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**Macro economy, Public finances and Regulatory  
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# **Tourism Master Plan for Karlovac and Lika-Senj Counties, Croatia**

**Volume II Priority Development Projects**

*February 2008*

**Technical Assistance for the preparation of a  
Tourism Master Plan for Karlovac and Lika-Senj  
Counties, Croatia coordinated by ADE in  
association with Grontmij | Carl Bro, Denmark**

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# Map of the planning area

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## Croatia overview



## Karlovac and Lika-Senj Counties



# Introduction

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In order to support tourism development in Karlovac / Lika-Senj tourism area, and according to the Terms of Reference (TOR), Consultants were required to identify a series of 25 potential development projects, out of which 10 priority projects for immediate implementation should be selected and project applications prepared for international donor agencies. The projects should aim at spreading the tourism development potential fairly evenly across the two counties and open up most of the joint territory to increased tourist visitation. Therefore, the projects could act as promoters of different sub-regions within the two counties.

The projects should generally comply with the adopted vision and mission statements for the Project area, and should support the realisation of predefined strategic objectives. In general, each project, if implemented, would contribute towards the development and diversification of the existing tourism product base in Karlovac / Lika-Senj project area, reposition the area as a diversified special interest tourism destination, improve the tourism image of the project area, and/or increase the tourism demand for the area. Otherwise, there are no a priori criteria required for the selection of projects. The project opportunities may be within any tourism related field such as capacity building, infrastructure development, product development, facilitation of major private investment, or any other field.

In line with the above, and in order to identify the 25 potential development projects, the following selection criteria have been applied:

- Will the proposed project attract tourists to the Project area?
- Will the proposed project open potential new markets?
- How will the project enhance quality of life in the Project area? (Is it likely to bring new job opportunities and revenue to the area? Will it provide commercial and employment spin-off opportunities?)
- Will the project enhance the tourism portfolio of the area;
- Will the project improve the uniqueness, reputation and image of the Project area?
- Does the project appear to be environmentally, culturally and socially sound?
- Relative attractiveness to private / public funding.

## The short-listing process

By the end of June 2007, the Working Group members were presented with the long-list of project ideas. With the help of the consulting team, at their meeting at the beginning of July the Working group short-listed some 23 projects.

Subsequently, the Project Steering Committee (PSC) at its meeting 3 July 2007 discussed the short-list proposed by the Working Group and agreed on a slightly modified short-list of 25 project ideas for further scrutinising with a view to identify the 10 priority development projects for immediate implementation.

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The 25 project ideas have been categorized under four broad categories according to their key features and objectives, i.e.:

1. Institution building
2. Tourist infrastructure improvement
3. Product development and
4. Marketing, promotion, and human resource development.

***Institution building***

While only one project, "*Production of a manual for development and improvement of small accommodation facilities*," has been categorized directly under this heading, a range of the projects under categories 3 and 4 will also contribute towards institution and capacity building. For instance, a number of the proposed product development projects will provide a strategic planning framework for county and municipality tourism boards for further development of special interest / niche market tourism in the project area.

***Tourist infrastructure improvements***

Projects relating to the improvement of tourism infrastructure such as an improved system for the provision of visitor information and interpretation, and improved signage of tourist attractions and facilities can for relatively little investment help improving the attractiveness and the quality of stay in the destination, and at the same time, create an impetus for increased tourist spending.

***Product development***

Most project ideas are designated to explore the opportunities for a structured diversification of tourism development in the region focusing on a range of special interest (niche) tourism products helping to spread the visitors, and thus tourism development throughout the project area. The proposed projects concern the exploration of the potential and how to exploit this within such as products as soft adventure (caving, diving), hiking and biking, industrial heritage, hunting, sport fishing, wildlife watching and photo safari, wine & gastro routes, castles/fortification, pilgrimage, other cultural heritage, and rural and ethno tourism.

***Marketing, promotion and human resource development***

Projects under this heading are designed to increase community awareness related to tourism development opportunities and its positive affects on the GDP of the project area so as to enhance the level of skills of public sector tourism planners to ensure the optimization of the region's potential for tourism development.

Table 1 overleaf provides a general overview of the 25 short-listed project ideas. Each project is given an identification number consisting first of a one-digit number between 1 and 4, identifying the main project category such as Institution building (1), Tourist infrastructure improvement (2), Product development (3), and Marketing, promotion and human resource development (4). This is followed by a consecutive project number running from 1 through 19 (for product development projects). It should be noted that the consecutive project numbering does not indicate any prioritization.

**Table 1**  
**Short-list of potential priority projects in Karlovac and Lika-Senj Counties**

Area of activity	Project
<b>1. Institution building</b>	1.1 Production of a manual for development and improvement of small accommodation and possibly F&B facilities
<b>2. Tourism infrastructure improvement</b>	2.1 Development and implementation of a uniform system of tourist information centers and general visitor information and interpretation 2.2 Completion of a uniform “brown signage” system for tourist resources & tourist attractions
<b>3. Product development</b>	3.1 Study of the rural tourism development potential 3.2 Preparation and implementation of a strategic plan for the development of a medieval castles/fortifications tourist route 3.3 Strategic development plan for hiking & biking trails in the project area 3.4 Formulation and implementation plan for marketing and promotion of wine and gastro routes 3.5 Evaluation of the potential for developing caving 3.6 Development of a textile factory museum at Duga Resa 3.7 Preparation and implementation of a strategic plan for the development of hunting tourism 3.8 Preparation and implementation of a strategic plan for wildlife watching 3.9 Development of historic diving tourism at Novalja 3.10 Market repositioning (and possible privatization) study for the HOC Bjelolasica Olympic Centre 3.11 Technical assistance to the Plitvice Lakes NP 3.12 Development plan for visitor management for the whole Rastoke site 3.13 Feasibility study for a new accommodation facility at Taborište 3.14 Preparation of a strategic plan for the development of small accommodation establishments along the Senj- Karlobag coastal road 3.15 Preparation and implementation of strategic plan for the development of trout fishing in the Gacka river valley 3.16 Development plan for possible utilization of highland villages around Senj 3.17 Development plan for the Eurovillage in Krasno 3.18 Assessment study for the possible development of pilgrimage routes 3.19 Development of joint cultural heritage itineraries
<b>4. Marketing, promotion, and HR development</b>	4.1 Internal marketing (community awareness building) 4.2 Professional training programme for the preparation of local marketing and promotion plans/programmes 4.3 Preparation of a strategic regional marketing plan for the project area

Source: TMPs, 2007

### Ten priority projects

As a result of a productive workshop with the Working group members at the end of August 2007, the 10 priority projects have been identified to be presented to the PSC. On the PSC meeting held on 11 September 2007, the Consultants informed the Steering Committee members on the selection process and presented the 10 priority projects. During the discussion that followed, one of the 10 proposed projects has been rejected by the PSC and replaced with another from the short listed 25 project ideas. The ten final projects to be implemented are as follows:

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- Project No. 1 - Production of a manual for development and improvement of small accommodation facilities including development of educational training programmes
- Project No. 2 - Development of a uniform system of tourist information centres and general visitor information and interpretation facilities (also incorporating completion of 'brown signage' in the project area)
- Project No. 3 - Preparation of a strategic plan for the development of a medieval castles/fortifications tourist route in Karlovac and Lika-Senj project area
- Project No. 4 - Strategic development and activity plan for hiking & biking trails in Karlovac and Lika-Senj project area
- Project No. 5 - Preparation of a strategic plan for wildlife viewing in Karlovac and Lika-Senj project area
- Project No. 6 - Preparation of a strategic plan for the development of small accommodation establishments along the Senj- Karlobag coastal road
- Project No. 7 - Preparation of a strategic plan for the development of sport fishing, with special attention to trout fishing in the Gacka river valley
- Project No. 8 - Study of the potential for development of rural tourism in Karlovac and Lika-Senj project area
- Project No. 9 - Community awareness building of tourism development potentials and opportunities in Karlovac and Lika-Senj project area
- Project No. 10 - Preparation of a regional marketing activity plan for Karlovac and Lika-Senj project area within the framework of national strategic marketing

Following the grant application format for the Croatia 2005 PHARE National Programme, a uniform application form for each of the above stated 10 projects designated for immediate implementation has been adopted and used in the preparation of the project applications. Namely, it has been assumed that this format largely corresponds to the standard EU funding requirements best practice. Further, such an approach has been found most suitable since at this time it is still not known when, under what conditions, and in what capacity will the EU and other international donor agencies' funds be available for projects related to the development of tourism in Croatia. In this regard, the use of a standard project application form that can easily and quickly be adapted to satisfy the specific funding requirements of specific donor agencies once they are identified has also been discussed with and recommended to the consultants by the official EU commission representative in Zagreb.

Finally, it needs to be stressed that the cost estimates for each of the 10 projects designated for immediate implementation have been determined in a transparent manner so as to allow for the distinction of different cost items. In this regard, each project's expected cost is decomposed on the following categories:



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- Cost of consultants (where it has been assumed that for each project there would be the need to commission a team of international and local consultants over a specified time period)
- Field trips/travel costs
- Workshops and/or stakeholder meetings
- Other project related cost (i.e. sale missions, preparation of promotional material, household surveys and focus groups etc.)

On top of the specified costs, a contingency amounting to no more than 10% of the total has been added.

Related to the total project cost estimates, it needs also to be mentioned that these have been projected in real terms and do not include any direct financial contribution of the Karlovac and Lika-Senj Counties (being the project beneficiaries). Nevertheless, it has been assumed that the two Counties' administrations, together with their respective Development Agencies, will provide appropriate office premises during the implementation of each of the projects. Additionally, local administration is expected to rent the venues for various meetings/workshops, and should provide valuable working input of their staff. Therefore, the contribution of the beneficiary, depending on the specifics and duration of each of the 10 projects, should amount to some EUR 40,000 - 50,000 per project.

# Priority project applications

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# Project No. 1: Small Accommodation Manual

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## CONCEPT NOTE

### 1. Summary of the action

#### 1.1 *Brief description of the proposed action*

The **overall objective** of the project is to “create (self)employment opportunities in the tourism sector and increase tourism’s share in the GDP of the region”.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. According to the 2001 census, the Lika-Senj County had a population of about 53,700 constituting only 1.2% of Croatia’s population, whereas the population of the Karlovac County amounted to 141,800 inhabitants, corresponding to 3.2% of the total population of Croatia . With an average population density of some 10 inhabitants per km<sup>2</sup> in the case of Lika-Senj County, and less than 40 inhabitants per km<sup>2</sup> in case of Karlovac County, the whole project area is one of the least populated areas in Croatia. Further, over a long time period, both Counties have been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends at this point in time represent probably the most significant threat to the long term economic and social development of the project area. Mostly as a result of unfavourable demographic situation, and according to the last available data (2004), the Karlovac and Lika-Senj Counties contributed only 2,3%, and 1,5% respectively to the national GDP.

Apart from its demographic and socio-economic characteristics, one of the additional developmental constraints in the project area refers to lack of and/or insufficiency of existing infrastructure (water supply, sewage, gas, solid waste removal etc.) to support larger industrial projects that could account for considerable reduction in unemployment. In such circumstances, the best option for job creation lies in the sphere of SME start-ups and self-employment. Therefore, any project resulting in expected increase in self-employment has to be treated with due respect.

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, and (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. This has been recognised by the ROPs of both counties, since they have specified tourism as one of the most prosperous economic sectors to focus on in the future.

In addition, and due to the Country policy to encourage private sector tourism related projects, especially in the continental and less developed regions of Croatia, at present there are several private sector development state-aided schemes in place aiming to: (i) induce greater SME start-up activity in the tourism sector, and (ii) increase the share of tourism in the GDP of the region.

On the other hand, **specific objectives** of the project are as follows:

1. *To improve the quality of tourist accommodation services in the region and, thereby, visitor satisfaction*

In order to induce tourist demand and increase tourist visitation, an increase in the number, variety and quality of accommodation facilities in this area is necessary. However, due to the region’s natural disposition towards special interest demand and niche market product development, traditional hotel accommodation should, in most cases, be ruled out. On the other hand, the whole region with its national parks, nature parks and other protected landscapes, represents an ideal setting for different types of small, family owned and operated, accommodation facilities that appeal especially to the nature loving special interest groups and market niches. The provision of such accommodation

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facilities in numbers and service quality sufficient to match potential market demand would result in increased visitor satisfaction, which would reflect itself in prolonged stay and repeated visitation as well.

*2. To ensure market success of small (family owned and operated) accommodation facilities in the region*

The effectiveness of utilization of the state-aided funds has, so far, been lower than expected. Namely, most of the newly built tourism related facilities owned by the private sector do not meet neither the expectations of the market demand, nor the technical specifications required by the industry professionals. As a result, most of these facilities do not operate successfully. This is especially disconcerting in the case of various beneficiaries of the state aided investment schemes intended to initiate SME start-ups and self employment.

*3. To increase the effectiveness of the state aided investment schemes related to tourism accommodation.*

The lack of successful new, private sector related, accommodation facilities in the project area is, to a large extent, a reflection of inadequate knowledge, as well as of not abiding to usual procedures in project preparation and project development stages. In this regard, one should especially stress: (i) the pre-investment stage, during which the investors should assess the market and economic viability of the project idea, as well as (ii) the investment stage, during which investors should pay attention to the expectations of the market (demand requirements) and necessary spatial and quality standards (room size, service space, mix of facilities and amenities etc.). In order to increase the number of successful private sector projects and minimize the risk of misusing the funds, the preparation of an Educational Manual that would guide the inexperienced investors through the whole project preparation and project development process seems to be an essential tool to limit the percentage of poor investment decisions.

**Justification**

The importance of private sector tourism development, in which this project acts as one of the frontrunners, lies in the fact that there are no better alternatives to initiate (self)employment opportunities and induce economic development, both in the attempt to reverse the long-term negative demographic trends in the region. Namely, the project implies: (i) a more effective utilization of publicly available, private sector accommodation related, state-aided schemes, (ii) a great opportunity for the acceleration of self-employment activity in the project area, and (iii) minimisation of risk associated with SME start-up investment projects related to provision of accommodation facilities. Further, and as a result of subsequent implementation of the project, a gradual increase in the number of successful small, family owned and operated accommodation establishments is to be expected. This, in turn, is a prerequisite for increased tourist visitation, prolonged stay and greater visitor satisfaction, resulting in increased tourism receipts in the region.

Increasing economic activity and rising tax proceeds will enable the local communities to ensure proper functioning of the (largely deceased) public services as well. The whole process should eventually reverse the unfavourable demographic trends.

An important component of the project is the improvement skills and know-how in the private sector, especially in the field of project development and project management.

In addition, the project incorporates the establishment of an advisory service facility (call centre), that would, free of charge, provide potential investors will vital additional information and advice on various matters related to their particular projects.

## **2. Relevance:**

### *2.1 Needs and constraints of the target area*

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its reputation for sea-side tourism, the country has recently formulated a strategy that focuses more on the development of tourism in the continental part of the country as well. The orientation on tourism as a strategic development vehicle is also strongly emphasised in the ROP for both, Karlovac and Lika-Senj Counties. Namely, the SWOT analysis, carried out for the purpose of the respective ROPs, points out the “pristine natural environment” as a major strength, and the “inadequate use of natural resources” and “small and underdeveloped business sector” as the most obvious weaknesses of the project area in general. In case of the Lika-Senj County alone, these findings have led to the explicit formulation of the following strategic development objective - *“the promotion of the tourism sector as a key driver of development in the County”*. For the time being, economic development in both counties is still slow, especially in Lika-Senj. In order to ignite economic activity, the whole project area is badly in need of new and innovative project ideas, programmes and initiatives, especially if they do not require substantial investment. This project entails all the required elements and refers to the territory of both counties. Therefore, most of the expected positive effects of the project will be dispersed throughout the project area.

### *2.2 Problems and needs*

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient skills to effectively manage the development of the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists and prolong their stay in the region. The combination of the above stated issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, and the number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues. Further, the project would open up the region to increased investment exposure, with various direct and indirect benefits associated.

### *2.3 Target groups and final beneficiaries*

The target group consists of the Karlovac and Lika-Senj Development Agencies (applicant), Karlovac and Lika-Senj Counties (partners), HGK Karlovac and HGK Otočac (partners), as well as Karlovac and Lika-Senj tourism boards (partners). All of them are expected to have direct and indirect benefits mostly associated with the increasing number of successful private sector operators, diversification and quality improvements in overall accommodation supply, increased guest satisfaction, prolonged stay, and repeated visitation. This should all result in the sustainable growth of tourism related receipts in the region.

Final beneficiaries are the local authorities, individuals that are going to apply for incentive schemes related to development of small, family run, accommodation facilities, and the population at large. Namely, following its implementation, the project should result in a number of new, internationally appealing accommodation facilities, specially suited for numerous nature loving market niches. Their market entry implies a steady increase in tourist arrivals and average length of tourist stay in the region, as well as an increase in average spent and tourism related receipts in general. This will directly affect the demand for personalised services of other destination management companies – SME businesses to be established (specialised accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the wider area.

**ADE-Grontmij | Carl Bro****2.4 Objectives and expected results**

The general objective is to “improve business-related infrastructure and to contribute to regional development”. This objective is implicitly met by this project proposal. The project is also directly associated with (i) modernisation/extension of existing (tourism related) infrastructure, (ii) SME and private sector development, (iii) job opportunity creation for local population, and (iv) training and technical assistance to both, public and private sector stakeholders so as to maximise the economic effects incorporated in the project itself.

Expected results, in terms of external (new) jobs, new SMEs established, increase in tourist receipts (and GDP/capita) are at this stage difficult to predict. However, there is great potential, especially if coupled with other projects aiming to increase and/or diversify existing tourism experiences in the project area. Nevertheless, the expected economic effects will not be immediate and will be directly correlated with the speed of project implementation.

**2.5 Added value of the action**

No other similar intervention in this field has so far been made public, so the added value may be estimated as close to 100%. Men and women should equally benefit from the project, especially younger and more entrepreneurial representatives of both genders. The project will help the Counties to make up for its lagging position and help it get closer to national averages in the field of GDP, employment and wealth in general.

**3. Methodology and Sustainability****3.1 Main project activities**

The project contains three activity components. These are listed in the table below in a way to show the logical connection between the project’s objectives and the planned activities.

<b>Specific activities</b>	<b>Project component</b>
1. Preparation of a comprehensive “how-to-do” educational manual that will enable the existing and potential entrepreneurs to develop high quality accommodation facilities in line with market expectations	1. Provide potential first-time investors in accommodation facilities with an operational tool that would minimise the risk of poor investment decisions
2. Create awareness and promote the use of the educational manual	2. Provide adequate distribution channels to create awareness of the new educational tool and attract potential investors to use it
3. Facilitate the establishment of an advisory service facility and call centre that would, free of charge, provide vital information to potential investors	3. Provide quick, practical and concrete advice and/or information to the existing/potential private sector investors on various topics covered by the Manual and beyond.

**3.2 Main implementing partners**

The entire set-up of the project has been designed so as to make sure that each partner can actively contribute his specific know-how, expertise and ideas as relevant input to the commissioned team of consultants. Activities have been defined in such a way that each partner has the opportunity to assist in providing information and creative input to the team of consultants during their work on the project. The very idea is to establish a dedicated group of stakeholders aiming towards a common goal: more prosperity for the project area through the diversification in the accommodation supply, resulting in a greater variety of tourism experiences. All partners on the project have known each other for many years, and have developed good working relationships.

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### 3.3 Sustainability

With the implementation of the project and realisation of all necessary activities, the conditions for sustainability of the project will have been created. The applicant, Karlovac and Lika-Senj Development Agencies and their project partners will ensure: (i) awareness for the Manual is created, (ii) advisory service facility and call centre are functional, and (iii) the build-out of the small, family owned and operated accommodation facilities strictly follows the recommendations outlined in the Manual.

Cooperation between the Karlovac and Lika-Senj Counties, as well as between other stakeholders involved in the project will be continued in the years following completion and subsequent implementation of this project. During the implementation, relevant institutions will arrange and re-arrange the relations between themselves in order to assure the best service to the potential investors. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability after the implementation of the project. Joint development of the project idea of the two local self-government units and involvement of other local and regional institutions is a new approach even at the level of preparation of this project. The joint project partners emphasise the strengthening of their real cooperation, rather than just a formal one.

### 3.4 Multiplier effects

The Production of an educational manual for the development and improvement of small, family owned and operated, accommodation facilities will become a necessary educational and/or operational guideline for potential private sector investors and ensure a long-term sustainable operation of small accommodation establishments throughout the project area. Once implemented, it will result in much needed diversification in the existing accommodation supply of the whole project area, and will result in increased tourist visitation and tourism related receipts. The whole process should be characterised by increasing rate of self-employment and SME business development that will spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

The human resources related investment component (education and skills enhancement of the private sector operators) will ensure provision and diversification of high quality accommodation facilities, more effective use of scarce public funds (state-aided schemes), as well as improved competitiveness of the project area on the tourism market.

Finally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on utilisation of idle and/or insufficiently used resources.

## **4. Expertise and operational capacity:**

### 4.1 Project management experience

Karlovac and Lika-Senj Counties have both been involved in various development projects in recent years, some of which have dealt with EU donor agencies as well (e.g. the preparation of a joint Tourism Master Plan). During work on these development projects, both Counties have developed excessive expertise and project management skills required to successfully embark upon, manage and finalise even very sophisticated and complex projects. It is in this regard that we do not anticipate any potential problems with operational capacity to fulfil the objectives of this particular project.



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Additionally, both Counties maintain a long-established cooperation with the Croatian Chamber of Economy, the Croatian Chamber of Trade and County economic departments. As self-government units, both Counties also have a continuous close cooperation with the Ministry of Economy, Labour and Entrepreneurship, the Ministry of Finance, the Ministry of Culture and other ministries and government funds (Regional Development Fund, Environmental Protection Fund and Development and Employment Fund) that might prove to be of relevance to the project.

**4.2** *Technical experience*

Regardless of the fact that all the related partners in the project have a long track record in the sector of tourism, the core technical know-how for the project will be ensured by means of the engagement of experienced tourism consultants and industry professionals (national and international), commissioned over a period of not more than 8 months. Providing cooperation with local stakeholders is established during every stage of work on the project, there should be no problems associated with the implementation of this project.

## I. FULL APPLICATION FORM

## 1. DESCRIPTION

## 1.1 Title

**Production of an educational manual for the development and improvement of small, family owned and operated, accommodation facilities**

## 1.2 Location(s)

Republic of Croatia, Karlovac and Lika-Senj Counties

## 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 175,000	EUR 125,000	% 71.4

## 1.4 Summary

Duration of the action	8 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To create employment opportunities in the tourism sector and increase tourism's share in the GDP of the region.</p> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>▪ To improve the quality of tourist accommodation services in the region and, thereby, visitor satisfaction           <ul style="list-style-type: none"> <li>▪ To ensure market success of small (family owned and operated) accommodation facilities in the region</li> <li>▪ To increase the effectiveness of the state aided investment schemes related to provision of tourist accommodation</li> </ul> </li> </ul>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>
Target group(s)	<p>Karlovac and Lika-Senj Development Agencies</p> <ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>

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Final beneficiaries	Local population of Karlovac and Lika-Senj Counties All stakeholders of the tourism industry in the area of intervention Tourists and visitors
Estimated results	At the end of the project the private sector investors will have the opportunity to use the advice/information contained in the Educational manual to their own benefit, thus minimising the risk of poor investment decisions.  In addition, the project incorporates the establishment of an advisory service facility (call centre), that would, free of charge, provide potential investors will vital additional information and advice on various matters related to their particular projects.
Main activities	<ul style="list-style-type: none"> <li>▪ Preparation of a comprehensive “how-to-do” educational manual that will enable the existing and potential entrepreneurs to develop high quality accommodation facilities in line with market expectations</li> <li>▪ Create awareness and promote the use of the educational manual</li> <li>▪ Facilitate the establishment of an advisory service facility and call centre that would, free of charge, provide vital information to potential investors</li> </ul>

## 1.5 Objectives

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The **overall objective** of the project is to “create (self)employment opportunities in the tourism sector and increase tourism’s share in the GDP of the region”.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. According to the 2001 census, the Lika-Senj County had a population of about 53,700 constituting only 1.2% of Croatia’s population, whereas the population of the Karlovac County amounted to 141,800 inhabitants, corresponding to 3.2% of the total population of Croatia . With an average population density of some 10 inhabitants per km<sup>2</sup> in the case of Lika-Senj County, and less than 40 inhabitants per km<sup>2</sup> in case of Karlovac County, the whole project area is one of the least populated areas in Croatia. Further, over a long time period, both Counties have been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends at this point in time represent probably the most significant threat to the long term economic and social development of the project area. Mostly as a result of unfavourable demographic situation, and according to the last available data (2004), the Karlovac and Lika-Senj Counties contributed only 2,3%, and 1,5% respectively to the national GDP.

