohesion policy tries to accomplish social and economic prosperity in underdeveloped regions. Recent accession of the EU with 10 former CEEC member states, with there specific implications makes the topic actual. New accession countries can profit widely of EU support, however practises from previous accessed countries should be learned from. Through the history the EU has been influencing the tourism industry. The EU acknowledged the importance of the tourism industry but failed to give it an important position on the EU agenda.

Tourism is seen as an industry which is able to achieve the aim of the cohesion policy. There are however also other EU policies which influence the tourism industry such as the EU single market. The new members states all have attractive tourism products and therefore consist over sources for regional prosperity. Instruments to achieve regional prosperities are named structural funds, and help towards the goal of social and economic cohesion. Structural funds provide aid for EU regions which lay back on developed regions. The various structural funds have different objectives. Due to wide influences of the tourism industry tourism can make use of all the funding instruments. The structural funds make it able to develop the basic facilities for tourism development. Remarkable is however that literature study mainly presented the positive influences while negative influences of tourism are important to take into consideration as well. Examples of the implementation and effect of structural funding
are scared, this formed a basis for further research. With knowledge gained through the literature study a hypothesis could be drawn. The question if the hypothesis is based on reality is answered in the body of the research and gave answers on the aim “how and what accession countries can learn from previous practises at tourism destinations, in order to be able to catch up with established member-states”

7.2 Conclusions about body of the research

With the knowledge gained through field research a hypothesis could be drawn. The hypothesis to be verified was:

“The tourism industry is ‘the’ industry which makes it able to overcome regional disparities. It is for this reason from key importance that authorities implement EU cohesion funds in order to develop and/or improve tourism products in regions which lay economically and socially behind on established EU regions.” Algarve and Bulgarian Black Sea Coast practises made it possible to verify the hypothesis.

7.2.1 Algarve

The Algarve is influenced by many external factors through history, local, national and international authorities influenced the tourism product. Since the accession of Portugal to the EU, EU policies became important for Portugal. Cohesion funds helped underdeveloped region as the Algarve to improve economic and social circumstances. Due to the importance of tourism industry at the Algarve, aid in the form of structural funds was used to upgrade tourism supporting facilities. Various tourism related projects were supported through funding instruments. As a consequence the economic and social situation improved. In the new planning period the Algarve is considered to be a passing-out region which means that it does not enjoy full EU support anymore. This forms the evidence that the EU considers the Algarve as a region which can sustain without the full support of the EU.

7.2.2 Black Sea Coast

The Bulgarian Black Sea Coast forms an example of a region which recently entered the EU. In this region the tourism industry occupies same as in the Algarve an important role. However economic and social practices in this region are far behind on the average of the EU. The tourism industry is influenced by many external practices. National as well regional historical practices have had a significant influence on the tourism industry. The fact that Bulgaria just accessed the EU means that structural funding instruments become available for
the Black Sea Coast region as well. As learned from the Algarve the tourism industry can play an important role to achieve the aim of social and economic development, and is a chance for the Black Sea Coast as well. The author acknowledged that lack of primary research at the Black Sea Coast made it difficult to draw an in depth analysis.

7.2.3 The findings

Findings of the research give an answer on “how and what accession countries can learn from previous practises in tourism industries, in order to be able to catch up with established member-states” Besides that it give an answer to part of the aim, it at the same time includes the recommendations for the Bulgarian Black Sea Coast. Previous examples are analysed in order to discover what new accession countries have to do to catch up with established member states. External influences on the Algarve and Bulgarian Black Sea Coast portrayed through a PESTE analysis show the positive external influences and negative external influences on both destinations. External influences are brought together and portrayed what the Bulgarian Black sea coast need to do in order to achieve same positive results as in the Algarve. Eventually one can conclude that the hypothesis is based on reality and that the remaining part of the aim including the question “how and what can be learned” is answered.

7.3 Suggestions for further research

This study offers a several opportunities for further research, some examples can be:

1. Primary research at the Black Sea Coast in order to obtain the meanings and views of the local population towards the emergence of tourism and the impacts on the local population.

2. Investigation at the Black Sea Coast to identify what the environmental impacts are of tourism development.

3. Carry out a study to identify the willingness of western EU tourists to travel to Bulgarian Black Sea Coast and what the implications are.

4. Research the image of the destination by potential tourists. In order to find out were marketing should be focused on and what sorts of tourism products should be improved or developed.

5. Research towards alternative industries for tourism at the Black Sea Coast, to identify if the tourism industry is the one and only industry to realise regional prosperity.
6. In depth research towards the impact of the EU single market on tourism destinations. To find out what the impacts are of the deregulations of the airline industry, free movement of goods services and persons and the EMU.