Apart from its demographic and socio-economic characteristics, one of the additional developmental constraints in the project area refers to lack of and/or insufficiency of existing infrastructure (water supply, sewage, gas, solid waste removal etc.) to support larger industrial projects that could account for considerable reduction in unemployment. In such circumstances, the best option for job creation lies in the sphere of SME start-ups and self-employment. Therefore, any project resulting in expected increase in self-employment has to be treated with due respect.

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, and (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. This has been recognised by the ROPs of

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both counties, since they have specified tourism as one of the most prosperous economic sectors to focus on in the future.

In addition, and due to the Country policy to encourage private sector tourism related projects, especially in the continental and less developed regions of Croatia, at present there are several private sector development state-aided schemes in place aiming to: (i) induce greater SME start-up activity in the tourism sector, and (ii) increase the share of tourism in the GDP of the region.

On the other hand, **specific objectives** of the project are as follows:

1. To improve the quality of tourist accommodation services in the region and, thereby, visitor satisfaction
2. To ensure market success of small (family owned and operated) accommodation facilities in the region
3. To increase the effectiveness of the state aided investment schemes related to tourism accommodation

1. *To improve the quality of tourist accommodation services in the region and, thereby, visitor satisfaction*

In order to induce tourist demand and increase tourist visitation, an increase in the number, variety and quality of accommodation facilities in this area is necessary. However, due to the region's natural disposition towards special interest demand and niche market product development, traditional hotel accommodation should, in most cases, be ruled out. On the other hand, the whole region with its national parks, nature parks and other protected landscapes, represents an ideal setting for different types of small, family owned and operated, accommodation facilities that appeal especially to the nature loving special interest groups and market niches. The provision of such accommodation facilities in numbers and service quality sufficient to match potential market demand would result in increased visitor satisfaction, which would reflect itself in prolonged stay and repeated visitation as well.

2. *To ensure market success of small (family owned and operated) accommodation facilities in the region*

The effectiveness of utilization of the state-aided funds has, so far, been lower than expected. Namely, most of the newly built tourism related facilities owned by the private sector do not meet neither the expectations of the market demand, nor the technical specifications required by the industry professionals. As a result, most of these facilities do not operate successfully. This is especially disconcerting in the case of various beneficiaries of the state aided investment schemes intended to initiate SME start-ups and self employment.

3. *To increase the effectiveness of the state aided investment schemes related to tourism accommodation.*

The lack of successful new, private sector related, accommodation facilities in the project area is, to a large extent, a reflection of inadequate knowledge, as well as of not abiding to usual procedures in project preparation and project development stages. In this regard, one should especially stress: (i) the pre-investment stage, during which the investors should assess the market and economic viability of the project idea, as well as (ii) the investment stage, during which investors should pay attention to the expectations of the market (demand requirements) and necessary spatial and quality standards (room size, service space, mix of facilities and amenities etc.). In order to increase the number of successful private sector projects and minimize the risk of misusing the funds, the preparation of an Educational Manual that would guide the inexperienced investors through the whole project preparation and project development process seems to be an essential tool to limit the percentage of poor investment decisions.

## 1.6 Justification

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### 1.6.1. Relevance of the action to the objectives and priorities of the programme

The Karlovac and Lika-Senj Counties are still among the less developed regions of Croatia as regards economic and social resources. The strategy for economic development of both Counties is defined by their respective Regional Operational Programmes (ROP). According to these documents, development of tourism is emphasised as one of the priorities of economic development of the whole Region. The emphasis on tourism development is logical: the whole project area is ecologically unspoilt (Plitvice lakes, North Velebit, and Paklenica National Parks, Nature Park Velebit), rich in tourism resources and with very low population density. Additionally, it is easily accessible (new motorway) to both, tourists and entrepreneurs. Finally, and taking into consideration possible environmental impact of alternative tourism development strategies, it should be clear that the exclusivity of the project area should be strictly controlled and maintained over the long run. In order to achieve this goal, the County should promote and encourage the development of tourism infra and superstructure well blended with the nature and in line with traditional architectural heritage. At the same time, the region should predominantly cater to the needs of specific, environment friendly and/or nature loving, market niches. In this regard, the production of an educational manual intended to help the private sector investors successfully develop and operate diversified types of small, family owned and operated, preferably traditionally build accommodation facilities represents a necessary initial step and a crucial precondition in order to ensure long-run sustainable and market appealing tourism infra and superstructure throughout the project area.

To sum up, the proposed project will have a direct impact on:

- ➔ Increase in the overall quality and diversity of the tourist accommodation offer in the project area;
- ➔ Better utilization of scarce public funds related to private sector aided investment schemes
- ➔ Improved conditions for SME start-ups, new jobs creation and increase in tourism related receipts
- ➔ Greater awareness of private investors of the importance to build in accordance with the demand expectations of the most relevant market niches,
- ➔ Greater awareness of the private investors, local stakeholders and the population at large to build/reconstruct their accommodation facilities in line with traditional architecture and revitalise distinctive forms of national heritage (sustainable development principles);
- ➔ Increased recognition in Croatia, Karlovac and Lika-Senj Counties as tourism destinations offering not only diversified tourist experiences, but diversified and high quality accommodation, specially appealing to the nature loving market segments.

Following project completion, successful implementation of the project implies an increase in demand for state-aided investment packages. This increase in the investment activity of the local private investors should shortly be visible in a considerable amount of newly built/reconstructed and/or revitalized small accommodation facilities, increasing number of visitors and related tourism receipts, the number of persons employed or self-employed in tourism, etc. Additionally, the proposed project is directly related with the following development criteria:

#### 1. *Structured Development of tourism infrastructure*

The proposed project aims to create a necessary precondition for successful SME start-ups associated with provision of accommodation establishments. More specifically, this project predominantly intends to create an investment friendly setting which will, in effect, enrich the existing accommodation offer and diversity of market appealing accommodation establishments in the unique setting of preserved environment and traditional rural heritage. By following the development guidelines outlined in the Manual during the project development stage, private investors will not only develop new, up to date tourism accommodation facilities, but will at the same time ensure adequate usage of state-aided

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investment schemes, maximum protection of the environment, and minimum risk of poor investment decisions.

**2. SME and private sector development**

The implementation of the project will result in an increased number of successful new SME start-ups associated with the construction and/or reconstruction of already existing accommodation facilities throughout the project area. Apart from the fact that the increase in investment demand will spill over to other sectors of local economy (construction business, wholesale trade, crafts etc.), the very existence of a variety of market ready, small accommodation outlets appealing to the special interest market demand, will add to increased attractiveness of the project area and contribute to increased tourism receipts that will gradually induce new tourism related SME start-ups (multiplication effect), resulting in the formation of a well shaped tourism value chain.

**3. Job opportunity creation for local population**

Increased SME start-up activity in the Region naturally implies more job opportunities offered, although most of these will refer to family members. Although these job opportunities will initially be attributed to the small accommodation outlets owners, the increase in tourism related receipts will gradually spur the overall economic activity in the region and spill over to other economic sectors as well, construction and agriculture in particular.

**4. Market (re)positioning**

Successful completion of the project will represent a starting point for greater visitor satisfaction in the project area. In this regard, the two Counties will be able to improve and/or redefine their present market positioning, emphasizing preserved environment, piece and quite, variety of accommodation facilities, preservation of traditional architectural style and heritage, and niche product development. Such new positioning will help the Counties to attract considerably more visitors i.e. focus on market segments that they would otherwise have neglected. A focused marketing and promotion strategy, on the other hand, implies more effective use of scarce funds, resulting, at the same time, with superior outcomes.

**5. Training and skills enhancement**

Training and skill enhancement refers predominantly to the potential private sector investors and relates to the areas of project development and project management in particular. However, the skills enhancement will also be visible in the public sector employees as well, especially related to the establishment of the advisory service facility.

**1.6.2. Perceived needs and constraints**

In general, the Karlovac and Lika-Senj Counties have all the necessary natural preconditions to become a thriving area for tourism and leisure related activities. Yet, tourism development is still very slow and sporadic. This is caused by a combination of factors such as:

- ➔ lack of documentation necessary for structured tourism development (master plans, marketing plans)
- ➔ lack of public sources to fund tourism development
- ➔ lack of private sector investors with vision
- ➔ unfavourable demographic structure (old age groups prevail)
- ➔ outward migration of the young and educated
- ➔ insufficient funds to maintain and allow for improvement in infrastructure necessary for new investment in tourism
- ➔ lack of (tourism) infrastructure
- ➔ inadequate usage of state-aided financial schemes.

### 1.6.3. Target groups and final beneficiaries

The target group consists of the Karlovac and Lika-Senj Development Agencies (applicant), Karlovac and Lika-Senj Counties (partners), HGK Karlovac and HGK Otočac (partners), as well as Karlovac and Lika-Senj tourism boards (partners). All of them are expected to have direct and indirect benefits mostly associated with the increasing number of successful private sector operators, diversification and quality improvements in overall accommodation supply, increased guest satisfaction, prolonged stay, and repeated visitation. This should all result in the sustainable growth of tourism related receipts in the region.

- ➔ Karlovac and Lika-Senj Development Agencies: 2 - 4 persons will be directly involved in some of the project activities (creating awareness of the Manual, advisory service establishment etc.) , and respectively affected by the project. The other relevant effect is that these persons will learn and gain experience on how to efficiently and professionally manage development projects, especially those associated with EU funding schemes.
- ➔ Karlovac and Lika-senj Counties' tourism boards: all employees are in need of further training in project development and project management, awareness building and product development.
- ➔ The Croatian Chamber of Economy regional units in Karlovac and Otočac: 2 – 4 persons will in particular benefit from the preparation of the Manual, not only during production of the Manual, but mostly by means of its implementation (i.e. providing valuable advice to potential private sector investors). The staff of the HGK will also actively participate in creating awareness of the Manual and communicating its relevance to the private sector.

Final beneficiaries are:

Local authorities: Through implementation of this project the Karlovac and Lika-Senj County officials and the respective Development Agencies will dispose of a valuable operational tool and a relevant practical “how-to-do” guideline that will: (i) increase the demand for state-aided investment schemes focusing on the provision of small, family owned and operated, accommodation facilities, (ii) minimise the risk of poor investment decisions, and (iii) spur business optimism in the project area (as a result of an increasing number of successful private sector tourism related investment projects).

Owners of existing accommodation facilities, private investors in new accommodation facilities, other tourism related SME owners/operators: Following its implementation, the project should result in an increased demand for state-aided investment schemes, resulting in a diversification of accommodation supply throughout the project area. This, in turn, will lead to a steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the owners of accommodation facilities and other tourism related businesses of different destination management companies – SME businesses (F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the project area and wider region.

The wider population of Karlovac and Lika-Senj Counties: The increased tourism revenues will, by means of increased tax proceeds, gradually spill over to the community at large, improving the level of public services (medical care, education, day-care etc.) and the standard of living in general.

## 1.7 Detailed description of activities

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### ***Component 1: A comprehensive “how-to-do” educational manual that will enable the existing and potential entrepreneurs to develop quality accommodation facilities is prepared***

Based on the most common mistakes made by private sector investors and/or beneficiaries of the state aided investment schemes focusing on small accommodation facilities provision, the Manual will offer detailed specification of activities, procedures and technical standards that will enable potential investors to embark upon successful investment projects. It is foreseen that this component of the project will be accomplished by consulting experts in tourism development, architectural design and construction of small accommodation facilities, as well as hotel operations in general.

#### **1.1. The educational “how-to-do” manual for inexperienced (first-time) private sector investors is produced**

Apart from essential reading on market analysis and the need to position the accommodation facility to cater to predefined market segments, the Manual will focus on the: (i) layout and overall design of various types of small accommodation outlets, (ii) layout and interior design requirements of bedrooms and bathrooms, (iii) common guest areas, (iv) furniture, fittings and equipment, (v) toilets and water supply systems, (vi) appropriate handling of sewage and waste, (vii) kitchen construction, F&B services and hygiene requirements, (viii) housekeeping procedures, (ix) health and safety requirements, (x) simple business operations, (xi) activities that can be provided for tourists, etc.

### ***Component 2: Awareness is created and use of the educational manual is promoted***

This component comprises a series of activities designed to create awareness and market interest for the Manual. It is foreseen that this particular assignment will be accomplished by a dedicated team comprising of a trained marketing professional (consultant) as Team Leader and selected employees of the partners on the project.

#### **2.1. A small promotional brochure or flyer to inform potential private sector investors about the Manual and associated educational and advisory opportunities is prepared**

In order to generate the initial interest for the Manual, a promotional brochure/flyer will be printed and distributed (relying on the insight and recommendations of project partners). The promotional brochure or flyer should be short, but informative and should be easily available to all potential private sector investors. Among other things, the brochure/flyer should provide necessary information on a series of public presentations that are going to be organised in order to present the Manual and its benefits to the public.

#### **2.2. Public presentations of the Manual are organised in order to generate awareness and create interest**

A series of public presentations are going to be organised not only to promote and/or present the Manual, but to initiate communication with its potential users as well. The presentations need to be well prepared, organised in all major cities throughout the project area and offer the opportunity for direct interaction with the audience. The presentations should also be used as an ideal setting for the initial screening of potentially interested individuals that are willing to give it a shot.

#### **2.3. A series of training workshops and/or specialised training courses is organised**

Following the presentations, and after initial awareness of the Manual and its contents has been created and communicated to the public, a series of training workshops and/or specialised training courses should be organised as well. These workshops and/or courses would be dedicated to the individuals that have expressed interest to become involved in the small accommodation business, and should initially cover the most commonly raised questions and concerns during the public presentations.

#### **2.4. Most common issues relating to the state-aided investment schemes within tourism are identified**



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Apart from practical and technical inputs to the potential private sector investors on how to build and operate a successful small accommodation facility, this component should also entail gathering and sorting out of available information on all presently available state-aided investment schemes related to provision of small accommodation facilities so as to enable the potential investors to get all the needed information at one place, during a single visit (one-stop shopping).

**Component 3: Establishment of an advisory service facility and call centre**

Due to the fact that the educational Manual will focus only on most relevant issues related to successful development and operation of small, family owned and operated, in order to provide additional information and/or advice to potential private sector investors, especially in case these are not covered by the Manual, the establishment of an day-to-day advisory service facility and call centre is also envisioned.

**3.1. Start-up of the advisory service facility**

Although the advice to potential investors in small, family owned and operated, accommodation facilities will eventually be provided by trained local professionals, it is foreseen that during the early phase of its operation, the advisory service facility would need to assign a consultant as a trainer to the local staff. Such a consultant should be expert in small accommodation design/construction, small accommodation economics and business development in general, whereas the duration of the assignment should not be longer than 3 months.

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**1.8 Methodology**

**1.8.1. Methods of implementation and reasons for the proposed methodology**

To ensure effective project management and subsequent implementation, a structure has been devised that ensures (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with the above, a rather detailed description of the individual activities has been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. As a result of this, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, the Project Manager will be appointed and the Project Steering Committee will be installed to supervise the entire project. The Project Manager will be in daily communication with the commissioned consultants. Apart from receiving monthly progress reports from the Project Manager, the Steering Committee will meet on a regular basis with commissioned consultants. This will enable it to quickly react to any requirement for decision-making.

**1.8.2. Relations with previous actions**

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified and recommended for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. In this regard, this particular project will achieve best results if implemented with the rest of the projects identified by the Tourism Master Plan.

### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Measurable indicators of achievement<sup>1</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>2</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a regular basis by the Project Manager. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will advise on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The project manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the two working groups.

The Project Management Units of Karlovac and Lika-Senj County, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs will use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

### 1.8.5. Roles and participation of the various actors

The Karlovac and Lika-Senj Development Agencies, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Karlovac and Lika-Senj Development Agencies are the major institutions in charge of the implementation of the Tourism Master Plan for Karlovac and Lika-Senj Counties, and are the only appropriate institutions to initiate and implement the project like this.

<sup>1</sup> See Logical Framework

<sup>2</sup> See chapter 1.9

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The Counties of Karlovac and Lika-Senj are partners and an essential part of the project for obvious reason – the project is related to economic development of their territory and they should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

The County Tourism Boards (TBs) of Karlovac and Lika-Senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs are represented on the Steering Committee. The TBs are an essential part of the project for the reason that they are the institutions which will help the small accommodation providers to position themselves on the market.

The Croatian Chamber of Economy in Karlovac and Otočac are partners in the project. The Chamber offices in Karlovac and Otočac are active in promoting business development in the wider Karlovac and Lika-Senj region, and have a special interest in the project. The regional Chambers will each have a seat on the Steering Committee.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), owners of small accommodation facilities, other tourism related businesses in the wider Karlovac and Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

### 1.8.6. Team proposed for implementation of the action

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- General tourism planning and product development
- Architectural design for various types of small accommodation facilities
- Local architecture
- Project development
- Hotel and catering industry standards
- Assessment of market potential and market trends
- Market projections
- Marketing and promotion of special interest (niche market) tourism
- Hotel operations
- Tourism business economics

The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

### 1.8.7. Main means for implementation

The main means for successful implementation of the project are working capacity of the consultants to be engaged, selected dedicated staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, Karlovac and Lika-Senj Development Agencies (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

### 1.9. Duration and action plan

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The envisaged duration of the project will be 8 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:



## 2. EXPECTED RESULTS

### 2.1 Expected impact on target groups/beneficiaries

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The development of an educational manual for the development of small, family owned and operated accommodation establishments represents one of the most important priorities in the development of new, market appealing, accommodation establishments, so much needed for the improvement of quality and diversity of existing accommodation offer in the project area. Further, such a manual is essential for a more effective use of state-aided investment schemes targeting potential investors in small accommodation, since it will considerably reduce the risk of poor investment decisions, which is so typical throughout the project area. Finally, the Manual, as well as the advisory service facility that is going to be established will ignite the demand for state-aided funds, resulting in a series of newly built small accommodation facilities located throughout the project area, well positioned to serve predominantly the needs of various special interest market niches that should represent the prime market segments for the whole Karlovac and Lika-Senj project area. The provision of high quality, market appealing and diversified small accommodation facilities in numbers sufficient to match potential market demand will result in increased visitor satisfaction, which would reflect itself in prolonged stay and repeated visitation as well.

As a result of the increase in the number of tourists in the project area, the demand for related services will increase as well, resulting in the acceleration in the small and medium-size businesses start-up

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rate, not only in the services sector. The new SME start-up activity will inevitably further improve the existing tourist offer of the whole region and will affect its economic growth. This growth should be evenly spread across the whole territory of the wider project area.

Further, due to the expected increase in the number of SMEs, as well as gradual rejuvenation in the overall economic activity, the project will lead to creation of additional employment opportunities in a fast growing services sector. This will considerably reduce the high unemployment rate and spur business optimism across the entire project area. This should considerably slow down the outflow of active workforce from this region in the mid-term period, and lead to a gradual return of educated and skilled workers (younger age brackets). Such an outcome will in the long-run reflect itself positively in the demographic sphere as well by means of a positive natural population growth.

During work on project, the applicant and its partners will obtain new knowledge and skills required for the implementation of similar projects in the near future. These skills will help them to initiate other activities related not only to additional diversification of the tourism product in the project area, but that will positively affect the local economy. This, in turn, implies an increase in the standard of living of the local population.

The project will also help in improvement of existing and creation of new tourism infrastructure, which will not only be serving the needs of the tourism related market demand, but which will cater to the needs of the local population as well.

Finally, the project offers considerable enhancement in skills not only of potential private sector investors in small accommodation, but to the dedicated personnel in the public sector (project partners) as well. It is expected that these individuals pass on their knowledge to their colleges, employees and/or other stakeholders in the region. In other words, the individuals involved in the skills enhancement program related to this particular project will be able to act as trainers (coaches) to the community at large.

To sum up, direct expected results of the project are as follows:

- ➔ A practical educational guide on how to plan, build and run small accommodation facilities
- ➔ An advisory service facility and call centre as a reference point for all potential private sector investors in need of practical advice and/or additional information
- ➔ Reduction of risk associated with investing in small accommodation, resulting in high proportion of successful new operators
- ➔ More effective use of scarce public funds – state aided investment schemes intended to spur up the private sector
- ➔ Increased interest for investing in small accommodation facilities in the project area
- ➔ Gradual diversification and increase in quality of tourism accommodation supply in the project area,
- ➔ Increase of skills and know how in project preparation, implementation and management
- ➔ Increased visitation and tourism receipts in the project area related to the special interest market niches
- ➔ An increase in visitor satisfaction, resulting in repeated visitation and image enhancement (word of mouth)

Taking into consideration the above stated, it is pretty obvious that the major beneficiaries of this project, apart from the project partners, will be the potential investors in small, family owned and operated, accommodation facilities. Nevertheless, following the build-out of a critical number of successful accommodation establishments, by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services

## **2.2 Concrete outputs**

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As per activities, the expected outputs are divided into 3 components. The following list does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

**Component 1: A comprehensive “how-to-do” educational manual that will enable the existing and potential entrepreneurs to develop quality accommodation facilities is prepared**

1.1. The educational “how-to-do” manual for inexperienced (first-time) private sector investors

**Component 2: Awareness is created and use of the educational manual is promoted**

- 2.1. A small promotional brochure or flyer to inform potential private sector investors about the Manual and associated educational and advisory opportunities
- 2.2. A series of public presentations to introduce the Manual to the public
- 2.3. A series of training workshops and/or specialised training courses
- 2.4. One stop shopping for information on various state-aided investment schemes within tourism

**Component 3: Establishment of and advisory service facility and call centre**

3.1. Start-up of the advisory service facility

### **2.3 Multiplier effects**

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The tourism industry is constantly in search of new destinations and attractive natural resources. Croatia has, so far, been known for its coastal tourism, with its continental part being still practically undiscovered, especially by the international tourism demand. With its unique natural resources and low population density, Karlovac and Lika-Senj Counties offer great potential for tourism development, especially in the area of green-field investment.

In order to induce tourist demand and increase tourist visitation, an increase in the number, variety and quality of accommodation facilities in this area is necessary. However, due to the region’s natural disposition towards special interest demand and niche market product development, traditional hotel accommodation should, in most cases, be ruled out. On the other hand, the whole region with its national parks, nature parks and other protected landscapes, represents an ideal setting for different types of small, family owned and operated, accommodation facilities that appeal especially to the nature loving special interest groups and market niches. The provision of such accommodation facilities in numbers and service quality sufficient to match potential market demand would result in increased visitor satisfaction, which would reflect itself in prolonged stay and repeated visitation as well.

Further, the Karlovac and Lika-Senj Counties are currently facing high unemployment rates. Therefore, all possibilities for creating new jobs are of utmost importance. The project itself, once it comes to its implementation phase, will generate a considerable amount of directly and indirectly induced jobs and self-employment opportunities, spurred up by the increased number of successful new SME start-ups associated with the construction and/or reconstruction of already existing accommodation facilities throughout the project area. Apart from the fact that the increase in investment demand will spill over to other sectors of local economy (construction business, wholesale trade, crafts etc.), the very existence of a variety of market ready, small accommodation outlets appealing to the special interest market demand, will add to increased attractiveness of the project area and contribute to increased tourism receipts that will gradually induce new tourism related SME start-ups (multiplication effect), resulting in the formation of a well shaped tourism value chain.

Finally, one should not overlook the fact that increased interest for the Region implies additional awareness and promotion for Croatia as a tourism destination, with all accompanying positive effects on job creation, GDP/capita and infrastructure development.