7. Research towards changing tourism flows within the EU due to the emerge of tourism destinations in the new members states, in order to find out if tourism destinations loose competitive advantage and tourists are prepared to chose for alternative tourism destinations.

8. Development of a model for successfully implementation of structural funding in tourism destinations. In order to help future accession countries, in the process social and economic development.
Appendices

One………………… list of interviews
Two………………..Interview Algarve
Three………………Interviews Bulgaria
Four………………..Chapter of the Acquis Communautaire
Five………………..Map Algarve
Six…………………..Map Black Sea Coast
Seven……………….Influence single market on the Algarve
## Appendix one  List of interviews

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<td>EV- tours full – service</td>
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<tr>
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<td>Algarve Tourism Board (RTA)</td>
<td>Tourism board, tourism research and marketing</td>
<td>Padinha, D. Manager study and projects</td>
<td>Faro, (RTA)  23-05-'07</td>
</tr>
<tr>
<td>Algarve Tourism Board (RTA)</td>
<td>Tourism board, tourism research and marketing</td>
<td>Alfonso, R. Marketing Manager</td>
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<td>Varna international Airport</td>
<td>Airport</td>
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<td>Bulgarian tourism board Netherlands</td>
<td>Tourism board</td>
<td>Rashkov, S Manager</td>
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<td>Spassov, E. Student, tourism research black –sea coast</td>
<td>Breda, University of applied sciences  25-06-'07</td>
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<td>Bulgarian embassy</td>
<td>Embassy</td>
<td>Krikorian, J.R Head of commercial and economic section</td>
<td>The Hague, Bulgarian Embassy  19-07'07</td>
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Appendix two Interviews concerning Algarve

Name: ………………………………………………………………………………………………………
Position: …………………………………………………………………………………………………...
Organization: ………………………………………………………………………………………………
Date: ………………………………………………………………………………………………………

Questions

1. What are according to you the main attracting tourism products in the Algarve?

2. In what way do the Algarve distinct from other European sun, sea and sand destinations?

3. What are the biggest competitors of the Algarve?

4. Do you consider Bulgaria to be a competitor of the Algarve?

5. How did the European Union influence the development of the tourism product of the Algarve?

6. What were the impacts of the structural funds on the development of the tourism product of the Algarve?

7. How influenced the free market/common market the tourism development of the Algarve?
   • Customs Union
   • Liberalization air transport
   • Free movement of goods and services

8. What was the impact of the Euro on the tourism product of the Algarve?

9. What were other important PESTL influences on the Tourism product of the Algarve?
Appendix three  Interviews concerning the black-sea coast

Name: ..............................................................................................................................................

Position: ...........................................................................................................................................

Organization: .................................................................................................................................

Date: ............................................................................................................................................... 

Questions

1. What are according to you the main attracting tourism products of the Black-sea coast?

2. In what way does the Bulgarian Black Sea Coast distinct from other European sun, sea and sand destinations?

3. What are the most important tourism markets for the Bulgarian Black Sea Coast?

4. How is tourism development at the black/sea coast been influenced by historical external factors (PESTE)?

5. What are the main implication of tourism at the Black Sea Coast?

6. How can the Black Sea Coast sustain tourism growth without damaging nature and the social environment?

7. How do you think that the European Union will influence the development the Black Sea Coast in Bulgaria?

8. Do Bulgarian authorities recognise the importance of the tourism industry and is it likely that EU money gained from structural funds will be invested in the tourism industry?

9. Do Bulgarian tourism authorities have an tourism development plan and is the help of structural funding included in this development plan?

10. Are there example of tourism related projects which are supported by EU money?
## Appendix four  Chapter of the Acquis communautaire

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<td>Regional policy and coordination</td>
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<td>Judiciary and fundamental rights</td>
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<td>Company law</td>
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<td>Competition policy</td>
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<td>Financial Services</td>
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<td>Information society and media</td>
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<td>Chap twelve</td>
<td>Food, safety, veterinary and phytosanitary policy</td>
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<td>External relations</td>
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</table>

Source: [http://ec.europa.eu/enlargement_process/accession_process/how_does_a_country_join_the_eu/negotiations_croatia_turkey/index_en.htm](http://ec.europa.eu/enlargement_process/accession_process/how_does_a_country_join_the_eu/negotiations_croatia_turkey/index_en.htm)
Appendix five  Map Algarve
Appendix Six  Map Black Sea Coast

Source: Bulgaria Property, 2007
Appendix seven Influence single market on the Algarve

The Algarve tourism product and the influence of the EU single market

The single market has made it possible for foreign companies to construct large tourism resorts at many places in the Algarve. This had as result that a lot of foreign money was pumped into the economy of the Algarve, and many businesses (think for example of the construction industry) were able to profit from this investment. Padinha, (2007) mentions that Thomas cook and TUI are two important foreign investors. Besides this the settlement of these large resorts were source for many jobs. Next to the fact that EU companies were able to set up their businesses the Algarve could also make use of increase of knowledge due to the free movement of services EU consultancy bureau’s and high skilled employees were able to work in the Algarve. Moreover without the foreign expertise the Algarve was not able to develop a high value tourism product. For the construction of the golf courses for example foreign expertise was from great importance. Accessibility was also improved due to the Schengen acquis. source

Free movement of people.