## 2.4 Sustainability

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### 2.4.1 Financial sustainability

With the completion of the project and realisation of all mentioned activities, the conditions for a more effective use of state-aided investment schemes and increased private sector demand for such funds within the project area will have been created. The applicant, Karlovac and Lika-Senj Development Agencies and their project partners will ensure additional funds for the development of required public infrastructure (advisory service facility and call centre), whereas accommodation capacity will be provided for by means of a tendering process specially crafted for individual private sector investors. The tender will be accompanied by a state-aided investment packages.

### 2.4.2. Institutional sustainability

Cooperation between the Karlovac and Lika-Senj Counties, as well as between their respective Development Agencies (the applicant) and other partners in the project will be continued after the completion of this project. Following project completion, all involved institutions will arrange and re-arrange the relations between themselves in order to assure best and most effective project implementation. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability in the implementation stage of the project

### 2.4.3. Policy issues

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

## 2.5 Logical framework

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Please see Annex A

## 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of EUR 125,000, and can be decomposed as follows:

### 3.1 Consultancy fees – preparation of the Manual

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The required provision of international and local consulting services is estimated at 5 person-months. The time input is estimated to be split approximately equally between international and local consultants at an average consulting fee at **EUR 10,000.00** per month. Consequently, the consultancy fees are estimated at **EUR 50,000.00**.

### 3.2 Per diems

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**ADE-Grontmij | Carl Bro**

Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been estimated at 60 at EUR 200 per day, resulting in total per diems in amount of **EUR 12,000.00**.

**3.3 Awareness creation and training workshops**

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Based on the estimated number of workshops and meetings with stakeholders (10), and a estimated cost of 2,000.0 EUR per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 20,000.00**.

**3.4 Design and printing of the Manual and promotional brochure/flyer**

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Based on so far available information, the design and print of both, the Manual and the promotional brochure/flyer should not exceed the amount of **EUR 25,000.00**.

**3.5 International travel / field trips**

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Based on available information on similar projects, total travel cost has been estimated on a lump sum of **5,000.00 EUR**.

**3.6 Contingency**

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Contingency has been budgeted in amount of **EUR 13,000.00** (or about 10% of EUR 138,000, the sum of all previously specified costs.)

**4. EXPECTED SOURCES OF FUNDING**

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.00.

The rent of venues for meetings and workshops is estimated at EUR 5,000.00.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 40,000.00.

The total contribution of the beneficiary amounts, thus, to **EUR 50,000.00**.



## Annex 1: Logical Framework Matrix

Project Title: <i>Production of an educational manual for development and improvement of small accommodation facilities</i>	Programme number:		Priority project number: 1
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 175,000	EU budget: EUR 125,000	
Overall Objective	Objectively Verifiable Indicators	Sources of Verification	
<ul style="list-style-type: none"> <li>• <i>Create better (self)employment opportunities in the tourism sector and increase the share of tourism in the GDP of the region</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Increased tourism related employment in the region</i></li> <li>• <i>Increased contribution of the tourism sector to the regional GDP</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>County statistical reports (Central Bureau of Statistics)</i></li> <li>• <i>Croatian Employment Office reports</i></li> </ul>	
Specific Objectives	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> <li>• <i>To improve the quality of tourist accommodation services in the region and, thereby, visitor satisfaction</i></li> <li>• <i>To ensure market success of newly built family owned accommodation facilities in the project area</i></li> <li>• <i>To increase the effectiveness of the state aided investment schemes</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Improved satisfaction of visitors to the project area</i></li> <li>• <i>Higher star rating of accommodation facilities in the region</i></li> <li>• <i>Tourist overnights and tourist receipts in the project region increased by 25% over five years following project implementation</i></li> <li>• <i>Increased interest in and demand for state-aided schemes in the tourism sector</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Annual ONMS visitor surveys conducted by the Institute for Tourism</i></li> <li>• <i>Entrepreneurship register</i></li> <li>• <i>Tax administration reports</i></li> <li>• <i>Business register of the Chambers of Economy and Chamber of Small Trade and Crafts</i></li> <li>• <i>Annual reports of the Ministry of Tourism and regional tourism boards</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Perception of Croatia as an attractive tourism destination continues</i></li> <li>• <i>Stable demand for small, family owned, accommodation facilities build in accordance to traditional architecture in rural areas</i></li> <li>• <i>Economies in tourist generating markets do not suffer major setbacks</i></li> </ul>
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ol style="list-style-type: none"> <li>1. <i>Availability of a practical and educational tool for development and improvement of small accommodation facilities in the region</i></li> <li>2. <i>Increased awareness of the need to provide improved tourism services in general and tourist accommodation facilities in particular</i></li> <li>3. <i>Establishment of an advisory service facility</i></li> </ol>	<ul style="list-style-type: none"> <li>• <i>At least 25 (family owned) tourist accommodation facilities established or improved during the first 5 years following project implementation</i></li> <li>• <i>Improved quality of existing and new tourist accommodation facilities, meeting market</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Accommodation manual and other project documentation</i></li> <li>• <i>Project team reports</i></li> <li>• <i>Newspaper articles</i></li> <li>• <i>Minutes from workshops and specialised training courses held</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Spatial plans exist and suitable locations for additional accommodation facilities approved</i></li> <li>• <i>State aid schemes for SME start up (self employment) in the areas strongly affected by war still operating</i></li> </ul>

<p>and call centre (either as part of the proposed joint implementation structure or the County Entrepreneurial Centres), that would, free of charge, provide potential investors with all vital additional information and advice on various matters covered in the Manual</p>	<p>requirements (guests' expectations) and generating increased revenues for their owners</p> <ul style="list-style-type: none"> <li>Increased interest for investing in small accommodation facilities in the project area</li> </ul>	<ul style="list-style-type: none"> <li>Number of contracts granting state aids signed with the Ministry of Tourism</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholders' commitment to the project</li> </ul>
Activities	Means	Costs	Assumptions
<p>1. Prepare a comprehensive "how-to do" educational manual that will enable the existing and potential entrepreneurs to develop quality accommodation facilities focusing on among others:</p> <ol style="list-style-type: none"> <li>Layout and overall design of tourist accommodation</li> <li>Layout and interior requirements of bedrooms and bathrooms</li> <li>Common guest areas</li> <li>Furniture, fittings and equipment</li> <li>Toilets and water supply systems</li> <li>Appropriate handling of sewage and waste</li> <li>Kitchen construction and hygiene requirements</li> <li>Good housekeeping operations</li> <li>Improving food and drink services</li> <li>Health and safety of tourists</li> <li>Activities that can be provided for tourists</li> <li>Simple business operations</li> </ol> <p>2. Promote the awareness and use of the accommodation manual</p> <ol style="list-style-type: none"> <li>Produce a small promotional brochure or flyer to inform potential</li> </ol>	<p>Provision of nine person-months of international and local consulting services covering the following areas of expertise (a consultant may cover several areas of expertise):</p> <ul style="list-style-type: none"> <li>General tourism planning and product development</li> <li>Architectural design and construction of small to medium accommodation facilities</li> <li>Project development</li> <li>Accommodation development and operation</li> <li>Hotel and catering services and standards</li> <li>Assessment of market potential and market projections</li> <li>Marketing and promotion of special interest (niche market) tourism</li> <li>Training in accommodation development and operation</li> <li>Tourism business economics</li> </ul>	<p>Estimated project cost:</p> <p>Assumptions:</p> <ul style="list-style-type: none"> <li>Time input split approximately equally between international and local consultants at average consulting fee at £URB 10,000</li> <li>£GBP per diem rate of £URB 200 for Croatia is applied</li> <li>Number of per diem days set at one third of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</li> <li>Travel costs set at £URB 5,000 covering both international air travel and field travel in Croatia</li> <li>Workshops and stakeholder meetings estimated at £URB 1,000</li> <li>Contingency of about 10% of costs</li> </ul> <p>1. Consultants:</p> <p>Preparation of the Manual Estimated cost: 50,000 £URB</p> <p>➤ Train the trainer (Workshops &amp; training courses for potential private sector investors)</p>	<ul style="list-style-type: none"> <li>Cooperation with institutions, associations and/or individuals providing expertise in the area of architectural design &amp; construction issues, project development and market assessment</li> <li>Supporting environment for entrepreneurship on the national and regional level</li> </ul>

<p><i>beneficiaries about the accommodation manual and accompanying educational and advisory opportunities</i></p> <p>b. <i>Conduct public presentations of the manual to generate awareness and interest among potential users</i></p> <p>c. <i>Organise a series of training workshops and /or specialised training courses for existing and potential providers of tourist accommodation</i></p> <p>d. <i>Identify the most common issues relating to the state-aided investment schemes within tourism</i></p> <p>3. <i>Facilitate the establishment of a advisory service facility and call centre (as part of either the proposed implementation structure or the existing County Entrepreneurial Centres), that would, free of charge, provide potential investors with vital information and advice on various matters covered in the manual</i></p>		<p><i>Estimated cost: 20,000 €UR</i> <i>(10 events x 2,000 €UR per lecturer)</i></p> <p><b>2. Per diems:</b> <i>Estimated cost: 12,000 €UR</i></p> <p><b>3. Production Manual (design, print, distribution)</b> <i>Estimated cost: 10,000 €UR</i></p> <p><b>4. Promotional brochure/flyer</b> <i>Estimated cost: 15,000 €UR</i></p> <p><b>5. Field trips:</b> <i>Estimated cost: 5,000 €UR</i></p> <p><b>6. Contingency</b> <i>Estimated at 13,000 €UR</i></p> <p><b>TOTAL FINANCIAL INPUTS</b> <b>125,000 EUR</b></p>	
-			<p><i>Preconditions</i></p> <p>•</p>

# **Project No. 2: System of Tourism Information Centres**

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## CONCEPT NOTE

### 1. Summary of the action

#### 1.1 *Brief description of the proposed action*

The **overall objective** of the project is “to increase tourism contribution to the regional GDP through increased level of tourism activity and length of stay”. This should be done in a way that would guarantee highest standards of environmental protection, resulting in long-term sustainable socio-economic development.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. Further, the whole project area is among the least populated regions of Croatia and has over a long time period been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends still represent a major threat to the long term economic and social development of the project area. In order to gradually reverse the present situation and build sustainable foundations for future economic growth, making at the same time use of the area's natural resources (abundance of environmentally preserved river flows in the natural Karst landscape), the main idea of the project is the development of a strategic framework for the comprehensive and uniform tourist information system (ranging from simple information tables to fully equipped visitors centers). A well developed system of tourist information, ranging from fully equipped visitors centers on one side, to interpretation tables and info points at the other, represents an essential element of a destination's offer intended to welcome the guests, provide useful information and orientation tips, interpret the resources/attractions within the destination etc. Visitor centers are not only facilities where guests learn about the destination, but facilities which increase the quality of stay.

Coupled with a rich resource base and diversified offer of various niche market tourism experiences that could easily be developed as well (wildlife watching, hiking & biking, sport fishing, cultural routes, tourism in rural environment, etc.), the existence of a functional and informative system of tourist information centres is one of the most important preconditions for awareness building and a gradual increase in tourism receipts throughout the project area.

On the other hand, **specific objectives** of the project are as follows:

1. *To induce transit visitors and on-ground tourists to visit tourist attractions/sites, and to spend more overnights in the project area.*

Apart from the Plitvice Lakes National Park and the island of Pag, tourist demand for most parts of the project area is, at present, rather negligent, regardless of the easy accessibility, abundant resource base and great potential for diversified tourist experiences. Such situation is very much the result of a rather undeveloped and/or stochastic system of tourist information. As a result, most guests in transit, as well as on-ground tourists do not have the necessary information on various attractions scattered throughout the region. Hence, they neither tend to visit the attractive sites, nor do they have the opportunity to spend. Therefore, in order to create necessary preconditions for extended tourist visitation and an increase in the number of overnights throughout the project area, a comprehensive system on uniform tourist information centres and interpretation facilities needs to be developed. Namely, by providing useful and well structured information on the sites to visit, activities to participate in and events to attend to, such a system would become an essential tool for making the guests aware of various tourism experiences available in the project area.

2. *To improve tourism infrastructure and increase guest satisfaction*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, and (iii) extremely low population density with only a few larger urban centres. However, basic infrastructure, such as brown signage, information points and/or interpretation tables needed to induce greater tourist awareness of the project area and its natural beauty is still inadequate. In order to change this situation and induce greater interest for staying in the region, coupled with an increase in guest satisfaction, scarce local and regional public funds should be concentrated and utilised smartly. The first logical priority, mostly due to its cost effectiveness, should be to: (i) improve and unify the existing system of brown signage throughout the project area (not just along the Zagreb - Split motorway as the main traffic corridor), and/or (ii) assure there is proper interpretation available at most attractive sites.

3. *To develop a uniform and logic system of tourist information facilities and improve general visitor information and interpretation facilities in the region*

As mentioned previously, a well developed system of tourist information represents an essential element of a destination's offer intended to welcome the guests, provide useful on-site information and offer valuable orientation tips. The system should be uniform and user friendly, ranging from visitor centers to information points. Visitor centers are not only facilities where guests learn about the destination, but facilities which increase the quality of stay. Visitor centers need to be equipped so as to offer various programs and should comprise of a room for audio-video programs, multifunctional space for presentations and lectures, show room(s), information desk, resting area, souvenir shop and rooms for staff. Info points, acting as small visitor centers, must offer all previously stated functions of a visitor center, although they do not have to dispose of all the facilities. Info point can successfully serve its purpose, ranging from a simple information desk offering essential tourist information, to multimedia devices used by the guest himself.

**Justification**

The importance of tourism development, in which this project acts as one of the obvious frontrunners, lies in the fact that there are no better alternatives to induce economic development and reverse long-term negative demographic trends in the region. Namely, the implementation of the project implies increased tourist visitation, superior service quality and rising guest satisfaction, all resulting in steady growth in tourism receipts in the region. As a result of the project, additional awareness of the whole region, and its more remote areas will be created, resulting in new business opportunities and additional income for the local population. Hence, the economy of the whole region will start to gain momentum, the emphasis being on the services sector and the SME business. The gradual increase in economic activity driven by the successful SME operators will create more investor optimism as well as a more business friendly environment. This, in turn, should induce more SME business start-ups to the region.

Increasing economic activity and rising tax proceeds will enable the local communities to ensure proper functioning of the (largely deceased) public services as well. The whole process should eventually reverse the unfavourable demographic trends.

An important component of the project is the improvement of skills and know-how in the field of project development, project management, and operational marketing. In addition, the project will incorporate an appropriate branding strategy, a mid-term marketing and promotion strategy, as well as the development of appropriate marketing tools and instruments that would enable its successful market promotion, both, nationally and internationally, eventually resulting in greater awareness of the whole project area.

## 2. Relevance:

### *2.1 Needs and constraints of the target area*

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its reputation for sea-side tourism, the country has formulated a strategy to develop the continental tourism as well. These strategic notions are also strongly emphasised in the ROP for both, Karlovac and Lika-Senj Counties, in which the SWOT analysis points out the “pristine natural environment” as a major strength, and the “inadequate use of natural resources” and “small and underdeveloped business sector” as the most obvious weaknesses. In case of the Lika-Senj County, these findings have lead to the explicit formulation of the following strategic development objective - “*the promotion of the tourism sector as a key driver of development in the County*”. Economic development in both counties is slow, especially in Lika-Senj. The whole project area is badly in need of new project ideas, programmes and initiatives, especially related to the tourism sector development. This project offers an answer to this need. This project entails all the required elements and refers to the territory of both counties. Therefore, most of the expected positive effects of the project will be dispersed throughout the project area.

### *2.2 Problems and needs*

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient organisational, management and marketing capacities in the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists. The combination of these issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, and number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues. Further, it would open up the region to increased international exposure, with various direct and indirect benefits associated.

### *2.3 Target groups and final beneficiaries*

The target group consists of the Karlovac and Lika-Senj Development Agencies (applicant), Karlovac and Lika-Senj Counties (partners), HGK Karlovac and HGK Otočac (partners), as well as Karlovac and Lika-Senj tourism boards (partners). All of them are expected to have manifold direct and indirect benefits, not just from the formulated guidelines for the development of a uniform system of tourist information and interpretation facilities, but also from the organisational, and marketing support the project will focus on.

Apart from tourists, end users of the well designed system of tourist information facilities and infrastructure, final beneficiaries are the population at large, and the SME start-ups that are going to exploit the opportunity to establish themselves close to the tourist attractions and visitation sites, offering a range of various services to the increasing number of special interest and niche market related tourists. Namely, following its implementation, the project should result in steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for personalised services of various destination management companies – SME businesses (accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the whole project area - the region of special state concern. Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

#### 2.4 Objectives and expected results

The general objective is to “improve business-related infrastructure and to contribute to regional development”. This objective is implicitly and explicitly met by this project proposal. The project is also directly associated with (i) improvement/extension of existing (tourism related) infrastructure, (ii) SME and private sector development, (iii) job opportunity creation for local population, and (iv) training and technical assistance to final beneficiaries in order to maximise the effects incorporated in the project itself.

Expected results, in terms of external (new) jobs, new SMEs established, increase in tourist receipts (and GDP/capita) are at this stage difficult to predict. However, there is great potential, especially if coupled with other projects aiming to increase and/or diversify existing tourism experiences in the project area. Nevertheless, the expected economic effects will not be immediate. Only some of the new expected private initiatives will be launched immediately following project implementation (accommodation facilities, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.), while others will be spread out over the years to come as a reaction to the gradually increasing inflow of new tourists affected by the project in its initial stages.

A special feature of the project is its environmental dimension, which is expected to preserve the region from possible spatial misuses in the future.

#### 2.5 Added value of the action

No other similar intervention in this field has so far been made public, so the added value may be estimated as close to 100%. Men and women should equally benefit from the project, especially younger and more entrepreneurial representatives of both genders. The project will help both Counties to make up for their lagging position and help them get closer to national averages in the field of GDP, employment and wealth in general.

### 3. Methodology and Sustainability

#### 3.1 Main project activities

The project contains five activity components. These are listed in the table below in a way to show the logical connection between the project’s objectives and the planned activities.

<b>Specific activities</b>	<b>Project component</b>
1. An overall strategy with guidelines for tourist information signage is developed	1. Provide a strategic input and operational guidelines for the development of a most effective brown signage system
2. Guidelines for the establishment of a 2 – 4 level system of visitor information facilities varying in size and extent of information provision are developed	2. Recommend on a most appropriate practical structure of the new tourism information system to be developed
3. Locations for the different levels of visitor information facilities are identified	3. Undertake a survey to identify locations for various levels of visitor information facilities
4. Visitor information centre network is branded and market awareness created	4. Prepare a branding brief as well as an operational framework for effective market awareness creation
5. Business model for servicing the different levels of visitor information facilities is recommended	5. Analyse various business models to ensure best economic viability



### 3.2 *Main implementing partners*

The entire set-up of the project has been designed so as to make sure that each partner can actively contribute his specific know-how, expertise and ideas as relevant input to the commissioned team of consultants. Activities have been defined in such a way that each partner has the opportunity to assist and provide information and creative input to the team of consultants during their work on the project. The very idea is to establish a dedicated group of stakeholders aiming towards a common goal: more prosperity for the project area through the creation of a well designed uniform system of tourism information facilities. All partners on the project have known each other for many years, and have developed good working relationships.

### 3.3 *Sustainability*

With the implementation of the project and realisation of all necessary activities, the conditions for sustainability of the project will have been created. The applicant, the Karlovac and Lika-Senj Development Agencies and their project partners will ensure the development, maintenance and upgrading of the conceived tourism information system (facilities and relate infrastructure), as recommended by the project, mostly through the use of county, town and municipal budgets.

Cooperation between the Karlovac and Lika-Senj Counties, as well as between other stakeholders involved in the project will be continued in the years following completion and subsequent implementation of this project. During the implementation, relevant institutions will arrange and re-arrange the relations between themselves in order to assure the best results in the exploitation of the newly established tourism information system. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability after the implementation of the project. Joint development of the project idea of the two local self-government units and involvement of other local and regional institutions is a new approach even at the level of preparation of this project. The joint project partners emphasise the need for strengthening of their cooperation on this particular project not only in the months to come, but on a long-term basis.

### 3.4 *Multiplier effects*

The development of a uniform system of tourist information and interpretation facilities will provide a necessary precondition for a much better long-term utilization of the existing resources and attractions in the project area. Once implemented, it will result in an increase in tourist interest, tourist visitation and receipts in the whole project area. Also, it is expected that the initial increase in tourist visitation associated with the development of an effective system of tourism information facilities will continuously and increasingly spur the interest of various tourism market niches for which the project area offers great experience opportunities (wildlife watching, hiking, biking, tourism in rural environment, cultural heritage tours, myths and legends, diving, sailing etc.). The whole process should be characterised by a gradual development and diversification of small, specialised SME business operators that will increasingly spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

Finally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on better utilisation and/or improvement in the presentability of its resources.

#### **4. Expertise and operational capacity:**

##### *4.1 Project management experience*

Karlovac and Lika-Senj Counties have both been involved in various development projects in recent years), some of which have dealt with EU donor agencies as well (e.g. the preparation of a joint Tourism Master Plan). Working on these development projects, both Counties have developed excessive expertise and project management skills required to successfully embark upon, manage and finalise even very sophisticated and complex projects. It is in this regard that we do not anticipate any potential problems in operational capacity to fulfil the objectives of this particular project.

Additionally, both Counties maintain a long-established cooperation with the Croatian Chamber of Economy, the Croatian Chamber of Trade and County economic departments. As self-government units, both Counties also have a continuous close cooperation with the Ministry of Economy, Labour and Entrepreneurship, the Ministry of Finance, the Ministry of Culture and other ministries and government funds (Regional Development Fund, Environmental Protection Fund and Development and Employment Fund) that might prove to be of relevance to the project.

##### *4.2 Technical experience*

Regardless of the fact that all the related partners in the project have a long track record in the sector of tourism, the core technical know-how for the project will be ensured by means of the engagement of experienced tourism planners (national and international), commissioned over a period of not more than 12 months. Providing cooperation with local stakeholders is established during every stage of work on the project, there should be no problems associated with the implementation of this project.

## I. FULL APPLICATION FORM

## 1 DESCRIPTION

## 1.1 Title

**Development of a uniform system of tourist information centres and general visitor information and interpretation facilities**

## 1.2 Location(s)

Republic of Croatia, Karlovac and Lika-Senj Counties

## 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 215,500	EUR 168,000	% 78.0

## 1.4 Summary

Duration of the action	12 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To increase tourism's contribution to the regional GDP through increased level of tourism activity and length of stay.</p> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>• To induce transit visitors and on-ground tourists to visit tourist attractions and spend more overnights in the project area</li> <li>• To improve tourism infrastructure and increase the satisfaction of visitors to the region</li> <li>• To develop a uniform and logic system of tourist information centres and improve general visitor information and interpretation facilities in the region</li> </ul>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>

Target group(s)	Karlovac and Lika-Senj Development Agencies <ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>
Final beneficiaries	Local population of Karlovac and Lika-Senj Counties All stakeholders of the tourism industry in the area of intervention Tourists and visitors
Estimated results	At the end of the project the whole project area will dispose of a well thought out and structured comprehensive tourism information system (including brown signage), with identified locations best suited for different types (levels) of information facilities.  An operational branding strategy will be formulated and an effective marketing and promotion activity plan will be elaborated in order to create most awareness of the improved tourism product of the project area, both nationally and internationally.  Finally, in order to ensure best economic viability of the proposed tourism information system, a most appropriate business model necessary to most effectively service the different levels of visitor information facilities will be recommended.
Main activities	<ul style="list-style-type: none"> <li>▪ An overall strategy with guidelines for tourist information signage is developed</li> <li>▪ Guidelines for the establishment of a 2 – 4 level system of visitor information facilities varying in size and extent of information provision are developed</li> <li>▪ Locations for the different levels of visitor information facilities are identified</li> <li>▪ Visitor information centre network is branded and market awareness created</li> <li>▪ Business model for servicing the different levels of visitor information facilities is recommended</li> </ul>

## 1.5 Objectives

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The **overall objective** of the project is “to increase tourism contribution to the regional GDP through increased level of tourism activity and length of stay”. This should be done in a way that would guarantee highest standards of environmental protection, resulting in long-term sustainable socio-economic development.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. Further, the whole project area is among the least populated regions of Croatia and has over a long time period been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends still represent a major threat to the long term economic and social development of the project area. In order to gradually reverse the present situation and build sustainable foundations for future economic growth, making at the same time use of the area’s natural resources (abundance of environmentally preserved river flows in the natural Karst landscape), the main idea of the project is the development of a strategic framework for the

comprehensive and uniform tourist information system (ranging from simple information tables to fully equipped visitors centers). A well developed system of tourist information, ranging from fully equipped visitors centers on one side, to interpretation tables and info points at the other, represents an essential element of a destination's offer intended to welcome the guests, provide useful information and orientation tips, interpret the resources/attractions within the destination etc. Visitor centers are not only facilities where guests learn about the destination, but facilities which increase the quality of stay.

Coupled with a rich resource base and diversified offer of various niche market tourism experiences that could easily be developed as well (wildlife watching, hiking & biking, sport fishing, cultural routes, tourism in rural environment, etc.), the existence of a functional and informative system of tourist information centres is one of the most important preconditions for awareness building and a gradual increase in tourism receipts throughout the project area.

On the other hand, **specific objectives** of the project are as follows:

1. To induce transit visitors and on-ground tourists to visit tourist attractions/sites, and to spend more overnights in the project area.
2. To improve tourism infrastructure and increase guest satisfaction
3. To develop a uniform and logic system of tourist information facilities and improve general visitor information and interpretation facilities in the region

*1. To induce transit visitors and on-ground tourists to visit tourist attractions/sites, and to spend more overnights in the project area.*

Apart from the Plitvice Lakes National Park and the island of Pag, tourist demand for most parts of the project area is, at present, rather negligent, regardless of the easy accessibility, abundant resource base and great potential for diversified tourist experiences. Such situation is very much the result of a rather undeveloped and/or stochastic system of tourist information. As a result, most guests in transit, as well as on-ground tourists do not have the necessary information on various attractions scattered throughout the region. Hence, they neither tend to visit the attractive sites, nor do they have the opportunity to spend. Therefore, in order to create necessary preconditions for extended tourist visitation and an increase in the number of overnights throughout the project area, a comprehensive system on uniform tourist information centres and interpretation facilities needs to be developed. Namely, by providing useful and well structured information on the sites to visit, activities to participate in and events to attend to, such a system would become an essential tool for making the guests aware of various tourism experiences available in the project area.

*2. To improve tourism infrastructure and increase guest satisfaction*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, and (iii) extremely low population density with only a few larger urban centres. However, basic infrastructure, such as brown signage, information points and/or interpretation tables needed to induce greater tourist awareness of the project area and its natural beauty is still inadequate. In order to change this situation and induce greater interest for staying in the region, coupled with an increase in guest satisfaction, scarce local and regional public funds should be concentrated and utilised smartly. The first logical priority, mostly due to its cost effectiveness, should be to: (i) improve and unify the existing system of brown signage throughout the project area (not just along the Zagreb - Split motorway as the main traffic corridor), and/or (ii) assure there is proper interpretation available at most attractive sites.

*3. To develop a uniform and logic system of tourist information facilities and improve general visitor information and interpretation facilities in the region*

As mentioned previously, a well developed system of tourist information represents an essential element of a destination's offer intended to welcome the guests, provide useful on-site information and offer valuable orientation tips. The system should be uniform and user friendly, ranging from

visitor centers to information points. Visitor centers are not only facilities where guests learn about the destination, but facilities which increase the quality of stay. Visitor centers need to be equipped so as to offer various programs and should comprise of a room for audio-video programs, multifunctional space for presentations and lectures, show room(s), information desk, resting area, souvenir shop and rooms for staff. Info points, acting as small visitor centers, must offer all previously stated functions of a visitor center, although they do not have to dispose of all the facilities. Info point can successfully serve its purpose, ranging from a simple information desk offering essential tourist information, to multimedia devices used by the guest himself.

## 1.6 Justification

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### 1.6.1. Relevance of the action to the objectives and priorities of the programme

The Karlovac and Lika-Senj Counties are still among the less developed regions of Croatia as regards economic and social resources. The strategy for economic development of both Counties is defined by their respective Regional Operational Programmes (ROP). According to these documents, development of tourism is emphasised as one of the priorities of economic development of the whole Region. The emphasis on tourism development is logical: the whole project area is ecologically unspoilt, rich in resources and with low population density. Additionally, it is easily accessible (new motorway) to both, tourists and entrepreneurs. Apart from arguably the best cost effectiveness of the scarce public funds utilization, the implementation of this particular project implies increased tourist visitation, superior service quality and rising guest satisfaction, all resulting in steady growth in tourism receipts in the region. Another important impact of the project relates to creation of additional awareness for the whole region, especially for some its more remote areas, which should result in new business opportunities and additional income for the local population. Hence, the economy of the whole region will start to gain momentum, the emphasis being on the services sector and the SME business. The gradual increase in economic activity driven by the successful SME operators will create more investor optimism as well as a more business friendly environment. This, in turn, should induce more SME business start-ups to the region.

To sum up, the proposed project will have direct impact on:

- Provision of a well thought out system of uniform tourism information and interpretation facilities;
  - Increase in the awareness of the overall quality and diversity of the tourist experience offer in the project area;
  - Increased guest satisfaction, prolonged stay and enlarged tourism related receipts in the project area
  - Improved conditions for SME start-ups, new jobs creation and increase in tourism related receipts
  - Enhancement of skills and training in the areas of project management, product development, operational and strategic marketing
  - Greater awareness of local population and stakeholders in the two Counties of the importance to preserve a clean environment (sustainable development principles);
  - Increased recognition in Croatia, Karlovac and Lika-Senj Counties and specific locations as great destinations for various nature loving market niches and nature based tourism activities.

Successful implementation of the project will shortly be visible in: top quality tourist information facilities and services, top quality system of brown signage throughout the project area, the number of new investments in various destination management companies, located close to tourist attractions and operated by the private sector, the number of visitors and receipts, the number of persons employed or self-employed in tourism, increased interest for all tourism products of the Region (cross selling) etc. The proposed project is directly related with the following development criteria:

### *1. Structured Development of Tourist Infrastructure*

The proposed project aims to create all the necessary conditions and requirements needed to create greater awareness of the tourism potential in the project area and induce additional interest for (prolonged) tourism visitation. Once the project is completed, the local governments will dispose of an essential strategic development tool, consisting of a set of concrete actions that need to be implemented (according to priorities) and organised in the format of an operational development manual. By following this strategic development framework in the implementation stage, local authorities will not only develop new, up to date tourism related infrastructure, but will at the same time ensure adequate usage of space, maximum protection of the environment, and minimum risk of poor investment decisions.

### *2. SME and private sector development*

The implementation of the project on the level of both Counties will result in a series of successful new SME start-ups located close to the most relevant tourist attractions and/or visitation sites (accommodation facilities, F&B and retail outlets, tourist agencies, equipment rental and repair shops, attractions managing companies etc). In this way, the establishment of a comprehensive regional tourism value chain will be initiated. The very existence of such a value chain will add to increased attractiveness of the project area and contribute to increased tourism receipts that will be more evenly spread out across the region and that will spill over to other sectors of the economy as well (multiplication effect).

### *3. Job opportunity creation for local population*

Increased SME start-up activity in the Region naturally implies more job opportunities offered. Although these job opportunities will mostly be concentrated in the services sector, the increase in the overall economic activity should spill over to other economic sectors as well, agriculture in particular.

### *4. Market (re)positioning*

Through completion of the project, both Counties will create conditions for better terms of trade and a largely improved market positioning, based not only on the abundance and beauty of its natural resources, but on the availability and quality of service as well. Such new positioning will help the Counties to focus on more demanding market segments that they would otherwise have neglected. A focused marketing and promotion strategy, on the other hand, implies more effective use of scarce funds, resulting, at the same time, with superior outcomes.

### *5. Training and skills enhancement*

By means of its several components (guidelines for the establishment of a uniform system of brown signage, guidelines for the establishment of 2 – 4 level system of visitor information facilities, branding of the visitor information centre network, market awareness creation), the project will greatly affect the skills enhancement on the level of partnering public institutions (project management, product development, and marketing).

#### **1.6.2. Perceived needs and constraints**

In general, the Karlovac and Lika-Senj Counties have all the necessary natural preconditions to become a thriving area for tourism and leisure related activities. Yet, tourism development is still very slow and sporadic. This is caused by a combination of factors such as:

- ➔ lack of documentation necessary for structured tourism development (master plans, marketing plans)

- lack of public sources to fund tourism development
- lack of private sector investors with vision
- unfavourable demographic structure (old age groups prevail)
- outward migration of the young and educated
- insufficient funds to maintain and allow for improvement in infrastructure necessary for new investment in tourism
- lack of (tourism) infrastructure
- inadequate usage of state-aided financial schemes.

### 1.6.3. Target groups and final beneficiaries

The project directly targets the staff of the applicant (Karlovac and Lika-Senj Development Agencies), as well as a selected part of the staff in applicant's partner institutions - Karlovac and Lika-Senj Counties, Chamber of Economy Karlovac and Chamber of Economy Otočac, and Karlovac and Lika-Senj tourism boards. All of them are expected to have direct and indirect benefits, not just from the development of the uniform system of tourist information and interpretation facilities, but also from the organisational, training and marketing support the project will focus on.

- Karlovac and Lika-Senj Development Agencies: 2 - 4 persons will be directly involved in the project activities, and respectively affected by the project. The main direct effect is that these persons will learn and gain experience on how to efficiently and professionally manage development projects, especially those associated with EU funding schemes
- Karlovac and Lika-senj Counties' tourism boards: all employees are in need of further training in project preparation, project management, and marketing.
- The Croatian Chamber of Economy regional chambers in Karlovac and Otočac: 2 – 4 persons will in particular benefit from activities foreseen under this project. The staff of the HGK will participate in workshops, provide input and assist in various concrete activities in the preparation of the final strategic document.

Final beneficiaries are:

Local and foreign tourists (especially guests in transit and on-ground visitors): Through implementation of this project the Karlovac and Lika-senj counties will create necessary preconditions for tourist interest generation and largely improve the awareness of the tourism experiences being offered in the project area. This will allow local and foreign visitors more opportunities to choose between, resulting in a more diverse and a more pleasant stay.

Apart from tourists, end users of the proposed system of tourism information and interpretation facilities, final beneficiaries are the population at large and the SME start-ups that are going to exploit the opportunity to establish themselves offering a range of various services to the increasing number of tourists.

Private investors in tourist infra and superstructure: Following its implementation, the project should result in a steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for various services of all sorts of destination management companies – SME businesses (accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the region - the area of special state concern.



The wider population of Karlovac and Lika-Senj Counties: The increased tourism revenues in the privately held establishments will, by means of increased tax proceeds, gradually spill over to the community at large, improving the level of public services (medical care, education, day-care, etc.) and the standard of living in general.

Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

## 1.7 Detailed description of activities

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### ***Component 1: Develop an overall strategy and provide guidelines for brown signage***

Karlovac County and Lika-Senj Counties are already partially covered with brown signage. However, the coverage is only partial and there seems to be neither uniformity, nor particular logic behind it. In order to improve the situation and create greater awareness of the attractions in the project area, an overall strategy focusing of the improvement of the existing system is necessary. It is foreseen that the survey of the area will be done by consulting experts in traffic and information signage.

#### **1.1. Undertake a review of existing tourism related signage in both counties**

In order to assess the need and the scope of intervention required, the first step in the development of the strategy and provision of the guidelines on how to develop a well structured and unified system of brown signage, refers to a detailed analysis of the availability, information quality and design of brown signage within the project area.

#### **1.2. Based on international best practice, develop an integrated strategy for tourism related signage for the entire region**

Following the assessment of the intervention needed, an integrated strategic framework for the creation of a well structured and cost effective brown signage system will be elaborated. This strategic framework will be based on international best practice.

#### **1.3. Recommend on operational guidelines for the implementation of the integrated signage strategy, including preparation of cost estimates**

Once the strategic framework has been developed and approved, operational guidelines (action plan) for the implementation of the strategy will be elaborated, together with estimates of associated cost.

### ***Component 2: Prepare guidelines for establishment of a standardized system of visitor information facilities varying in size and extent of information provision***

This component contains a set of activities aiming to establish a comprehensive system of tourist information and interpretation facilities in the project area. It is foreseen that this particular assignment will be accomplished by consulting experts in architectural design and construction of tourist information facilities in cooperation with experts in tourism site planning and development.

#### **2.1. Develop specifications of services, facilities and amenities needed by type of visitor information facility**

Based on previously identified locations on which the development of appropriate tourist information facilities is needed, detailed descriptions and specifications of required services, facilities and amenities for different types of information facilities are going to be elaborated.

#### **2.2. Prepare conceptual designs for each type of information facility**

For each of the specified type of tourist information and/or interpretation facilities, conceptual designs are going to be prepared. The conceptual designs are going to reflect the previously

identified requirements for services that are going to be offered to tourists in each type of the information facilities.

### **2.3. Prepare cost estimates for establishment and operation of each type of information facilities**

Following the elaboration of conceptual designs for different types of tourist information facilities, a cost estimate for each type of facilities is going to be prepared, based on best international practise and adjusted for local construction cost specifics.

### ***Component 3: Identify locations for visitor information centres that will best service regional visitor information needs***

This component contains a set of activities aiming to identify locations in need of visitor information in the project area, specify most suitable type of tourist information facility for each location and set the developmental priorities. It is foreseen that this particular assignment will be accomplished by consulting experts in site planning and development.

#### **3.1. Survey locations/sites where visitor information is needed**

Detailed survey of locations and/or sites which call for the development of visitor information facilities is going to be undertaken and analysed.

#### **3.2. Identify most suitable type of visitor information facility at each location**

For each of the identified locations where some kind of tourist information is needed, most suitable type of information facilities will be specified (and the logic for the decision provided).

#### **3.3. Prioritise the development of visitor information facilities according to existing and expected visitation**

Based on the assessment of tourism visitation potential (number of expected visitors that are going to be drawn due to the quality and/or number of attractions in the vicinity) of the identified and selected locations which will be offering tourist information facilities, a priority development list be produced.

### ***Component 4: Brand the network of visitor information facilities and generate market awareness***

In order to ensure generation and/or improvement of existing market awareness, this component comprises the activities necessary to create the much needed visibility and uniformity (i.e. brand identity) of the tourist information and interpretation facilities that are going to be developed. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism marketing and promotion..

#### **4.1. Develop a branding strategy to ensure uniformity in market positioning and market awareness of the visitor information system in place**

Based on all previous inputs, and in order to ensure market visibility, resulting in increased interest for the project area and its offer of tourism experiences, a well prepared branding strategy needs to be prepared.

#### **4.2. Prepare a plan for the promotion of the information network**

Preparation of an operational action plan for the promotion of the newly designed tourist information system, is vital in order to assure best results not only in terms of creating necessary market awareness, but in terms of cost effectiveness as well. All the actions recommended will take consideration of the limited promotional budgets of the Karlovac and Lika-Senj Counties.

### ***Component 5: Develop a business model for servicing the different levels of visitor information facilities***

This component is devoted to the design of the most appropriate business model (ownership structure and management issues) that would serve both: (i) cost effective implementation of the developed strategy, and (ii) provision of information to the end users in the most efficient and user-friendly way possible. It is foreseen that this particular assignment will be accomplished by consulting experts in business operation and management.

#### **5.1. Identify the most suitable ownership and management structures**

Based on various available business models (best practice benchmarks in relevant countries), the model best suited for the project area will be specified and proposed for implementation.

### **1.8 Methodology**

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#### **1.8.1. Methods of implementation and reasons for the proposed methodology**

For the proper implementation of the project, a structure has been devised that ensures (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with this, rather detailed descriptions of the individual activities have been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. This way, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, the Project Manager will be appointed and the Project Steering Committee will be installed to supervise the entire project. The Project Manager will be in daily communication with the commissioned consultants. Apart from receiving monthly progress reports from the Project Manager, the Steering Committee will meet on a regular basis with commissioned consultants. This will enable it to quickly react to any requirement for decision-making.

The project is divided in five separate components and we foresee the establishment of two Working Groups (WG). The division is logically based on types of activities: first WG will deal with all aspects of tourism information facilities provision, placement and business model recommendation (project components 1, 2, 3 and 5); whereas the second will deal with all aspects of project promotion and marketing (project component 4). The working groups will be staffed by 2 dedicated employees from each of the institutions representing partners on the project.

#### **1.8.2. Relations with previous actions**

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

#### **1.8.3. Synergies with other programmes**

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. Hence, the best tourism development scenario for the project area implies that all of them get funded and implemented.

#### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Measurable indicators of achievement<sup>3</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>4</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a regular basis by the Project Manager. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will advise on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The project manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the three working groups.

The Project Management Units of Karlovac and Lika-Senj Counties, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs will use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)preaccession countries. The Project Manager will be responsible for provision of all requested information to the Units.

#### 1.8.5. Roles and participation of the various actors

The Karlovac and Lika-Senj Development Agencies, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Karlovac and Lika-Senj Development Agencies are the major institutions in charge of the implementation of the Tourism Master Plan for Karlovac and Lika-Senj Counties, and are the only appropriate institutions to initiate and implement the project like this.

The Counties of Karlovac and Lika-Senj are partners and an essential part of the project for obvious reason – the project is related to economic development of their territory and they should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

The County Tourism Boards (TBs) of Karlovac and Lika-Senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs are represented on the Steering Committee. The TBs are an essential part of the project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities related with the branding of the tourism information system and awareness creation of the project.

<sup>3</sup> See Logical Framework

<sup>4</sup> See chapter 1.9

The Croatian Chamber of Economy in Karlovac and Otočac are partners in the project. The Chamber offices in Karlovac and Otočac are active in promoting business development in the wider Karlovac and Lika-Senj region, and have a special interest in the project. The regional Chambers will each have a seat on the Steering Committee.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), private tourism related business sector in the wider Karlovac and Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

#### **1.8.6. Team proposed for implementation of the action**

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- Development of a uniform system of brown signage
- Development of a tourism information system
- Architectural design and construction rules of tourism information facilities
- Site planning and development
- Design of visitor information and interpretation materials
- Branding and promotion
- Tourism business economics (business operation and management)

The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The working group members are expected to help the commissioned consultants in performing their work tasks.

#### **1.8.7. Main means for implementation**

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In

order to successfully implement the project, Karlovac and Lika-Senj Development Agencies (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

**1.9. Duration and action plan**

The envisage duration of the project will be 10 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:

Activity
Tourism product development

**2 EXPECTED RESULTS**

**2.1 Expected impact on target groups/beneficiaries**  
*2.1 Undertake a review*

Tourism demand for most of the Karlovac and Lika-Senj Counties territory is still rather weak and in its inception stage. Such a situation is very much the result of a rather undeveloped and/or inadequate tourist information system. Namely, most guests in transit, as well as on-ground tourists do not have the necessary information on various attractions and/or sites that are located within the project area. As a result, they neither tend to visit the attractive sites, nor are they given the opportunity to spend. In order to reverse the present situation and create basic preconditions for generation of visitors' interest, a well-structured comprehensive system of tourist information centres and interpretation facilities needs to be developed for the project area. Namely, by providing useful and well structured information on the sites to visit, activities to participate in and events to attend to, such a system would become an essential tool for making the guests aware of various tourism experiences available in the project area. Therefore, the development of a uniform system of tourist information and interpretation facilities represents one of the most needed activities that could almost immediately spur greater interest for the Karlovac and Lika-Senj project area's tourist attractions and considerably increase tourism visitation, tourism related receipts and guest satisfaction.

*Component - Establish*

*2.2 Specific services, facilities*

As a result of this initial increase in the number of tourists in the project area, the demand for related services will increase as well, resulting in the acceleration in the small and medium-size businesses start-up rate, not only in the services sector. The new SME start-up activity will inevitably further improve the existing tourist offer of the whole region and will positively affect its economic growth. This growth should be evenly spread across the whole territory of the wider project area.

Further, due to the expected increase in the number of SMEs, as well as gradual rejuvenation in the overall economic activity, the project will lead to creation of additional employment opportunities in a fast growing services sector. This will considerably reduce the high unemployment rate and spur business optimism across the entire project area. This, in turn, should considerably slow down the outflow of active workforce from this region in the mid-term period, and lead to a gradual return of educated and skilled workers (younger age brackets). Such an outcome will in the long-run reflect itself positively in the demographic sphere as well by means of a positive natural population growth.

Apart from the strategic framework and practical guidelines on the development of a well structured and cost effective system of tourist information and interpretation facilities that need to be established throughout the project area, during work on project, the applicant and its partners will obtain new knowledge and skills required for the implementation of similar projects in the near future. It is expected that these individuals pass on their knowledge to their colleagues, employees and/or other stakeholders in the region. In other words, the individuals involved in the skills enhancement program related to this particular project will be able to act as trainers (coaches) to the community at large. This, in turn, implies a gradual increase in the standard of living of the local population.

To sum up, direct expected results of the project are as follows:

- ➔ An operational plan on how to establish a uniform system of brown signage throughout the project area
- ➔ A strategic framework and operational guidelines on how to develop a well thought out system of uniform tourism information and interpretation facilities
- ➔ Improved conditions for SME start-ups, new jobs creation and increase in tourism related receipts
- ➔ Most efficient utilization of scarce public funds (in terms of its cost-effectiveness in the short run)
- ➔ Gradual increase in quality of tourism accommodation supply in the project area,
- ➔ Increase of skills and know how in project preparation, implementation and management
- ➔ Greater awareness of the region, increased visitation and tourism receipts in the project area
- ➔ An increase in visitor satisfaction, resulting in repeated visitation and image enhancement (word of mouth)

Taking into consideration the above stated, it is pretty obvious that the major beneficiaries of this project, apart from project partners and tourists, will be the vast majority of population. However, the individuals owing businesses and engaged in providing services to the tourism sector are expected to be more exposed to the benefits of the project than those that will not take an active part in it. Nevertheless, by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into 6 components. The following list does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

### ***Component 1: Develop an overall strategy and provide guidelines for brown signage***

- 1.1. A review of existing tourism related signage in both counties
- 1.2. An integrated strategy for the development of tourism related (brown) signage for the entire region
- 1.3. Operational guidelines for the implementation of the integrated signage strategy, including preparation of cost estimates

### ***Component 2: Prepare guidelines for establishment of a standardized system of visitor information facilities varying in size and extent of information provision***

- 2.1. Specifications of services, facilities and amenities needed by type of visitor information facility
- 2.2. Conceptual designs for each type of information facility
- 2.3. Cost estimates for establishment and operation of each type of information facilities

### ***Component 3: Identify locations for visitor information centres that will best service regional visitor information needs***

- 3.1. A detailed list of locations/sites where visitor information is needed
- 3.2. Specification of most suitable type of visitor information facility at each location
- 3.3. Identified priority locations for the development of visitor information facilities according to existing and expected visitation

### ***Component 4: Brand the network of visitor information facilities and generate market awareness***

- 4.1. A branding strategy that will ensure uniformity in market positioning and market awareness of the visitor information system in place
- 4.2. An activity plan for the promotion of the tourist information network

### ***Component 5: Develop a business model for servicing the different levels of visitor information facilities***

- 5.1. Specification of most suitable ownership and management structures

## 2.3 Multiplier effects

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The tourism industry is constantly in search of new destinations and attractive natural resources. Croatia has, so far, been known for its coastal tourism, with its continental part being still practically undiscovered, especially by the international tourism demand. With their abundant natural resources and low population densities Karlovac and Lika-Senj Counties represent probably the most attractive Croatian continental destinations in terms of prospective tourist visitation.