One of the key elements of the success of the Algrave is that the Algarve was able to attract large amounts of tourists from north Europe, the UK, Germany and The Netherlands are the most important incoming markets. The fact that crossing boarders within the EU became easier made that more and more people decided to travel to Portugal. The Schengen acquis was however also source for an increasing amount of tourists from the neighbouring country of Spain. Day trips as well as short holidays increased. It was however the deregulation of the airline industry which encompassed a real change, and made travelling to the Algarve possible for a wider public.

Deregulation of the airline industry and the emergence of low cost airlines.

It are According to Eurostat international (2006) especially the low cost airline who boost the tourism industry in the Alagrve. Due to the low airfares in combination with the expansion of routes especially from, northern European countries, as England, Germany and the Netherlands, it became in the last few years much more easy to access the Algarve tourism product. The EVD, (2007) mentions that lowbudget airlines in to Faro 2004 increased with 20 % in comparison with 2003. 37, 8 % (1,8 million) off all passengers flew with low cost airlines to the Algarve. This also comes forward in the report of Almeida et all, (2007) in which the growth and the influence of low cost airlines is described on the Faro airport and in specific the Algarve. At first the report shows the impact of the deregulation of the airline industry in 1997 which made it possible for airlines to operate between all the European
Union member states, which incurred an ongoing trend of low cost airlines operating between various destinations, including the Netherlands and the Algarve. The same report portray that as a result of the emergence of the low cost airlines, the amount of charter flights decreased. (see figure…..) This has following Almeida (2007) a negative influence of the knowledge about the reason for traveling to the Algarve. This information used to be supplied by the tour-operators, who were operating the charter flights. At present it is therefore difficult to determine, what the needs and wants of the tourists are. According to Padinha, 2007 the Algarve tourism board is these day’s negotiating with airlines in stead of tour operators

**Share in percentage in mean of airlines at Faro airport**

<table>
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<tr>
<th>YEARS</th>
<th>CHARTER</th>
<th>REGULAR</th>
<th>LOW COST AIRLINES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>86,3%</td>
<td>12,5%</td>
<td>1,2%</td>
</tr>
<tr>
<td>1997</td>
<td>76,7%</td>
<td>17,0%</td>
<td>6,3%</td>
</tr>
<tr>
<td>1998</td>
<td>79,0%</td>
<td>14,9%</td>
<td>6,1%</td>
</tr>
<tr>
<td>1999</td>
<td>74,3%</td>
<td>18,0%</td>
<td>7,7%</td>
</tr>
<tr>
<td>2000</td>
<td>68,3%</td>
<td>21,9%</td>
<td>9,9%</td>
</tr>
<tr>
<td>2001</td>
<td>59,6%</td>
<td>19,0%</td>
<td>14,4%</td>
</tr>
<tr>
<td>2002</td>
<td>55,1%</td>
<td>18,3%</td>
<td>20,1%</td>
</tr>
<tr>
<td>2003</td>
<td>51,1%</td>
<td>12,0%</td>
<td>31,0%</td>
</tr>
<tr>
<td>2004</td>
<td>46,0%</td>
<td>11,6%</td>
<td>36,2%</td>
</tr>
<tr>
<td>2005</td>
<td>35,7%</td>
<td>13,0%</td>
<td>45,7%</td>
</tr>
<tr>
<td>2006</td>
<td>31,8%</td>
<td>13,3%</td>
<td>54,9%</td>
</tr>
</tbody>
</table>

Source: Almeida, et all. 2007

**The Euro and tourism in the Algarve**

Same as in most of the EU countries Portugal introduced the Euro, in the year 2001. The relatively cheap Portuguese escudo was changed for the expensive Euro. As a result of this prices increased and slowly but surely the competitive advantage decreased. The status of being a cheap country, shrink also because of the emergence of non euro destinations in the east of Europe and Turkey. Motyka, (2007) On the other hand the euro makes travelling to Portugal for many important markets very easy. Tourist do not have to change their money and extra cost due to the exchange of money disappeared. (Padinha, 2007)
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