This is especially the case for nature lovers and various special interest groups (market niches). The development of a well structured system of tourist information and interpretation facilities throughout the Region will increase international awareness of the tourism potential of the Karlovac and Lika-Senj and largely contribute to increased market demand for different tourist experiences available in the project area. Moreover, the provision of adequate tourist information, the Region will become increasingly interesting to: (i) guests in transit, (ii) day excursionists and (iii) individual and/or organised holiday makers. However, in order to protect the sensitive environmental balance, both Counties should make sure they follow the principles of sustainable development and



commercialise their tourism products in a structured and pre-planned way, thus minimising the risk of over-development.

Karlovac and Lika-Senj Counties are both currently facing high unemployment rates. Therefore, all possibilities for creating new jobs are of the utmost importance. The project itself, once it comes to its implementation phase, will generate a considerable amount of directly and indirectly induced jobs and self-employment opportunities.

Finally, one should not overlook the fact that increased interest for the Region implies additional awareness and promotion for Croatia as a tourism destination, with all accompanying positive effects on job creation, GDP/capita and infrastructure development.

## **2.4 Sustainability**

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### **2.4.1 Financial sustainability**

With the completion of the project and realisation of all mentioned activities, the necessary conditions for the establishment of a comprehensive system of tourist information and interpretation facilities in the Region will have been created. The applicant, the Karlovac and Lika-Senj Development Agencies and their project partners will ensure additional funds for the development of required public infrastructure, whereas tourism related superstructure on chosen locations will be provided for by means of a tendering process specially crafted for individual private sector investors. The tender will be accompanied by a specially designed state-aided investment package.

### **2.4.2. Institutional sustainability**

Cooperation between the Karlovac and Lika-Senj Counties, as well as between their respective Development Agencies (the applicant) and other partners in the project will be continued after the completion of this project. Following project completion, all involved institutions will arrange and re-arrange the relations between themselves in order to assure best and most effective project implementation. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability in the implementation stage of the project

### **2.4.3. Policy issues**

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

## **2.5 Logical framework**

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Please see Annex A

### 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of **EUR 168,000.00** and can be decomposed as follows:

#### 3.1 Consultancy fees

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The required provision of international and local consulting services is estimated at 12 person-months. The time input is estimated to be split approximately equally between international and local consultants at an average consulting fee at EUR 10,000 per month. Consequently, the consultancy fees are estimated at **EUR 120,000.00**.

#### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been estimated at 90 at EUR 200 per day, resulting in total per diems in amount of **EUR 18,000.00**.

#### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (10), and an estimated cost of EUR 1,000.0 per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 10,000.00**.

#### 3.4 International travel / field trips

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The total travel cost including both, international travel and local transport, has been estimated as a lump sum of **EUR 5,000.00**.

#### 3.5 Contingency

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Contingency has been budgeted in amount of **EUR 15,000.00** (or about 10% of EUR 153,000, the sum of all previously specified costs.)

### 4. EXPECTED SOURCES OF FUNDING

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.

The rent of venues for meetings and workshops is estimated at EUR 2,500.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 40,000.

The total contribution of the beneficiary amounts, thus, to **EUR 47,500.00**

## Annex 1: Logical Framework Matrix

Project Title: <i>Development of a uniform system of tourist information centres and general visitor information and interpretation facilities</i>	Programme number:		Priority project number: 2
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 215,500	EU budget: EUR 168,000	
Overall Objective	Objectively Verifiable Indicators	Sources of Verification	
<ul style="list-style-type: none"> <li>To increase tourism receipts in the project area by inducing additional interest of on-ground visitors through provision of up-to-date and accurate information on local attractions, accommodation and transport.</li> </ul>	<ul style="list-style-type: none"> <li>Increased tourism receipts in the project area</li> <li>Tourism's contribution to the region's GDP is increased</li> </ul>	<ul style="list-style-type: none"> <li>County statistical reports (Central Bureau of Statistics)</li> </ul>	
Specific Objectives	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> <li>To induce transit visitors and on-ground tourists to visit tourist attractions/sites, and to spend more overnights in the project area.</li> <li>To improve tourism infrastructure and increase guest satisfaction</li> <li>To develop a uniform and logic system of tourist information facilities and improve general visitor information and interpretation facilities in the region</li> </ul>	<ul style="list-style-type: none"> <li>Number of visitors to regional attractions increased by 50% over 5 years following project implementation</li> <li>Number of tourist nights spent in the region increased by 25% over 5 years following project implementation</li> </ul>	<ul style="list-style-type: none"> <li>County statistical reports (Central Bureau of Statistics)</li> <li>Annual TOMAS visitor surveys conducted by the Institute for Tourism</li> <li>Annual reports of the Ministry of Tourism and regional tourism boards</li> </ul>	<ul style="list-style-type: none"> <li>Perception of Croatia as an attractive tourism destination in the target markets continues</li> <li>Stakeholders are committed to implementing the project</li> </ul>
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ol style="list-style-type: none"> <li>Development of an overall strategy and guidelines for tourist information signage</li> <li>Guidelines for the establishment of a 2-4 level system of visitor information facilities varying in size and extent of information provision (from fully-manned information centres over information booths to simple information boards) is developed</li> <li>Locations of the different levels of visitor</li> </ol>	<ul style="list-style-type: none"> <li>Plan for the establishment of a uniform system of signage of tourist attractions and facilities developed</li> <li>Guidelines for the establishment of different types of visitor information facilities prepared</li> <li>Management plan for the establishment and maintenance of the network of visitor information and interpretation facilities prepared based on</li> </ul>	<ul style="list-style-type: none"> <li>Project documentation and independent evaluation reports</li> <li>Minutes from workshops and partnership meetings</li> </ul>	<ul style="list-style-type: none"> <li>There is a sufficient number of approved tourism attractions and activities</li> </ul>

<p>information facilities identified</p> <p>4. Visitor information centre network branded and market awareness created</p> <p>5. Business model for servicing the different levels of visitor information facilities recommended</p>	<p>public-private partnership principles</p>		
Activities	Means	Costs	Assumptions
<p>1. Preparation of an overall strategy and guidelines for tourist information signage including:</p> <p>a. Undertake a review of existing tourism related signage in both counties</p> <p>b. Develop an integrated strategy for tourism related signage for the entire region based on international best practice</p> <p>c. Recommend on operational guidelines for the implementation of the integrated signage strategy including preparation of cost estimates</p> <p>2. Preparation of guidelines for establishment of a standardized system of visitor information facilities varying in size and extent of information provision</p> <p>a. Develop specifications of services, facilities and amenities needed by type of visitor information facility (fully-manned information centres, information booths and simple information boards)</p> <p>b. Prepare conceptual designs for each type of information facility</p> <p>c. Prepare cost estimates for establishment and operation of each type of facility</p> <p>3. Identify locations of visitor information centers that will best service regional visitor information</p>	<p>Provision of twelve (12) person-months of international and local consulting services covering the following areas of expertise (a consultant may cover several areas of expertise):</p> <ul style="list-style-type: none"> <li>• Architectural design and construction of tourist information centres</li> <li>• Site planning and development</li> <li>• Traffic and information signage</li> <li>• Design of visitor information and interpretation materials</li> <li>• Business operation and management</li> <li>• Branding and promotion</li> </ul>	<p><b>Estimate project costs:</b></p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Time input split approximately equally between international and local consultants at average consulting fee at EUR 10,000</li> <li>• EUR per diem rate of EUR 200 for Croatia is applied</li> <li>• Number of per diem days set at one fourth of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</li> <li>• Travel costs set at EUR 5,000 covering both international air travel and field travel in Croatia</li> <li>• Workshops and stakeholder meetings estimated at EUR 1,000</li> <li>• Contingency of about 10% of costs</li> </ul> <p><b>Consulting fee:</b>  <math>12 \text{ person-months} \times \text{EUR } 10,000 = \text{EUR } 120,000</math></p> <p><b>Per diem:</b>  <math>1/4 \times 12 \text{ person-month} \times \text{EUR } 200 = \text{EUR } 18,000</math></p> <p><b>International travel / field trips:</b>  <i>Estimated cost: EUR 5,000</i></p>	<ul style="list-style-type: none"> <li>• Relevant authorities are committed to tourism development</li> <li>• Public and private sector stakeholders are prepared to cooperate</li> </ul>

<p><i>needs</i></p> <p>a. <i>Survey locations/sites where visitor information is needed</i></p> <p>b. <i>Identify the most suitable type of visitor information facility at each location/site</i></p> <p>c. <i>Prioritise the development of visitor information facilities according to existing and expected visitation</i></p> <p><b>4. <i>Branding of the network of visitor information centers and generate market awareness</i></b></p> <p>a. <i>Develop a branding strategy to ensure uniformed market positioning and market awareness of the visitor information system</i></p> <p>b. <i>Prepare a plan for the promotion of the information network</i></p> <p><b>5. <i>Develop a business model for servicing the different levels of visitor information facilities</i></b></p> <p>a. <i>Identify the most suitable ownership and management structures</i></p>		<p><b>Workshops/stakeholder meetings:</b>  <i>10 events x EUR 15,000 = EUR 150,000</i></p> <p><i>Sub-total: EUR 153,000</i></p> <p><i>Contingency: EUR 15,000</i></p> <p><b>TOTAL FINANCIAL INPUTS: EUR 168,000</b></p>	
			<p><b>Preconditions</b></p> <p>•</p>



# **Project No. 3: Strategic Plan for Medieval Castles/Fortification Route**

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## CONCEPT NOTE

### 1. Summary of the action

#### *1.1 Brief description of the proposed action*

The area of Lika-Senj and Karlovac Counties (project area), shows negative demographic and economic trends, especially after the recent war, which affected 70 per cent of the area's territory. Declining economy, high unemployment rate, low standard of living and poor employment opportunities threaten the further depopulation of the project area. The County of Karlovac, whose 70% of territory was affected by the war, lost one forth of its populations in the period from 1991 to 2001. With 149 thousand inhabitants, of which two fifths live in Karlovac, the area has low population density. Similar is in the Lika-Senj County, whose population is about 53 thousand or 37% less than it was in 1991. Both have a low BDP per capita and the unemployment rate is among the highest in the country. Traditionally, population lived of agriculture and manufacturing industry, predominantly timber exploitation and production, both of which are in a steady decline. Consequently the area is declared as the area under the special state concern.

Such conditions also adversely affect the socio-cultural life of the area's residents whose local customs and traditions are under threat, cultural institutions rare and underfunded and cultural heritage decaying due to poor preservation and maintenance. However, with the unique history, abundance of wild, untouched nature, and highway network making this area easily accessible, tourism was declared as a priority development option in the Regional Operational Programmes of the two counties. Except for the UNESCO World Heritage Site Plitvice Lakes National Park which has placed this part of the area on the world tourism map, the area outside Plitvice Lakes faces: a) lack of marketable tourism products as many interesting sites are not prepared for tourist visits in terms of signage, access, interpretation and additional services, b) poor infrastructure in terms of accommodation, food & beverage and retail sector and c) lack of tourism experience among the stakeholders in public sector and area's entrepreneurs and d) undeveloped culture of networking for joint tourism development projects.

With this project, the overall objective is to contribute to the social and economic welfare of the project area through development and diversification of tourism products that will generate greater tourism visitation, disperse demand throughout the project area, prompt increased spending and create loyal visitors, thus consequently create more jobs and self-employment opportunities, start-up of small business enterprises and more even regional development.

More specifically, this will be achieved through creation of a framework for development of a cultural heritage route focused on medieval fortresses and fortified castles through the project area that will ensure product diversification as well as protection, restoration and sustainable management of regional cultural resources. The project will therefore contribute to both, economic development (through increased tourism demand and subsequently greater economic benefits) and social cohesion (through creating awareness of the unique cultural identity of the project area).

In particular, the project will ensure that the area's cultural resources, especially medieval fortifications and fortified castles, are: (i) mapped and evaluated in terms of their restoration/preservation needs (site impact assessment) and market readiness (site conditions, safety, accessibility, and interpretation) and (ii) included in a heritage trail, representing a new tourism product. The historical research will be conducted and interpretation themes identified and elaborated (especially needed to overcome the currently prevalent practice of technical/scientific interpretation of little interest to visitors). Market for the route will be assessed and identified so that from the very outset the route is designed to fits well with the visitor profiles and their preferences. Partners in this heritage route project will be identified and their role defined followed by a creation of a body in charge of route implementation, development and promotion with the most suitable



management model proposed. Marketing plan will be defined, promotional material designed and produced and sales missions to travel trade conducted.

### **Justification**

In the project area, according to the Regional Operational Programmes of both counties, tourism is identified as one of the main mechanism for inducing economic development and reversing negative demographic trends. The stakeholders have recognised the value of tourism visitation and spending in creating employment, especially for female and young workforce, providing markets for local agricultural, art/craft products and prompting development of small businesses in service, accommodation, transport and retail sectors.

The stakeholders of the project area have also recognised that well planned tourism development will contribute greatly to preservation of the rich and unspoiled natural areas and provide an impetus for preserving the unique, but threatened, cultural heritage and identity, which the area is losing due to the low population density and continuous depopulation. The cultural institutions are few and far apart, the budget for activities related to social and cultural development extremely limited, while financial resources for preservation and maintenance of cultural heritage particularly scarce. The residents of the project area are striving to preserve what they can mostly through heritage/folk societies that maintain traditional music and dances and are revitalising the old crafts, but without opportunities to earn some income from these activities or sale of the craft items, viability of these is questionable. Tourists are, therefore, considered as an important source of income for the historical heritage sites and cultural institutions and as a market for the local produce through which the project area can sustain the cultural life and contribute significantly to the quality of life of the area's residents.

Through development of the cultural route the project area will be able to offer visitors a well defined product to enjoy and learn about the unique history and culture, generate income for cultural activities and heritage preservation, ensure market for the products and services and stimulate a variety of tourist activity that the entire area will benefit from: (i) new, quality market segments that will fuel demand for accommodation and restaurants of the area will be attracted, (ii) the overall tourism image of the project area will be improved and (iii) visitors attracted by other motives (i.e. hiking, cycling, wildlife watching) will be provided with additional, compatible attractions and reason to stay longer in the area, spend more and come again.

Apart from the regional development framework, within which the tourism development is a priority and this project elected as one of the ten priority tourism development project of the area, the project is also supported by the national tourism development priorities – both the Department of Tourism within the Ministry for the Sea, Tourism, Transport and Development and the Office for Cultural Tourism at the Croatian National Tourism Board are supporting development of heritage routes as one of the prime cultural tourism products, for its benefit in spreading tourism demand geographically and contributing to the quality of Croatia's tourism destination image, while the Ministry of Culture is supporting cultural routes projects aiming to become a stronger partner in the South-East Europe Cultural Heritage Route project.

## **2. Relevance:**

### ***2.1 Needs and constraints of the target area***

As already mentioned, the ROPs of both counties have identified tourism development as a priority. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient organisational, management and marketing capacities in the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists. The combination of these issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, and the number of successful SME start-ups is negligent. Consequently, general population faces a

lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving.

Through the Tourism Master Plan, ten projects have been defined as a priority for development: five of which relate to the product development and five which relate to the development of supporting tourism services and infrastructure. These ten projects offer a solution to most of the above addressed issues. The project proposed here is among the five product-related priority projects – it can be put on the market and promoted relatively quickly to meet the growing demand for this type of experience thus inducing economic benefits on the one hand, while also contributing to the social and cultural development and sustainability of the cultural and heritage resources on the other. With 65,000 vehicles transiting daily through the project area, and about 6 million tourist arrivals during the summer for the holiday purpose, of which two thirds claim an interest in visiting cultural attractions, if they are accessible and awareness of them created in time, the project area has already a large captive market for this type of product, that can bring the desired benefits in a very short time. However, while each of the relevant agencies or institutions in the project area dispose of certain budgets through which some of the activities on route development can be funded and executed, none poses the knowledge and sufficient financial/human resources to produce a comprehensive route plan to guide the collective and individual actions in terms of access, signage, interpretation, management and promotion of the route with a view to ensure economic and cultural benefits for the stakeholders of the project area.

## 2.2 *Problems and needs*

A detailed problem analysis was made at the start of the project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived.

This cultural tourism – medieval castles and fortification route - product is needed to overcome several major problems – the heritage sites are poorly preserved and are facing rapid deterioration; the cultural identity is threatened and few and far apart cultural institutions and heritage societies, under-resourced and under-financed, are unable to maintain the cultural traditions and sustain cultural activities, while people that are saving customs and tradition by reviving old crafts do not have outlets for sale of their produces. The existing accommodation providers record low level of occupancy, while the majority of the area's attractions are visited primarily by the low-yield segments - school excursions or excursions organised by social clubs. Current level of tourism activity does not warrant significant investment by private sector into quality accommodation development, restaurants and retail sector, while there are only few in-bound tour-operators. At the same time, the area hosts 24 million vehicles in transit, whose passengers believe that the area has nothing of interest to offer them. Along the coast, there are 3.5 million holidaying in the vicinity of the project area's destinations complaining that they are not offered any interesting excursions, while their cultural interests are not satisfied due to the sites being poorly promoted and unprepared for tourist visitation. Thus, the project area already has a large potential market that can be captured by offering a well-designed heritage tourism route.

The overarching needs are, therefore, to identify and evaluate cultural resources of the region through cultural mapping and, based on the site impact assessment, evaluate those that can be included in the route; develop an interpretative framework for the route, identify stakeholders in the project and define their role, define and propose the most viable and sustainable route management model/agency and, finally, profile the market to ensure the high impact of the proposed promotional activities. Thus the area will be well set up for development of a castle route as the product in itself but also a springboard for further development and enrichment of the route to achieve full integration of the area cultural resources into the overall tourism product of the region.

## 2.3 *Target groups and final beneficiaries*

The target group consists of the Development Agency of Karlovac County and Development Agency of Lika-Senj County (applicant) and its partners: Karlovac and Lika-Senj Counties, Cultural Heritage Groups (set up within the Chamber of Economy both in Karlovac and Lika-Senj County) and

Tourism Boards (TBs) of both counties. They will directly benefit from a formulation of cultural/heritage route development plan and, indirectly, from the activities during the project implementation relating to development, organisation, training and marketing of a cultural tourism product.

Final beneficiaries will be:

- Cultural institutions of the region through seeing increased visitation generated by tourism demand, through which more entry ticket will be sold; they'll become also more relevant in cultural, social and economic life of the project area and thus it should become easier for them to obtain additional funding for their activities
- Heritage/cultural/folk societies and NGO's as well as their individual members will have more regional distribution channels available for sale of their services (performances) or products (art, craft, food produce) and thus generate additional income to sustain their activities
- Tourism related businesses (local accommodation providers, restaurants and souvenir shops, travel agents, transport providers) - especially those gearing towards high quality tourism product inspired by local tradition will benefit from the demand created by the high income and education and longer stay visitors who come to the region inspired by its heritage product
- Conservation experts and specialised building contractors - as their services will be needed in restoration/restoration of historical heritage and related sites
- Nature-based attractions of the area - as the product will stimulate additional number of visitors who are also likely to visit national and nature parks of the area
- Residents at large - who will have greater pride in its culture and history, will have more culture-related programmes to enjoy or participate in and opportunities to improve its social and culture-related activities
- Visitors at large - including both excursionists (one-day visitors) and tourists (those spending at least one night in the region) who will be able to get an overall insight into the areas history and culture thus enriched experience and improved quality of their visit

#### 2.4 Objectives and expected results

The overall objective is to develop and diversify tourism product in order to contribute to the social and economic welfare of the project area. Specific objective of the project is to contribute to this overall objective by creation of a cultural/heritage tourism product that will be a part of the overall project area strategy for diversification of the tourism products while ensuring protection, restoration and sustainable management of the area's cultural resources. In particular, results that are expected are: a) complete assessment of the cultural resources of the project area and their evaluation based on the market readiness criteria; b) estimation of the size and profile of the potential market for this cultural/heritage product; c) formal partnership for route development set up and route management model defined; d) *tourism products of the trail are clearly identified*, e) for each site preservation/restoration works identified and proposed and the way each selected site is utilised is defined; f) overall thematic interpretative framework is developed and each site is interpreted; g) promotional plan (branding, promotional materials and distribution channels) defined.

Benefits that we see this project to bring are: an increase in the number of visitors to castle/fortifications and related cultural institutions as well as a creation of the stronger cultural identity of the region. It is reasonable to expect that the increased level of visitation and related spending will create demand for additional services through which we will see an increase in the number of self-employed persons by about 10 %, especially among the females and young, with some side-income opportunities created for older population. The cultural sector will benefit through increased funding available for restoration and management of heritage sites and cultural institutions. Finally, the project will be a testing ground for creation of a strong public-private partnership which will then be a model to be followed in similar projects and activities.

### 2.5. *Added value of the action*

In spite of the cultural tourism routes being the priority tourism products at the national level and their development heavily promoted, to date there is not a single quality executed and managed themed tourism route in Croatia. This is mostly due to the lack of quality planning in the preparatory phase where highly fragmented and narrowly focused stakeholders in both cultural and tourism sectors do not have sufficient knowledge and culture of partnership to conduct quality preliminary planning and assessment. This project will generate knowledge and insights highly valuable to other similar initiatives throughout the country. Well-thought out development framework will facilitate private initiatives and investment (ie. compatible rural enterprises, themed family run hotels, souvenir production, publishing initiatives). It will create strong 'image' product for the region improving regional overall tourism competitiveness and a quality platform to launch various heritage events and festivals. Equally important, it will provide cultural institutions with means to achieve greater self-sufficiency to reinvest in cultural development and to the residents of the project area an array of interesting destinations and events to visit and participate in.

## **3. Methodology and Sustainability**

### 3.1 *Main project activities*

Activities of the project are following:

1. Identification of the cultural resources – through cultural mapping these resources have to be identified and their readiness to be marketed to visitors assessed. Those market-ready resources have to be put in the immediate use, while for the rest strategy for bringing them to the market-ready stage need to be outlined
2. Estimation of the market size – although the market for cultural tourism product is large and growing, for the route to be viable, market assessment for the route needs to be made as well as different sub-segment of the market identified and profiled. This is a basic requirement for creating a quality interpretative framework on the one hand, and efficient promotional strategy on the other
3. Formation of the project partnership – stakeholders in the project and their role need to be identified and a model for the route management proposed, so that the long-term sustainability of the project is ensured
4. Identification of the tourism products of the route – in order to quickly launch to route, market ready sites need to be selected, travel through the route mapped out and complementary services available included in the route
5. Development of individual plan for each site– so to clearly guide activities on each site that will improve its attractiveness and ensure that the benefits are accruing from the site visitation
6. Creation of route awareness nationally and internationally – to guide marketing and promotional activity towards the market segments identified during the Activity 2 stage.

### 3.2 *Main implementing partners*

The project applicants and lead partners are the Development Agencies of the two counties set up as a body responsible for the implementation of the Tourism Master Plan. Development Agencies' staff has been sourced from the Project Management Units of the two counties and has a good track record in project management as well as working with donor agencies.

The project partners are: a) the two Counties (Karlovac and Lika-Senj) under whose jurisdiction is both tourism and cultural development. They have a well established relationship with other regional and national bodies relevant to the project and can directly influence the level of investment into the route and sites identified along the route; b) Tourism Boards of two counties – they have experienced in managing the donor funded project, have been project coordinators of the Tourism Master Plan and are in charge of tourism product promotion of their counties; c) Cultural Heritage Associations – set up within the Chamber of Economy, the groups bring together representatives of

the cultural institutions of the project area, relevant NGO and cultural heritage societies, art/craft producers, travel agents and tour-operations in the project area interested in cultural tourism products development.

### **3.3 Sustainability**

The project will result in a completely defined, actionable route plan based on which the funds can be sourced from the relevant national agencies. Currently, the route development is financially supported by the grant scheme of the Department of Tourism – Ministry of the Sea, Tourism, Transport and Development, Office of the Cultural Tourism with the National Tourism Board, and rural development grant scheme of the Ministry of Agriculture, Forestry and Water Management while for the preservation of cultural heritage grant scheme is run by the Ministry of Culture - however none of these agencies are willing to fund preparatory, planning stage of the process and thus the consequence is that none of the route development initiatives in Croatia have yet materialised. Likewise, funds are available from county and municipal budgets who will invest in properly developed and justified projects. As the project will result in creation of partnership and proposition of the route management model, it will be ensured that the partnership in charge of route development and management will be able to generate funding from its own activities (i.e. membership fees, cooperative advertising, production of interpretative materials, guiding services, bookings or similar) and thus achieve sustainability.

### **3.4 Multiplier effects**

Project will enhance development of SMEs and create income-generating opportunities for the project area – self employment especially for females and elderly and full-time jobs especially for the younger segment of the work-force. Increased economic activity should lead to the higher amount of tax revenue to be reinvested in community development projects. Higher rate of investment into community development and improved self-sufficiency of the cultural institutions and societies of the project area means also richer and varied cultural life of the region for the enjoyment of the area's residents who will then spend more money in the region (as they will not have to travel outside to satisfy their cultural needs). This should, in turn, create also more employment opportunities in the cultural sector. Improved community standards and cultural offer will likely induce younger and better educated to stay in the project area.

Additionally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on utilisation of idle and/or insufficiently used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

## **4. Expertise and operational capacity:**

### **4.1 Project management experience**

Development Agencies of both Counties, although established only recently, are staffed with people extensively trained in project management and implementation with a proven track record in implementing the EU-funded projects. Karlovac and Lika-senj Counties implemented and successfully managed several big infrastructure projects (i.e. Business Zone, reconstruction and modernisation of the road network). Tourism Boards are professionally run institutions that coordinate product development and tourism promotion, and have a wealth of experience in tourism development and promotion, as well as project management. Cultural Heritage Associations have been set up in 2004, following a recommendation of the National Cultural Development Strategy to facilitate informal networking and partnership. They bring together public and private sector stakeholders and are a mechanism for bridging the inter-sector gap between tourism and culture and overcoming fragmentation in both tourism and cultural organisations.

#### 4.2 *Technical experience*

Development Agencies, as already pointed out, are staffed with people formerly employed in the Project Management Units where they have gained extensive experience in project management and have received a specific training in tourism development.

County governments regularly and in partnership with municipal governments and, under instruction of the Office for Conservation of the Ministry of Culture where necessary, realise projects relating to the reconstruction of cultural objects and sites, parks and urban area, roads and road infrastructure, installation of signage and interpretation boards. Likewise, they base their activities of well thought out strategies and action plans and have developed operational capacity to implement these recommendations.

County Tourism Boards regularly produce and implement promotional plans and the appropriate promotional materials for targeted distribution. They maintain web-sites and advice local tourism boards on promotional and product development matters.

Cultural Heritage Associations are made up of highly motivated and entrepreneurial individuals. With the clearly defined action plan they have all the skills and knowledge necessary to become active participants in the process of route development and management.

## I. FULL APPLICATION FORM

## 1. DESCRIPTION

## 1.1 Title

**Preparation of a strategic plan for the development of a medieval castles/fortifications tourist route in Karlovac and Lika-Senj project area**

## 1.2 Location(s)

Republic of Croatia, Karlovac and Lika-Senj Counties

## 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 250,000	EUR 200,000	% 80.0

## 1.4 Summary

Duration of the action	10 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To contribute to the social and economic welfare of the region through the development and diversification of the tourism product</p> <p><b>Specific objective:</b></p> <p>To diversify the regional tourism product portfolio and ensure protection, restoration and sustainable management of regional cultural resources</p>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Development Agency of Lika-Senj and Development Agency of Karlovac County</li> <li>▪ Karlovac and Lika-Senj Counties</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Cultural Heritage Associations of the Lika-Senj County and Karlovac County</li> </ul>
Target group(s)	<p>DAs (Development Agencies)</p> <ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Cultural Heritage Associations of the Karlovac and Lika-Senj Counties</li> </ul>
Final beneficiaries	Local population of Karlovac and Lika-Senj Counties

	All stakeholders of the tourism industry in the area of intervention Tourists and visitors
Estimated results	<p>An increase in the number of visitors to castle/fortifications and related cultural institutions as well as a creation of the stronger cultural identity of the region. It is reasonable to expect that the increased level of visitation and related spending will create demand for additional services through which we will see an increase in the number of self-employed persons by about 10 %, especially among the females and young, with some side-income opportunities created for older population. The cultural sector will benefit through increased funding available for restoration and management of heritage sites and cultural institutions. Finally, the project will be a testing ground for creation of a strong public-private partnership which will then be a model to be followed in similar projects and activities.</p> <p>Through the cultural mapping process cultural heritage sites, with a special focus on castles and fortification will be identified and their cultural significance ascertained. In addition, the complementary attractions along those sites will be inventories. At least ten sites will be selected based on their market readiness and supporting services available. Partnership for the route development will be set up and route management plan developed. The use of each selected site will be planned and interpretation theme developed. Basic promotional material will be made to promote the route and contact with the tour operators to promote the route will be established.</p>
Main activities	<ul style="list-style-type: none"> <li>▪ Assessment of the resources (castles and fortifications) available and their individual and combined market readiness</li> <li>▪ Market size and profile for the regional castles/fortifications route is assessed</li> <li>▪ Partners for the creation of heritage trail are identified and formal partnerships established</li> <li>▪ Tourism products of the trail are clearly identified</li> <li>▪ Major renovation and development projects proposed</li> <li>▪ Concept development plans and interpretation strategies for selected sites developed including site impact assessment</li> <li>▪ Awareness of the medieval tourism route is created both nationally and internationally</li> </ul>

## 1.5 Objectives

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The **overall objective** of the project is to contribute to the social and economic welfare of the region through the development and diversification of the tourism product, by utilising cultural heritage of the area to create a themed route as a tourism product attractive to both domestic and targeted international visitors.

The project area has to deal with serious economic and social problems, which can partly be solved through tourism development. The County of Karlovac, whose 70% of territory was affected by the war, lost one fourth of its populations in the period from 1991 to 2001. With 149 thousand inhabitants, of which two fifths live in Karlovac, the area has low population density. Similar is in the Lika-Senj County, whose population is about 53 thousand or 37% less than it was in 1991. Both have the low GDP per capita and the unemployment rate is among the highest in the entire country. Traditionally, population lived of agriculture and manufacturing industry, predominantly timber exploitation and production, both of which are in a steady decline.



However, the lack of the major economic development meant also that the area still has an abundance of unspoiled natural and cultural resources, while the recent construction of the modern highway network has made this area easily accessible, opening up opportunities to reverse negative economic and population trend through tourism development. Therefore, tourism was defined as one of the most important development priorities by the Regional Operational Programmes of both counties. However, as the area is at the initial stage of tourism development, appropriate products and supporting infrastructure has to be developed to attract visitors, facilitate their stay as well as increase their spending.

Consequently, a Tourism Master Plan for the project area was completed with the assistance of the EU funding (CARDS 2004). Through the master-planning process the vision that the stakeholders have formulated is to build a year-round tourism demand with branded products based on variety of tourism resources and unique tourism experience offered by friendly local residents. The Tourism Master Plan has defined five product related projects to kick-start tourism development, among which is this heritage route projects. In the context of the tourism and overall socio-economic development of the area, the **specific objective** of the project is to diversify the regional tourism products portfolio and ensure protection, restoration and sustainable management of regional cultural resources. The theme of castle/fortification route is well positioned to integrate the entire area, as most of it belonged historically to the Military Frontier (Vojna krajina) with its specific pattern of political, economic and cultural evolution. The remains of the medieval fortifications and late-medieval castles, connected through the theme of the military frontier, offer an excellent opportunity to develop a uniquely themed product; promote the project area's heritage to visitors, while at the same time increase awareness of the area's heritage and stimulate interest in its conservation.

Therefore, the project is a direct outcome of the Karlovac and Lika-Senj Counties' development strategy, in which tourism is defined as one of the major strategic development objectives. The proposed project also fits well within the national strategic documents. A development of cultural routes is also priority of a National Cultural Tourism Development Strategy and supported through the tourism product development grants by the Department of Tourism (within the Ministry of Sea, Tourism, Transport and Development) and the Office for Cultural Tourism at the Croatian National Tourism Board. However, these agencies like to allocate their funding to the specific infrastructure improvements, such as signage and interpretation boards, visitor centres and promotional material, but are reluctant to fund the preparatory planning stage, which is a prerequisite for a successful cultural heritage route. Thus, the main expected result of the proposed project is development of a framework and detailed action plan for the development of castle/fortification heritage route, establishment of project partnership with a clearly defined route management model and production of marketing plan, promotional material and initial sales missions to the travel trade conducted.

## 1.6 Justification

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### 1.6.1. Relevance of the action to the objectives and priorities of the programme

As already mentioned, the ROPs of both counties have identified tourism development as a priority. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient organisational, management and marketing capacities in the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists. The combination of these issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, and the number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving.

Through the Tourism Master Plan, ten projects have been defined as a priority for development: five of which relate to the product development and five to the development of supporting tourism

services and infrastructure. These projects offer a solution to most of the above addressed issues. The project proposed here is among the five product-related priority projects – it can be put on the market and promoted relatively quickly to meet the growing demand for this type of experience thus inducing economic benefits on the one hand, while also contributing to the social and cultural development and sustainability of the cultural and heritage resources on the other. With 65 thousand vehicles transiting daily through the project area, and about 6 million tourist arrivals during the summer for the holiday purpose, of which two thirds claim an interest in visiting cultural attractions, if they are accessible and awareness of them created in time, the project area has already a large captive market for this type of product, that can bring un desired benefits in a very short time. However, while each of the agency or institution dispose of certain funding through which some of the activities on route development can be funded and executed, none poses the knowledge and sufficient financial/human resources to produce a comprehensive route plan to guide the collective and individual action in terms of access, signage, interpretation, management and promotion of the route with a view to ensure economic and cultural benefits for the stakeholders of the project area.

This project will make several important contributions to the project area overall tourism and socio-economic development:

1. it will provide a framework for development of a well organised cultural heritage route focused on medieval fortresses and castles, based on which funding for infrastructure developments can be sourced from the relevant national funding bodies (i.e. Ministry of Culture; Ministry of the Sea, Tourism, Transport and Development; Croatian National Tourism Board);
2. the number of visitors to the project area will be increased and this increase will come, broadly, from two segments. Through the promotion of area's heritage and ability to offer well packaged experience, the visits by the dedicated heritage lovers organised through specialised tour-operators will be facilitated. Secondly, the visitation will come from the generalist heritage market segment who will want to visit the areas heritage while in transit or visiting the region for other purposes. In this way, the product offers opportunity to increase visitation to the area cultural/heritage attractions and to motivate visitors to stay longer in the project area;
3. it will provide a condition for increased employment, especially self-employment of disadvantaged community groups such as older and female workforce: a) for those working on revitalising the old arts and crafts an outlet for sale of these products will be created; b) self-employment opportunities will be creating for those providing guiding services to visitors and c) for accommodation providers increased demand will be crated, what can in particularly create additional income for women who are more traditionally engaged in this side-income activity;
4. it will increase awareness of the project area's heritage and stimulate an interest in conservation and, thus, facilitate funding for conservation and preservation purposes as well as greatly contribute to the area's overall market positioning;
5. it will provide a model for public-private partnership in charge of its development, management and improvement - an area where the stakeholders need yet to gain experience and forge culture of partnership.

### 1.6.2. Perceived needs and constraints

The Tourism Master Plan has identified several obstacles for tourism development (problem tree) from which the specific objective of the tourism development were formulated. In short, the problems relating to tourism development in the project area can be outlined briefly (although greatly simplified) as follows:

- For the project area tourism is an economic development solution for reversing adverse economic and social trends faced by the project area: As already mentioned, the area is facing stagnating economy and a steady population decline. Consequently, younger and more educated leave the area for better opportunities elsewhere, so older and less educated dominate the population structure. Against such background, tourism development is recognised as a viable option for reversing those adverse trends as tourism is labour intensive activity, favours employment for traditionally disadvantaged groups and numerous opportunities for start up small business enterprises and create self-employment (i.e. guiding services, on-ground transport, local art, craft and food produces).
- For tourism development to bring in desired economic and social benefits the lack of tourism product and infrastructure as a prerequisite for tourism development need to be overcome: However, at this initial stage of tourism development, especially when it is more supply than demand driven, a coordinated approach to development of tourism products and infrastructure is needed, to overcome fragmentation, lack of the unique market positioning and poor promotion. Apart from the adverse economic conditions the area also faces some socio-cultural challenges that can be partly dealt with through tourism development.
- If the area wants to realise potential economic and social benefits from tourism development, the lack of social cohesion and cultural opportunities also needs to be dealt with: Being scarcely populated and facing rapid population decline, its historical and cultural identity is also threatened – the area has relatively small number of cultural institutions, while most visible historical remains – medieval fortifications and fortified castles – are in a poor state facing rapid deterioration. The development of cultural tourism product is partial solution to these problems.

To address these issues and kick-start tourism development, it was a task of consultants working on Tourism Master Plan to identify, with the input from stakeholders, ten development projects for immediate action. Of these, five are relating to product development (hiking and cycling, sport fishing, wildlife watching, heritage route) and five to creating environment and infrastructure supportive of tourism development (visitors centres, tourism investment guide/manual, community tourism awareness and comprehensive tourism marketing plan).

From the preliminary assessment of the cultural heritage completed as a component of the Tourism Master Plan, it was clear the most of the visible, tangible heritage date back to the Middle Ages when the area was under threat from Turks military advancement. In defence, fortifications were built firstly by the feudal owners of the land and, later on, the larger fortifications and fortified castles were built once the Military Frontier was declared and well organised by the Habsburg Empire. The life under the threat from Turks attacks, the pattern of agriculture, transport and first industrialisation was uniquely shaped by the history of this Military Frontier. However, the story of the medieval time and struggle against the Turks can not be told at the moment for several reasons. The sites are in a poor state of repair – apart from a few such as Karlovac Star, Ogulin, Senj, Ozalj, they are poorly preserved, with sporadic and inconsistent road signage and lacking interpretation of any kind. Visitors can get acquainted with the area's history upon visiting one of a few museums (also poorly promoted), but are not able to get any additional information or guides that would facilitate further exploration. In addition, thematic framework for interpretation is not developed nor is the linkages between these sites, existing cultural institutions and area's culture/heritage groups established. Some isolated activities on preservation of the area's tradition (i.e. slow restoration of Slunj or Sokolac fortress) are currently on the way, but without the proper management plans for the sites' use after their restoration and without these being linked into the overall story of the common history, these initiatives will not produce any significant results in terms of, both, tourism and cultural development. At the same time, people and groups involved in the cultural life of the region are marginalised, fragmented and their activities uncoordinated. While they are great tourism resource, in terms of offering performances, traditional art/craft workshops, demonstration of the old crafts, authentic and highly valuable souvenirs and food produce, they are currently used as a colourful

backdrop or pretty decoration when important people are coming to the area, but are yet to be considered as significant partners in tourism development process. Yet, by including them in the tourism product, not only is sustainability of their activities ensured, but the opportunity for self-employment is also provided.

The overarching needs are therefore to identify and evaluate cultural resources of the region through cultural mapping and, based on the site impact assessment, evaluate those that can be included in the route; develop an interpretative framework for the route, identify stakeholders in the project and define their role, define and propose the most viable and sustainable route management model and, finally, profile the market to ensure the high impact of the proposed promotional activities. Thus the area will be well set up for development of a castle route that can be a product in itself but also a springboard for further development and enrichment of the route to achieve full integration of the area cultural resources into the overall tourism product of the region.

In such circumstances the proposed project is much needed. At the reasonable cost it will create a framework for coordinated cultural tourism product development with a clear focus on castle/fortification heritage route and thus overcome the lack of expertise in cultural heritage/route development by the local stakeholders, their fragmentation and lack of networking, as well as insufficient culture of cooperation; there is a need to specifically plan the project area cultural heritage route that would give a clear framework (concept), action plan and route management model to overcome the current constraints to better utilisation of cultural resources – poor state of the tangible cultural heritage, lack of signage and interpretation, lack of a clear development/interpretative framework for the area cultural heritage and threatened viability of activities conducted by many stakeholders involved in preservation and maintenance of local customs and traditions.

### 1.6.3. Target groups and final beneficiaries

The target group consists of the Development Agency of Karlovac County and Development Agency of Lika-Senj County – DAs (applicant) and their partners: Karlovac and Lika-senj Counties, Cultural Heritage Groups (set up within the Chamber of Economy structure both in Karlovac and Lika-Senj County) and Tourism Boards of both counties. They will directly benefit from a formulation of cultural/heritage route development plan and, indirectly, from the activities during the project implementation relating to development, organisation, training and marketing of a cultural tourism product.

Final beneficiaries will be:

- A. Cultural institutions of the region through seeing increased visitation generated by tourism demand, through which more entry ticket will be sold; they'll become also more relevant and thus it should become easier to obtain additional funding for their activities
- B. Heritage/cultural/folk societies and NGO's as well as their individual members, who will have more regional distribution channels available for sale of their services (performances) or products (art, craft, food produce) and thus generate additional income to sustain their activities
- C. Tourism related businesses (local accommodation providers, restaurants and souvenir shops, travel agents, transport providers) especially those gearing towards high quality tourism product inspired by local tradition will benefit from the demand created by the high income and education and longer stay visitors who come to the region inspired by its heritage product
- D. Conservation experts and specialised building contractors as their services will be needed in restoration/restoration of historical heritage and related sites
- E. Nature-based and other attractions of the area as the product will stimulate additional number of visitors who are also likely to visit national and nature parks of the area

- F. Residents at large who will have greater pride in its culture and history, will have more culture-related programmes to enjoy or participate in and opportunities to improve its social and culture-related activities
- G. Visitors at large including both excursionists (one-day visitors) and tourists (those spending at least one night in the region) who will be able to get an overall insight into the areas history and culture thus enriched experience and improved quality of their visit

## 1.7 Detailed description of activities

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### **Component 1: Cultural resources of the project area are identified and their market-readiness assessed**

This component contains a set of activities aiming to identify cultural resources of the project area and assess their market readiness. It is anticipated that two consultants with expertise in historical research and interpretation and cultural mapping will be contracted complete this preparatory phase of the project that consists of four specific activities:

#### **1.1 Prepare an inventory of castles and fortresses and complementary attractions available**

The project area has a common heritage dating back to the Japodi culture during the pre-Roman times, that of the Military Frontier in the late middle ages and that of the social and economic recovery in the early 18<sup>th</sup> century when the area was in the need of economic and social revitalisation. However, traces of these history is scattered not only in space, but also in written documents and registers of protected cultural heritage. Therefore, a comprehensive cultural mapping will be conducted with the accompanied assessment in a) terms of their cultural values but also in b) in terms of its extent of their tourism attractiveness and market readiness. The consultants should examine written records, conduct interviews with relevant stakeholders and site-visits.

#### **1.2 Identify main interpretative theme/s reflecting the route**

Apart from the cultural importance of the individual sites, for those to be of interest to visitors they have to be interpreted. While most of the sites are described in terms of their cultural values using scientific language of art historians, they need to be made interesting and relevant to the visitors. For this to be achieved, a thematic interpretative framework for the project area will be developed as a a) starting point in the overall route interpretation as well as for b) the interpretation of each individual site, attraction or event. Consultants experienced in historical research and interpretation and tourism planning expert will be contracted for the task.

#### **1.3 Create a map of the area highlighting the locations of castles/fortresses and other cultural sites**

Once the sites have been identified and their market readiness assessed, those in the market-ready state will be mapped as a first step towards organising visitor flow through the route.

#### **1.4 Clarify geographical area of the route**

Based on the cultural mapping, thematic interpretative framework, and identification of the relevant market-ready sites, a route will be outlined in space and travel through the route clearly defined for various types of users – as a circular route, a linear A to B point route for those in transit, of the ‘flower’ type for those that are stationed in the area enabling the circular movement with return to their place of accommodation. The map has to include available supporting services in the vicinity of the attractions to provide comfort for visitors on the one hand, and ensure route’s economic viability on the other. The planned route will be pilot-tested and remedial action taken where necessary.

**Component 2: Estimation of the market size**

For the route to be viable, market assessment will be made as well as different sub-segment of the market identified and profiled. This is necessary for a) creation of effective interpretation strategy on the one hand and b) efficient promotional strategy on the other. It is foreseen that this particular assignment will be accomplished by a team of two consultants, expert in tourism market demand analysis and tourism business economics.

**2.1 Estimate the size of the potential market for the route**

To ensure that the route is viable and that the sites are managed to ensure their protection and sustainable use, as well as to plan the appropriate level of investment into the additional products and services, market size for the route will be estimated in terms of the excursionists and overnight visitors.

**2.2 Profile the heritage route users to align the route experience with market demand**

Route success depends on the extent to which the experience provided meets market requirements and promotional activities are well targeted. For this, the heritage tourist profile will be developed in terms of their motives to travel the heritage routes, degree of their knowledge/heritage specialisation, and preferred ways of using the route (length of travel, travel party size and compositions), sources of information, socio-demographic profile and market of origin.

**2.3 Identify the main markets for castle/fortress route to be targeted**

It is estimated that the initial promotional funds for the route will be scarce. Thus, the main markets to be targeted and the ways that we can reach those markets most successfully will be clearly defined.

**Component 3: Regional partners for the creation of heritage route are identified and formal partnership is established**

As the route success depends on the partnerships that are established for route management and promotion purpose, stakeholders in the project need to be identified and their role in the partnership clearly defined. It is extremely important as the area's stakeholders have little experience in such kind of networking. Finally, management model will be proposed that will best respond to the stakeholders' needs and ensure long-term sustainability of the project. Heritage route development experts will be contracted to complete this component.

**3.1 Conduct stakeholder analysis to identify the main partners in the project**

The stakeholder analysis will be conducted to identify the main partners in the project. We see the route as a partnership between all those that have a part to play in the project and can benefit from it directly or indirectly – cultural institutions in charge of site management, public sector that needs to set up infrastructure such as signage, interpretation, visitor/information centres, private tourism operators that would benefit most from the route in economic terms.

**3.2 Establish partnership to create the route and clarify the main objective of the route**

We want the route to be a reflection of our common heritage and our community to have a real sense of ownership of the route. As the stakeholders in the project area have a little experience in networking and creating constructive partnership, their role in the project will be clearly defined so that they understand what is expected of them and how can they benefit by becoming the part of the project.

**3.3 Route management model will be defined**

This route is as an on-going project that, once established, will be sustained through the continuous improvement of the route in terms of sites it features, events that are staged and new business opportunities created. While the governments (county, municipal and national) might invest initially in the route, it is unrealistic that they will allocate sufficient funds for the route management on an

ongoing basis. Therefore, we will have a route management model defined in consultation with the stakeholders through which self-funding opportunities will be identified for improving its financial self-sufficiency.

#### **Component 4: Identification of the tourism products of the route**

As the route will be a catalyst of the tourism development of the project area, it has to cover as large territory as possible. We are aware that only selected sites can be included in the route initially, while the others we will add gradually as we bring them to the stage of market readiness. Thus, to quickly launch the route to the market, only selected market ready sites will be included. Upon identifying cultural resources and assessing them (Component 1), those that are ready to be included in the route will be identified as well as complementary services available around these selected sites and along the route, with the help of heritage route development expert.

##### **4.1 Identify the major castles and fortifications for inclusion in the trail**

Based on the activities conducted during the first phase of the project – Component 1 – sites ready to be included in the route are identified based on the market readiness criteria. For those not ready to be included in the first stage of the route design, measures to bring them to the market readiness stage will be proposed.

##### **4.2 Identify complimentary services**

As stressed already, the route has to make a contribution to the overall economic development of the project area as well as to ensure services to visitors travelling along the route and spending time visiting the sites. Thus, in the endeavour to link the route to other facilities, we will identify accommodation providers, restaurants, retail outlets, farmsteads, art and craft maker studios available as well as identify the needs to establish some close to the sites to create well defined service clusters.

##### **4.3 Identify the ways visitors can travel the route and route marking needs**

The success of this route depends, partly, on the easiness of its use and to achieve this, it will be planned carefully how visitors can travel the route (circular for day visitors, from point A to B for those in transit, and 'flower' style for those staying in the region so that they can make circular routes from their overnight destination), have clear entry points marked and well defined signage policy to ensure visitor safety and easiness of travel along the route.

#### **Component 5: Interpretation strategy and plan for each site is developed**

As we want to provide a quality experience to route visitors, we understand that the interpretation of the route and the sites included is of crucial importance and we want to move beyond the current prevalent practice of scientific approach to interpretation that is historically correct but mostly boring to visitors. Thus, based on the thematic interpretation framework that will guide both, site interpretation strategies as well as route promotion, each site selected for the inclusion in the route will be planned carefully. Heritage interpretation expert and expert in heritage route development will accomplish this task.

##### **5.1 Develop plan for each individual site included in the route**

To ensure visitor satisfaction on the one hand and proper site use on the other, each site will be designed and planned to deal with issues of access, signage, parking, interpretation, visitation regime and possible additional services to be offered at major sites such as information/visitor centers, souvenir shops, possibly food&beverage outlets.

##### **5.2 Conduct site impact assessment**

With this trail we want to preserve our cultural heritage and, in particular, we want the route to help fund its preservation and restoration. Therefore, impact assessment for each site will be conducted so that the use of the site and any proposed improvements/development around the site (i.e.

parking lots, access roads/paths, picnic spots, viewing points) is compatible with the historic form, character and fabric of the site.

### **5.3 Develop an overall interpretation strategy for the route and interpretation strategy for each site**

We want our route to be a well designed product that is easy to follow, clearly marked and uniquely branded – for this a uniform interpretation strategy for each site will be designed, using the same or similar type of interpretative devices, uniformed cultural route signage, branded visitor/info centres and promotional material – in a marketing language it will not be only a nice route logo and catchy strap line, but the well thought out and consistently delivered branding strategy. For this to be achieved, each site has to be interpreted on its own merit, but with the overall interpretation strategy it will be ensured that each site is a part of the overall story of the route.

### ***Component 6: Awareness of the route is created both regionally, nationally and internationally***

The route is important for increasing visitations to the project area and thus boosting tourism and overall economic development. But we also want the route to increase awareness of the value of our heritage to the residents of the project area. Thus, this component goes beyond the classical marketing strategy, as it will be ensured that the area's residents are aware of the route and are promoting the route actively through their daily contacts with non-area residents. Two experts, in marketing and heritage route development, will work on this task.

#### **6.1 Develop mid-term marketing strategy**

Preparation of a mid-term marketing action plan will result in specification of those concrete activities that, at affordable cost, need to be implemented in order to achieve maximum results in terms of increased tourist visitation and receipts generated in the project area.

#### **6.2 Prepare and produce basic promotion material**

At this stage of the project all the basic elements of the route will be planned – overall interpretative framework, selection of sites with their interpretation, route design in terms of visitor movement and complementary products and services, so the initial promotional material can be produced to a) promote the route and attract visitors to the project area and b) complement the route with reference to individual sites of the route and complementary services available. This includes a map, brochure(s), audio guides and, importantly, web-site for the route and press-kits.

#### **6.3 Identify specialised regional, domestic and international in-bound tour operators**

As, typically, it takes year or two for a tour-operators for feature a specific product in their product portfolio, we want to promote the route to the trade as early as possible. Therefore, as soon as the basic promotional material and press-kit is put together, sales call or invite for a route inspection will be made to tour-operators specialised in heritage tours and those with some track record of bring visitors to the project area, to test this new product and to encourage its inclusion in their own itineraries.



## 1.8 Methodology

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### 1.8.1. Methods of implementation and reasons for the proposed methodology

The project development and its implementation depend on the extent to which the stakeholders understand and support the project. Thus, from the outset, as many stakeholders as possible will be involved to provide the necessary input, guide the planning activity and get committed to the project. To that end, a project structure have been proposed that ensures: (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with this, rather detailed descriptions of the individual activities have been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. This way, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, a Project Steering Committee will be established that will supervise the entire project. For reasons of efficiency, the Steering Committee will comprise of the one representative from each of the institutions having the status of the project partners – Karlovac and Lika-senj Counties, Cultural Heritage Associations of the Karlovac and Lika-senj County, and TB of Karlovac and Lika-senj Counties.

The Steering Committee will receive regular (at least monthly) progress reports from the commissioned consulting teams, and will meet at least three times during the project. The Project Working Group will also be established to assist consultants thought the six stages of the project development and it will be made up of the representatives of the project partners and relevant cultural institutions of the project area.

### 1.8.2. Relations with previous actions

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan. In addition, the cultural tourism product development, in particular themed cultural routes, are development priorities defined by the National Cultural Tourism Development Strategy and supported by the MMTPR and the CNTB. As it will also promote economical development of the rural area, the project is supported by the rural development programme of the Ministry of Agriculture, Forestry and Water Management.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. Hence, the best tourism development scenario for the project area implies that all of them get funded and implemented.

#### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Quantified indicators of achievement<sup>5</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>6</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a monthly basis by the Project Manager, and will meet with the working groups at minimum every three months. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will make decisions on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The Project Manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the three working groups.

The Project Management Units of Karlovac and Lika-Senj County, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

#### 1.8.5. Roles and participation of the various actors

The Development Agencies of the two counties - DAs, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. In addition, DAs will appoint from within its ranks a project secretary. The DAs of the two counties are the major institutions in charge of tourism development in the area, and are the only appropriate institution to initiate and implement a project like this.

The Counties of Karlovac and Lika-senj are partners in the project. The County Mayors (ore deputy Mayors) will chair the Steering Committee meetings. Further, each of the Counties will have two representatives (dedicated employees) in the working group, and will be expected to contribute creatively in all six envisaged components of the project. The Counties are an essential part of the project for obvious reason – the project is related to economic and cultural development of their territory and they should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

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<sup>5</sup> See Logical Framework

<sup>6</sup> See chapter 1.9

The Tourist Boards (TB ) of Karlovac and Lika-senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs will have 1 representative in the Steering Committee and two representatives in the working group. In line with their mission, the TB representatives in the working group are expected to contribute mostly in the Component 6 – creating awareness of the route. The TBs are an essential part of the project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities set out by the action plan.

The Cultural Heritage Associations in Karlovac and Otočac are partners in the project. They are, with the administrative/technical assistance of the Chamber of Economy in Karlovac and Otočac, active in promoting cultural tourism development initiatives in the project area and have a prime interest in the project. The regional Associations will each have a seat in the Steering Committee as well as four representatives in the working groups.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), cultural institutions, the tourism related business sector in the project area, and the population at large. They will all be offered new possibilities, whether for cultural enrichment, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

#### **1.8.6. Team proposed for implementation of the action**

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- General tourism planning and product development
- Development of cultural heritage tourism
- Medieval history research and interpretation
- Assessment of market potential and market projections
- Marketing and promotion of special interest (niche market) tourism

The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The Working Group members are expected to help the commissioned consultants in performing their work tasks.

### 1.8.7. Main means for implementation

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, the Development Agency –DAs (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

### 1.9. Duration and action plan

The envisaged duration of the project will be 11 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:

## Activity

## Component 1: Inventory of

1.1. Prepare an inventory of

### 2. EXPECTED RESULTS

2.1. Identify the main interpretative

#### 2.1 Expected impact on target groups/beneficiaries

The target group consists of the Development Agencies of the two counties –DAs (applicant) and its partners: Karlovac and Lika-Senj Counties Cultural Heritage Associations (operating within the Chamber of Economy both in Karlovac and Lika-Senj County) and Tourism Boards of both counties.

The project will give the main partners essentially knowledge necessary for creation of a cultural route and will lead them through the process of establishing a well planned and executed cultural route project. This we see as the main benefit of the project to the direct beneficiaries – partners in the project. Namely, although themed heritage trails are defined as priority cultural tourism products at the national level for over four years in our country to date we do not have yet developed a well prepared and designed cultural route as the stakeholders who should be in charge of its

## Component 2: Assess the market

development are poorly equipped for the task. Cultural institutions and their employees are focused on research and preservation, with little knowledge of how to promote and market themselves and little attention paid to attracting visitors. Tourism Board staff is focused mostly on promotion of existing products, with little expertise in product development, let alone in development of a specialised tourism product such as cultural routes.

Once the stakeholders gain insight and experience necessary through this project they will be able to apply this in development of other themed routes in the project area of local or regional significance – such as local heritage trails, themed cycle or walking trails and their promotion.

In addition, the Tourism Boards will get a well designed product aligned with market demand and hands-on knowledge on how to conduct targeted promotion to reach the niche-markets and expertise in direct marketing of the specialised products to the travel trade.

Cultural Heritage Associations, will get experience in how to work together to reinforce their activities and gain maximum direct benefits out of these activities.

Project will have a positive direct impact on the several groups of beneficiaries:

1. Cultural institutions of the region through seeing increased visitation generated by tourism demand, through which more entry ticket will be sold; they'll become also more relevant and thus it should become easier to obtain additional funding for their activities
2. Heritage/cultural/folk societies and NGO's as well as their individual members, who will have more regional distribution channels available for sale of their services (performances) or products (art, craft, food produce) and thus generate additional income to sustain their activities
3. Tourism related businesses (local accommodation providers, restaurants and souvenir shops, travel agents, transport providers) especially those gearing towards high quality tourism product inspired by local tradition will benefit from the demand created by the high income and education and longer stay visitors who come to the region inspired by its heritage product. They be able to attract large volume of business and expand the range of their products and services.
4. Conservation experts and specialised building contractors as their services will be needed in restoration/restoration of historical heritage and related sites
5. Nature-based attractions of the area as the product will stimulate additional number of visitors who are also likely to visit national and nature parks of the area
6. Residents at large who will have greater pride in its culture and history, will have more culture-related programmes to enjoy or participate in and opportunities to improve its social and culture-related activities
7. Visitors at large including both excursionists (one-day visitors) and tourists (those spending at least one night in the region) who will be able to get an overall insight into the areas history and culture thus enriched experience and improved quality of their visit

In conclusion, the major beneficiaries of this project will not be only the project partners, but the vast majority of population. Obviously, those engaged in providing services to the heritage tourists are expected to be more exposed to the benefits of the project than those that will not take an active part in it. Nevertheless, by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into 6 components. The list below does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

***Component 1: Inventory of cultural resources is made and their value assessed***

- 1.1. The project area will have a complete inventory of cultural resources with the assessment of their cultural significance, tourism value and market readiness
- 1.2. Thematic interpretative framework will be designed for the cultural heritage of the project area to guide a) the route development and b) future cultural tourism product development
- 1.3. The cultural heritage route focusing on castles and fortification will be determined in space (geographically)
- 1.4. Map of the route will be produced highlighting location of the cultural heritage sites and ways the route can be used by different types of visitors (route users)

***Component 2: Assessment of the market size and profile for the regional heritage route will be made***

- 2.1. Size of the potential market for the route will be estimated
- 2.2. Profile the heritage route users will be made to align the route experience with market demand
- 2.3. Main markets for castle/fortress route to be targeted will be identified

***Component 3: Regional partners for the creation of heritage route will be identified and formal partnership established***

- 3.1. Extensive stakeholder analysis will be conducted to identify the main partners in the project
- 3.2. Partnership for the creation of the route will be set up
- 3.3. Route management model will be defined

***Component 4: Tourism products of the route will be identified***

- 4.1. Major castles and fortifications for inclusion in the trail will be identified
- 4.2. Complimentary services along the route and around the individual sites will be incorporated in the route
- 4.3. Ways in which visitors will travel the route will be designed and route marking needs identified and proposed

***Component 5: The overall route and each site will have precisely defined interpretation strategy and site development plan***

- 5.1. Development plan for each individual site included in the route will be made
- 5.2. Site impact assessment will be conducted and each site's used planned accordingly
- 5.2. An overall interpretation strategy for the route and interpretation strategy for each site will be formulated

***Component 6: Awareness of the route will be created regionally, nationally and internationally***

- 6.1. The route and business opportunities offered by the route will be promoted to the residents of the project area
- 6.2. Actionable mid-term marketing strategy will be defined
- 6.2. Basic promotion material will be produced
- 6.3. Sale missions to the regional, domestic and international in-bound tour operators will be conducted to promote the route

### ***2.3 Multiplier effects***

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During the activities on the project, conditions for continuation of the project will be created – project partners, members of the steering committee as well as the project working group's members will be made aware and educated on how to create quality heritage route and ensure benefits for the area's stakeholders, while the route management model proposed will ensure that the structure for the

route management and development is in place and some seed funds ensured through the commitment of the project partners and self-funding activities. With the well-designed route plan, it will also become easier to source funds from relevant national agencies for infrastructure development and improvement.

Project partners and the individuals involved in steering and working groups will gain sufficient knowledge on route planning and design to start developing other similar routes, while the comprehensive inventory of cultural resources would give a sound basis for planning additional routes complimentary to this one.

More broadly, the project will enhance development of SMEs and create income-generating opportunities for the project area – self employment especially for females and elderly and full-time jobs especially for the younger segment of the work-force. Increased economic activity should lead to the higher amount of tax revenue to be reinvested in community development projects. Higher rate of investment into community development and improved self-sufficiency of the cultural institutions and societies of the project area means also richer and varied cultural life of the region for the enjoyment of the area's residents who will then spend more money in the region (as they will not have to travel outside to satisfy their cultural needs). This should, in turn, create also more employment opportunities in the cultural sector. Improved community standards and cultural offer will likely induce younger and better educated to stay in the project area.

Additionally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on utilisation of idle and/or insufficiently used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

## **2.4 Sustainability**

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### **2.4.1 Financial sustainability**

With the completion of the project and realisation of all mentioned activities, the conditions for sustainable development of cultural heritage tourism product in the project area will be created. The applicant, the Development Agencies –DAs and its project partners will ensure additional funds for the development of required public infrastructure, whereas related superstructure will be provided for by means of a tendering process specially crafted for individual private sector investors. The tender will be accompanied by a specially designed state-aided investment package.

### **2.4.2. Institutional sustainability**

Cooperation between the Karlovac and Lika-Senj Counties, as well as between the Development Agencies – DAs (the applicant) and other partners in the project will be continued after the completion of this project, through partnership structure established during the project, while their activities will be guided through the route management model proposed by the project.

### **2.4.3. Policy issues**

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

## 2.5 Logical framework

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Please see Annex A

## 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of **EUR 200,000.00** and can be decomposed as follows:

### 3.1 Consultancy fees

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For the project to be completed it is estimated that thirteen (13) person-months of international and local consulting services covering the following area of expertise is needed:

- general tourism planning and product development
- development of cultural heritage tourism
- history research and interpretation
- assessment of market potential and market projections
- marketing and promotion of special interest/heritage tourism

With the time input split approximately equally between international consultants at average consulting fee of 10,000.00 EUR per month, the consultancy fees amount to total of **EUR 130,000.00**.

### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been budgeted in amount of **EUR 20,000.00** (1/4 person-month x 200.0 EUR per diem).

### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (10), and an estimated cost of 1,000.0 EUR per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 10,000.00**.

### 3.4 International travel / field trips

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Based on available information on similar projects, total travel cost has been estimated on a lump sum of **EUR 10,000.00**.

### 3.5 Design and printing of promotional material

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Based on available information on similar projects, total cost of designing and producing promotional material has been estimated at **EUR 15,000.00**.



### 3.6 Contingency

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Contingency has been budgeted to amount of **EUR 15,000.00** (or 8% of EUR 185,000, the sum of all previously specified costs.)

## 4. EXPECTED SOURCES OF FUNDING

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.

The rent of venues for meetings and workshops is estimated at EUR 5,000.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 40,000.

The total contribution of the beneficiary amounts, thus, to **EUR 50,000.00**.

## Annex 1: Logical Framework Matrix

Project Title: <i>Preparation of a strategic plan for the development of a medieval castles / fortifications tourist route in Karlovac and Lika-Senj project area</i>	Programme number:		Priority project number: 3
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 250,000	EU budget: EUR 200,000	
<b>Overall Objective</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	
<ul style="list-style-type: none"> <li>To diversify the regional tourism product portfolio and ensure protection, restoration and sustainable management of regional cultural resources.</li> </ul>	<ul style="list-style-type: none"> <li>Increased tourist demand for the project area</li> <li>Increased number of tourist nights spent in the region</li> <li>Increased contribution from tourism to the regional GDP</li> </ul>	<ul style="list-style-type: none"> <li>County statistical reports (Central Bureau of Statistics)</li> <li>Tax administration reports</li> <li>Croatian Employment Office reports</li> <li>Business registration reports</li> </ul>	
<b>Specific objectives</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>To attract additional visitors to the project area by developing a framework for establishment of a medieval castles/fortification tourist route</li> <li>To increase the cultural identity of the project area</li> <li>To provide additional opportunities for job creation</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of visitors to castles and fortifications in the region</li> <li>Increased number of self-employed (especially females and young people) by 10% in the region during first 5 years following project completion</li> <li>Increased cultural identity of the project area</li> <li>Increased budget for financing cultural heritage</li> <li>Strong public-private partnership created</li> </ul>	<ul style="list-style-type: none"> <li>Annual OMTS visitor surveys conducted by the Institute for Tourism</li> <li>Business register of the Chambers of Economy and Chamber of Small Trade and Crafts</li> <li>Annual reports of the Ministry of Culture and regional tourism boards</li> </ul>	<ul style="list-style-type: none"> <li>Perception of Croatia as an attractive tourism destination in the target markets continues</li> <li>Stakeholders are committed to implementing the project and expanding the number of tourist routes</li> </ul>
<b>Results</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ol style="list-style-type: none"> <li>Assessment of the resources (castles and fortifications) available and their individual and combined market readiness</li> <li>Market size and profile for the regional castles / fortifications route is assessed</li> </ol>	<ul style="list-style-type: none"> <li>At least 30 castles / fortifications sites are identified</li> <li>Complimentary attractions along the castles route identified</li> <li>At least 10 selected market ready sites are</li> </ul>	<ul style="list-style-type: none"> <li>Project documentation and independent evaluation reports</li> <li>Track record of contacts with tour operators</li> <li>Newspaper articles</li> <li>Minutes from workshops and partnership</li> </ul>	<ul style="list-style-type: none"> <li>Commitment of the Ministry of Culture</li> <li>Cooperation with the management of the protected cultural heritage is established to</li> </ul>

<p>3. Partners for the creation of heritage trail are identified and formal partnerships established</p> <p>4. Tourism products of the trail are clearly identified</p> <p>5. Concept development plans and interpretation strategies for selected sites developed including site impact assessment</p> <p>6. Awareness of the medieval tourism route is created both nationally and internationally</p>	<p>identified with supporting services and infrastructure</p> <ul style="list-style-type: none"> <li>Partnerships for development of the route are identified</li> <li>Contact with at least 20 specialized national and 5 inbound tour operators is made and plans for inclusion of the project area in their tour portfolio is negotiated</li> </ul>	<p>meetings</p>	<ul style="list-style-type: none"> <li>The Croatia National Tourism Board is committed to promote cultural heritage experiences</li> </ul>
Activities	Means	Costs	Assumptions
<p>1. Identification of available resources (castles and fortifications) and assessment of their market readiness</p> <p>a. Prepare an inventory of castles and fortresses and complementary attractions available</p> <p>b. Identify the main interpretative theme(s) reflecting the medieval tourism route</p> <p>c. Clarify the geographic area of the route</p> <p>d. Create a map of the area highlighting the locations of castles/fortresses and ways visitors can travel the route</p> <p>2. Assess the size and profile(s) of the markets for this castles/fortifications route</p> <p>a. Identify the main markets to be targeted and estimate their size</p> <p>b. Profile the potential users of the heritage route to align the experience with market demand</p> <p>3. Identify regional partners for the creation of the heritage trail and establish formal partnerships</p> <p>a. Identify the main partners in the project</p> <p>b. Establish partnerships for the development of the route and clarify the main objectives of the route</p> <p>4. Identify the major tourism products of the heritage trail</p> <p>a. Identify the major castles and fortifications for</p>	<p>Provision of thirteen (13) person-months of international and local consulting services covering the following areas of expertise (a consultant may cover several areas of expertise):</p> <ul style="list-style-type: none"> <li>General tourism planning and product development</li> <li>Development of cultural heritage tourism</li> <li>Medieval history research and interpretation</li> <li>Assessment of market potential and market projections</li> <li>Marketing and promotion of special interest (niche market) tourism</li> </ul>	<p><b>Estimated project costs:</b></p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Time input split approximately equally between international and local consultants at average consulting fee at €UR 10,000</li> <li>€C per diem rate of €UR 200 for Croatia is applied</li> <li>Number of per diem days set at one fourth of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</li> <li>Travel costs set at €UR 5,000 covering both international air travel and field travel in Croatia</li> <li>Workshops and stakeholder meetings estimated at €UR 1,000</li> <li>Contingency of about 10% of costs</li> </ul> <p><b>Consulting fee:</b>  <math>13 \text{ person-months} \times \text{€UR } 10,000 = \text{€UR } 130,000</math></p> <p><b>Per diem:</b>  <math>1/4 \times 13 \text{ person-month} \times \text{€UR } 200 = \text{€UR } 20,000</math></p>	<ul style="list-style-type: none"> <li>Cooperation with the management of the protected cultural heritage is established to support development of castle/fortress trail</li> <li>Supporting environment for castle/fortress route development by relevant authorities</li> <li>Public and private sector stakeholders are prepared to cooperate</li> </ul>

<p><i>inclusion in the trail based on the market-readiness assessment</i></p> <p><i>b. Identify complimentary services (accommodation, restaurants, retail outlets) at/around these sites to form tourism related clusters</i></p> <p><i>c. Identify alternative travel routes and assess the required infrastructure (entry/exit points, signage, visitor centres)</i></p> <p><i>5. Develop a site plan and interpretation strategy for selected sites, including site impact assessments</i></p> <p><i>a. Develop a site plan for each selected castle and fortress</i></p> <p><i>b. Conduct impact assessment for each site</i></p> <p><i>c. Develop interpretation for the selected sites</i></p> <p><i>6. Create national and international awareness of the route</i></p> <p><i>a. Develop a mid-term marketing strategy</i></p> <p><i>b. Prepare and produce basic promotional materials</i></p> <p><i>c. Identify regional, domestic and inbound tour operators specializing in heritage tours and/or tours to the region and encourage them to incorporate the route or part of it in their product portfolio</i></p>		<p><b>International travel / field trips:</b>  <i>Estimated cost: €UR 10,000</i></p> <p><b>Workshops/stakeholder meetings:</b>  <i>10 events x €UR 1,000 = €UR 10,000</i></p> <p><b>Design and printing of promotional materials:</b>  <i>Estimated cost: €UR 15,000</i></p> <p><b>Sub-total: EUR 185,000</b></p> <p><b>Contingency: €UR 15,000</b></p> <p><b>TOTAL FINANCIAL INPUTS: EUR 200,000</b></p>	
			<p><b>Preconditions</b></p>
			<p>•</p>

# **Project No. 4: Strategic Plan for Hiking and Biking Tourism**

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## CONCEPT NOTE

### 1. Summary of the action

#### *1.1 Brief description of the proposed action*

The **overall objective** of the project is “to contribute to the social and economic welfare of the region through the development and diversification of the tourism product”. This should be done in accordance with highest standards of environmental protection, resulting in long-term sustainable socio-economic development.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. Further, the whole project area is among the least populated regions of Croatia and has over a long time period been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends still represent a major threat to the long term economic and social development of the project area. In order to gradually reverse the present situation and create foundations for sustainable growth of the economy in the coming years, the main idea of the project is to develop a competitive niche market tourism product that would act as one of promoters of nature-based, environmentally aware, international demand to the region. Coupled with other complementing niche market tourism products (wildlife watching, sport fishing, tourism in rural environment), the development of a competitive hiking and biking tourism product will result in gradual increase in tourism receipts and job creation throughout the project area.

On the other hand, **specific objectives** of the project are as follows:

1. *To place the region on the world map of top hiking and biking destinations through the development of a comprehensive framework for long-term sustainable and competitive hiking and biking tourism product.*

Although hiking and biking tourism development in the project area has already been somewhat initiated, the potential of the wider area for hikers and various market sub-niches of bikers has, so far, been largely underestimated. There are numerous excellent hiking/biking areas within the project area that need to be promoted and presented in a more effective way. At the moment, hiking is rather well established and mapped out with well defined trails on the Velebit mountain range, Klek and the area around Plitvice Lakes. On the other hand, the best cycling areas in the region are:

- ➔ Throughout Karlovac County. A well established organisation exists and the Karlovac Tourist Board promotes 550 km of tracks along 10 routes. A ‘bike and bed’ network comprises 105 accommodation providers along the cycling routes with support services such as guides, bike rentals and repair and servicing
- ➔ Around the Sjeverni Velebit National Park (around Krasno and Baške Oštarije)
- ➔ The island of Pag
- ➔ Some shorter cycling trails are designed around Duga Resa and Draganić

Apart from the necessity to improve and further upgrade the existing network of hiking and biking trails in terms of additional infra and superstructure, the development of a world class hiking and biking tourism as one of the leading products/trademarks should be one of top priorities of tourism development throughout the project area. In order to achieve this goal in a most effective way, minimizing the risk of both, over-construction and environmental damages, at the same time ensuring that the resulting investment in product development will be economically feasible, the first and vital step is to produce a comprehensive development framework that would (i) assess the existing hiking and biking trails in order to determine their market readiness (ii) identify most suitable new locations (zones) for additional hiking and biking trails to be developed, (iii) link the existing locations to the ones that are yet to be developed and establish a network of mutually

complementing hiking and biking experiences (iv) determine support services and/or facilities to be established along the trails, and (v) define marketing activities to be embarked upon.

*2. To diversify the existing tourist offer in the project area*

The existing tourism demand for the whole project area is, at present, concentrated around two tourism products: the sun and sea product (the island of Pag and the narrow coastal strip along the Senj-Karlobag scenic road) and the national park(s) product (with 90% of visitation achieved in the Plitvice Lakes National Park). As a result, tourist demand for other parts of the project area is at present rather weak, regardless of the abundant resource base and great potential for tourist visitation. In order to induce greater tourist visitation to the region, existing tourist offer needs to be improved/upgraded and developed in order to create a much needed diversification of tourist experiences appealing to different, fast growing or emerging, market segments.

*3. To increase the share of tourism in the GDP of the project area.*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, tourism development should be targeted especially towards development of niche products intended for market segments that appreciate nature and nature based activities. Hiking and biking is one of such products. Successful product development and subsequent market commercialisation of hiking and biking tourism will induce the awareness building process on international markets and gradually increase the interest for the project area among other market segments as well. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

### **Justification**

The importance of tourism development, in which this project acts as one of the frontrunners, lies in the fact that there are no better alternatives to induce economic development and reverse long-term negative demographic trends in the region. Namely, the implementation of the project implies increased tourist visitation and increased tourism receipts in the region. As a result of this, additional awareness of the project area will be created, resulting in further product development and product diversification. This will bring in more tourism related receipts. Hence, the economy of the whole region will gain momentum, the emphasis being on the services sector and the SME business. The gradual increase in economic activity driven by the successful SME operators will create more investor optimism as will result in a more business friendly environment. This, in turn, should induce additional SME business start-ups in the region. Increasing economic activity and rising tax proceeds would enable the local communities to ensure proper functioning of the (largely deceased) public services as well. The whole process should eventually reverse the unfavourable demographic trends.

An important component of the project is the improvement of skills and know-how in the field of project development, project management, and operational marketing. Also the project will enhance private sector's operational management skills and provide support services to various types of destination management companies that are expected to be established.

In addition, the project incorporates a mid-term marketing and promotion strategy, as well as the development of appropriate marketing tools and instruments that will enable its successful market commercialisation, both nationally and internationally.

## 2. Relevance:

### *2.1 Needs and constraints of the target area*

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its reputation for sea-side tourism, the country has recently formulated a strategy that focuses more on the development of tourism in the continental part of the country as well. The orientation on tourism as a strategic development vehicle is also strongly emphasised in the ROP for both, Karlovac and Lika-Senj Counties. Namely, the SWOT analysis, carried out for the purpose of the respective ROPs, points out the “pristine natural environment” as a major strength, and the “inadequate use of natural resources” and “small and underdeveloped business sector” as the most obvious weaknesses of the project area in general. In case of the Lika-Senj County alone, these findings have led to the explicit formulation of the following strategic development objective - *“the promotion of the tourism sector as a key driver of development in the County”*. For the time being, economic development in both counties is still slow, especially in Lika-Senj. So is the case in employment. In order to ignite economic activity, the whole project area is badly in need of new and innovative project ideas, programmes and initiatives. This project entails all the required elements and refers to the territory of both counties. Therefore, most of the expected positive effects of the project will be dispersed throughout the project area.

### *2.2 Problems and needs*

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient organisational, management and marketing capacities in the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists and prolong their stay in the region. The combination of the above stated issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, the number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues. Further, it would open up the region to increased international exposure, with various direct and indirect benefits associated.

### *2.3 Target groups and final beneficiaries*

The target group consists of the Development Agency –DAs (applicant), Karlovac and Lika-Senj Counties (partners), Chamber of Economy Karlovac and Chamber of Economy Otočac (partners), as well as Karlovac and Lika-Senj tourism boards (partners). All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive hiking and biking tourism development strategy and action plan, but especially from the organisational, management, training and marketing support the project will focus on.

Apart from tourists, end users of the hiking and biking product, final beneficiaries are the population at large, and the SME start-ups that are going to exploit the opportunity to establish themselves offering a range of various services to the increasing number of hikers and bikers attracted to the region. Namely, following its implementation, the project should result in steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for personalised services of various destination management companies – SME businesses (specialised accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the whole region - the area of special state concern. Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the



threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

#### 2.4 Objectives and expected results

The general objective is to “improve business-related infrastructure and to contribute to regional development”. This objective is implicitly and explicitly met by this project proposal. The project is also directly associated with (i) modernisation/extension of existing (tourism related) infrastructure, (ii) SME and private sector development, (iii) job opportunity creation for local population, and (iv) training and technical assistance to both, public and private sector stakeholders so as to maximise the economic effects incorporated in the project itself.

Expected results, in terms of external (new) jobs, new SMEs established, increase in tourist receipts (and GDP/capita) are at this stage difficult to predict. However, there is great potential, especially if coupled with other projects aiming to increase and/or diversify existing tourism experiences in the project area. Nevertheless, the expected economic effects will not be immediate. Only some of the new expected private initiatives will be launched immediately following project implementation (accommodation facilities, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.), while others will be spread out over the years to come as a reaction to the gradually increasing inflow of new tourists affected by the project in its initial stages.

A special feature of the project is its environmental dimension, which is expected to preserve the region from possible spatial misuses in the future.

#### 2.5 Added value of the action

No other similar intervention in this field has so far been made public, so the added value may be estimated as close to 100%. Men and women should equally benefit from the project, especially younger and more entrepreneurial representatives of both genders. The project will help both Counties to make up for their lagging position and help them get closer to national averages in the field of GDP, employment and wealth in general.

### 3. Methodology and Sustainability

#### 3.1 Main project activities

The project contains seven activity components. These are listed in the table below in a way to show the logical connection between the project’s objectives and the planned activities.

Specific activities	Project component
1. Assessment of the existing hiking and biking trails in made and their market readiness evaluated	1. Undertake a survey to assess the quality of existing hiking and biking product
2. New hiking and biking trails are identified	2. Undertake a survey to identify most suitable new hiking and biking locations
3. Assessment of size, profile and economic potential of hiking and biking markets	3. Identify market potential
4. Existing accommodation capacity is assessed and locations for new accommodation facilities determined	4. Identify the need for new accommodation, estimate cost and suggest optimal locations
5. Support services are defined	5. Specify required destination management related services to be developed
6. Specialised tour operators are identified	6. Provide distribution channels for new product
7. Awareness of the product is created (nationally and internationally)	7. Develop an operational marketing action plan

### 3.2 *Main implementing partners*

The entire set-up of the project has been designed so as to make sure that each partner can actively contribute his specific know-how, expertise and ideas as relevant input to the commissioned team of consultants. Activities have been defined in such a way that each partner has the opportunity to assist in providing information and creative input to the team of consultants during their work on the project. The very idea is to establish a dedicated group of stakeholders aiming towards a common goal: more prosperity for the project area through diversification of tourism experiences. All partners on the project have known each other for many years, and have developed good working relationships.

### 3.3 *Sustainability*

With the implementation of the project and realisation of all necessary activities, the conditions for sustainability of the project will have been created. The applicant, Karlovac and Lika-Senj Development Agencies and their project partners will ensure the development, maintenance and upgrading of the hiking and biking product tourism infra and superstructure, as recommended by the Strategic development and action plan, through various existing state aided, private sector development schemes, as well as by the effective use of county, town and municipal budgets.

Cooperation between the Karlovac and Lika-Senj Counties, as well as between other stakeholders involved in the project will be continued in the years following completion and subsequent implementation of this project. During the implementation, relevant institutions will arrange and re-arrange the relations between themselves in order to assure the best exploitation of the new tourism product. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability after the implementation of the project. Joint development of the project idea of the two local self-government units and involvement of other local and regional institutions is a new approach even at the level of preparation of this project. The joint project partners emphasise the strengthening of their real cooperation, rather than just a formal one.

### 3.4 *Multiplier effects*

The strategic plan and operational action plan for the development of hiking and biking trails will provide a necessary regulatory framework and ensure a long-term sustainable tourism development in the project area. Once implemented, it will result in an enlargement and much needed diversification in the existing tourist offer of the whole project area. Also, it is expected that the initial increase in tourist visitation associated with the significant upgrade, improvement and extension of the existing hiking and biking possibilities, resulting in the establishment of a network of trails encompassing the whole project area, will gradually spill over to other tourism market niches for which the project area offers great experience opportunities as well (wildlife watching, sport fishing, touring, tourism in rural environment etc.). The whole process should be characterised by dynamic SME business development that will spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

The human resources related investment component (training of various tourism related services providers and local self-government units) will ensure high quality destination and spatial management and thus create necessary conditions for long-term sustainable development.

Additionally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces

in opening new economic development prospects based on utilisation of idle and/or insufficiently used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

#### **4. Expertise and operational capacity:**

##### *4.1 Project management experience*

Karlovac and Lika-Senj Counties have both been involved in various development projects in recent years, some of which have dealt with EU donor agencies as well (e.g. the preparation of a joint Tourism Master Plan). Working on these development projects, both Counties have developed excessive expertise and project management skills required to successfully embark upon, manage and finalise even very sophisticated and complex projects. It is in this regard that we do not anticipate any potential problems with operational capacity to fulfil the objectives of this particular project.

Additionally, both Counties maintain a long-established cooperation with the Croatian Chamber of Economy, the Croatian Chamber of Trade and County economic departments. As self-government units, both Counties also have a continuous close cooperation with the Ministry of Economy, Labour and Entrepreneurship, the Ministry of Finance, the Ministry of Culture and other ministries and government funds (Regional Development Fund, Environmental Protection Fund and Development and Employment Fund) that might prove to be of relevance to the project.

##### *4.2 Technical experience*

Regardless of the fact that all the related partners in the project have a long track record in the sector of tourism, the core technical know-how for the project will be ensured by means of the engagement of experienced tourism planners (national and international), commissioned over a period of not more than a 11 months. Providing cooperation with local stakeholders is established during every stage of work on the project, there should be no problems associated with the implementation of this project.

## I. FULL APPLICATION FORM

## 1. DESCRIPTION

## 1.1 Title

**Strategic development and action plan for hiking and biking tourism development in Karlovac and Lika-Senj project area**

## 1.2 Location(s)

Republic of Croatia, Karlovac and Lika-Senj Counties

## 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 201,500	EUR 154,000	% 76.4

## 1.4 Summary

Duration of the action	11 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To contribute to the social and economic welfare of the region through the development and diversification of the tourism product.</p> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>• To place the region on the world map of top hiking and biking destinations through the development of a comprehensive framework for long-term sustainable and competitive hiking and biking tourism in the project area</li> <li>• To diversify existing tourist offer in the project area</li> <li>• To increase the share of tourism in the GDP of the project area</li> </ul>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>
Target group(s)	<p>Karlovac and Lika-Senj Development Agencies)</p> <ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>

Final beneficiaries	Local population of Karlovac and Lika-Senj Counties All stakeholders of the tourism industry in the area of intervention Tourists and visitors
Estimated results	At the end of the project the locations best suited for development of additional hiking and biking trails in the project area will be identified, their carrying capacity determined and recommendations for the development of each location made. This includes number, size and type of new accommodation facilities, F&B and retail outlets, as well as various destination management services to be built. Each location will be mapped and graded according to skills requirements. Based on detailed market analyses, distribution channels most suitable for effective product commercialisation will be defined. Training programs for new market entrants (destination management services, specialised tour-operating agencies) will be developed, and training programmes for skills enhancement offered. An operational marketing and promotion action plan will be elaborated and made available for immediate implementation.
Main activities	<ul style="list-style-type: none"> <li>▪ Objective assessment of the existing hiking and biking trails will be made and their market readiness evaluated</li> <li>▪ A detailed survey of potential new hiking and biking locations will be undertaken</li> <li>▪ A detailed hiking and biking market analysis will be carried out in order to determine the market potential for the product</li> <li>▪ The need for new (specialised) accommodation will be identified with cost estimates and optimal locations suggested</li> <li>▪ Destination management related services to be developed will be specified and training programmes designed</li> <li>▪ Distribution channels for new product will be defined and provided for</li> <li>▪ An operational marketing action plan will be developed</li> </ul>

## 1.5 Objectives

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The **overall objective** of the project is “to contribute to the social and economic welfare of the region through the development and diversification of the tourism product. This should be done in accordance with highest standards of environmental protection, resulting in long-term sustainable socio-economic development.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. Further, the whole project area is among the least populated regions of Croatia and has over a long time period been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends still represent a major threat to the long term economic and social development of the project area. In order to gradually reverse the present situation and create foundations for sustainable growth of the economy in the coming years, the main idea of the project is to develop a competitive niche market tourism product that would act as one of promoters of nature-based, environmentally aware, international demand to the region. Coupled with other complementing niche market tourism products (wildlife watching, sport fishing, tourism in rural environment), the development of a competitive hiking and biking tourism product will result in gradual increase in tourism receipts and job creation throughout the project area.

On the other hand, **specific objectives** of the project are as follows:

1. To place the region on the world map of top hiking and biking destinations through the development of a comprehensive framework for long-term sustainable and competitive hiking and biking tourism in the project area
2. To diversify existing tourist offer in the project area
3. To increase the share of tourism in the GDP of the project area.

1. *To place the region on the world map of top hiking and biking destinations through the development of a comprehensive framework for long-term sustainable and competitive hiking and biking tourism in the project area*

Although hiking and biking tourism development in the project area has already been initiated, the potential of the wider area for hikers and various market sub-niches of bikers has, so far, been largely underestimated. There are numerous excellent hiking/biking areas within the project area that need to be promoted and presented in a more effective way. At the moment, hiking is rather well established and mapped out with well defined trails on the Velebit mountain range, Klek and the area around Plitvice Lakes. The 50 km Premužić trail along the top of the Velebit Mountain is particularly attractive and has been designed to allow hikers of all fitness levels and age to travel through this harsh and hostile terrain and enjoy the wild karsts formations, beautiful views over the north Adriatic Sea and occasionally spot wildlife. Other hiking areas in the project area include:

- ➔ The Bjelolasica area north of Ogulin including the special nature reserve Bijele and Samarske Stijene, where 19 trails (ranging from moderately to very difficult) and three short tourist trails (approximately one hour long) are marked.
- ➔ The Petrova Gora Mountain to the South East of Karlovac City with its mix of woodlands, deep gorges, recently re-established mountain trails and ancient Roman routes as well as sites of historical importance.
- ➔ The island of Pag where the tourist office has identified 14 trekking and mountain biking routes including the 'Stone-pit route', the 'Bird route' through the Velo Blato ornithological park, the 'Salty route' passing a number of salt pans, and the 'Wine route' which ends at a wine cellar where hikers can enjoy an excellent meal.
- ➔ Around Karlovac, a number of shorter trails are established leading to attractive vantage points such as Martinščak, Vinica, Vodenica, Kalvarija. For the more serious hikers, these are linked by the Dubovac Hiking Trail taking about eight hours and passing near Ozalj and Ribnik Castles, through picturesque villages with interesting churches and along river banks.

On the other hand, the best cycling areas in the region are:

- ➔ Throughout Karlovac County. A well established organisation exists and the Karlovac Tourist Board promotes 550 km of tracks along 10 routes. A 'bike and bed' network comprises 105 accommodation providers along the cycling routes with support services such as guides, bike rentals and repair and servicing
- ➔ Around the North Velebit National Park (around Krasno and Baške Oštarije)
- ➔ The island of Pag
- ➔ Some shorter cycling trails are designed around Duga Resa and Draganić

Apart from the necessity to improve and further upgrade the existing network of hiking and biking trails in terms of additional infra and superstructure, the development of a world class hiking and biking tourism as one of the leading products/trademarks should be one of top priorities of tourism development throughout the project area. In order to achieve this goal in a most effective way,

minimizing the risk of both, over-construction and environmental damages, at the same time ensuring that the resulting investment in product development will be economically feasible, the first and vital step is to produce a comprehensive development framework that would (i) assess the existing hiking and biking trails in order to determine their market readiness (ii) identify most suitable new locations (zones) for additional hiking and biking trails to be developed, (iii) link the existing locations to the ones that are yet to be developed and establish a network of mutually complementing hiking and biking experiences (iv) determine support services and/or facilities to be established along the trails, and (v) define marketing activities to be embarked upon.

### *2. To diversify existing tourist offer in the project area*

The existing tourism demand for the whole project area is, at present, concentrated around two tourism products: the sun and sea product (the island of Pag and the narrow coastal strip along the Senj-Karlobag scenic road) and the national park(s) product (with 90% of visitation achieved in the Plitvice Lakes National Park). As a result, tourist demand for other parts of the project area is at present rather weak, regardless of the abundant resource base and great potential for tourist visitation. In order to induce greater tourist visitation to the region, existing tourist offer needs to be improved/ upgraded and developed in order to create a much needed diversification of tourist experiences appealing to different, fast growing or emerging, market segments.

### *3. To increase the share of tourism in the GDP of the project area.*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, tourism development should be targeted especially towards development of niche products intended for market segments that appreciate nature and nature based activities. Hiking and biking is one of such products. Successful product development and subsequent market commercialisation of hiking and biking tourism will induce the awareness building process on international markets and gradually increase the interest for the project area among other market segments as well. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

## **1.6 Justification**

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### **1.6.1. Relevance of the action to the objectives and priorities of the programme**

The Karlovac and Lika-Senj Counties are still among the less developed regions of Croatia as regards economic and social resources. The strategy for economic development of both Counties is defined by their respective Regional Operational Programmes (ROP). According to these documents, development of tourism is emphasised as one of the priorities of economic development of the whole Region. The emphasis on tourism development is logical: the whole project area is ecologically unspoilt, rich in resources and with low population density. Additionally, it is easily accessible (new motorway) to both, tourists and entrepreneurs. Finally, and taking into consideration possible environmental impact of alternative tourism development strategies, it should be clear that the exclusivity of the project area should be strictly controlled and maintained over the long run. In order to achieve this goal, most of the territory of the two Counties should cater to the needs of specific, environment friendly and/or nature loving, market niches. In this regard, development of a hiking and biking tourism product should be one of a few selected nature based experiences that the project area should focus on in the long run.

To sum up, the proposed project will have direct impact on:

- Provision of a well thought out hiking and biking product;
  - Increase in the overall quality and diversity of the tourist offer in the project area;
  - Targeted market (re)positioning of the project area
  - Improved conditions for SME start-ups, new jobs creation and increase in tourism related receipts
  - Enhancement of skills and training in the areas of project management, product development, marketing, finance and operational management
  - Greater awareness of local population and stakeholders in the two Counties of the importance to preserve a clean environment (sustainable development principles);
  - Increased recognition in Croatia, Karlovac and Lika-Senj Counties and specific locations as world class destinations for hiking, biking and other complementary nature based tourism activities.

Successful implementation of the project will shortly be visible in: the number of new investments in tourist facilities, the number of newly created forms of tourist offer, the number of visitors and receipts, the number of persons employed or self-employed in tourism, increased interest for other tourism products of the Region (cross selling) etc. The proposed project is directly related with the following development criteria:

#### *1. Structured development of tourist infrastructure*

The proposed project aims to create all the necessary conditions and requirements needed to establish a rich and diversified tourist offer by means of a planned and guided development of additional hiking and biking trails in the unique setting of nature preserved environment of National and nature parks (Karst relief forms, unspoilt rivers and rich forests) of the Karlovac and Lika-Senj Counties. Once the project is completed, the local governments will dispose of an essential development tool, consisting of a set of concrete actions that need to be implemented (according to priorities) and organised in the format of an operational development manual. By following this strategic product development and operational action plan framework in the implementation stage, local authorities will not only develop new, up to date tourism related infra and superstructure, but will at the same time ensure adequate usage of space, maximum protection of the environment, and minimum risk of poor investment decisions.

#### *2. SME and private sector development*

The implementation of the project on the level of both Counties will result in a series of successful new SME start-ups (accommodation facilities, F&B and retail outlets, tourist agencies, equipment rental and repair shops, attractions managing companies etc), forming a hiking and biking related tourism value chain. The very existence of such a value chain will add to increased attractiveness of the project area and contribute to increased tourism receipts that will be evenly spread out across the region and that will spill over to other sectors of the economy as well (multiplication effect).

#### *3. Job opportunity creation for local population*

Increased SME start-up activity in the Region naturally implies more job opportunities offered. Although these job opportunities will mostly be concentrated in the services sector, the increase in the overall economic activity should spill over to other economic sectors as well, agriculture in particular.

#### *4. Market (re)positioning*

Through completion of the project, both Counties will create preconditions for a new market positioning, based on preservation of nature, sustainability and niche product development. Such new positioning will help the Counties to focus on market segments that they would otherwise have



neglected. A focused marketing and promotion strategy, on the other hand, implies more effective use of scarce funds, resulting, at the same time, with superior outcomes.

### 5. Training and skills enhancement

Apart from skills enhancement on the level of partnering public institutions (project management, product development, marketing), the project also emphasises the necessary improvement of skills and know-how of the new private sector investors/entrepreneurs associated with the development and market commercialisation of the competitive hiking and biking product. Special emphasis will be given to provision of training programs in the field of operational management, marketing and financial planning.

#### 1.6.2. Perceived needs and constraints

In general, the Karlovac and Lika-Senj Counties have all the necessary natural preconditions to become a thriving area for tourism and leisure related activities. Yet, tourism development is still very slow and sporadic. This is caused by a combination of factors such as:

- lack of documentation necessary for structured tourism development (master plans, marketing plans)
- lack of public sources to fund tourism development
- lack of private sector investors with vision
- unfavourable demographic structure (old age groups prevail)
- outward migration of the young and educated
- insufficient funds to maintain and allow for improvement in infrastructure necessary for new investment in tourism
- lack of (tourism) infrastructure
- inadequate usage of state-aided financial schemes.

#### 1.6.3. Target groups and final beneficiaries

The project directly targets the staff of the applicant (Karlovac and Lika-Senj Development Agencies), as well as a selected part of the staff in applicant's partner institutions - Karlovac and Lika-Senj Counties, Chamber of Economy Karlovac and Chamber of Economy Otočac, and Karlovac and Lika-Senj tourism boards. All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive hiking and biking tourism development strategy, but especially from the organisational, management, training and marketing support the project will focus on.

- Karlovac and Lika-Senj Development Agencies: 2 - 4 persons will be directly involved in the project activities, and respectively affected by the project. The main direct effect is that these persons will learn and gain experience on how to efficiently and professionally manage development projects, especially those associated with EU funding schemes
- Karlovac and Lika-senj Counties' tourism boards: all employees are in need of further training in project preparation, project management, fund raising and marketing.
- The Croatian Chamber of Economy regional chambers in Karlovac and Otočac: 2 – 4 persons will in particular benefit from activities foreseen under this project. The staff of the Chamber of Economy will participate in workshops, provide input and assist in various concrete activities in the preparation of the final strategic document.

Final beneficiaries are:

Local and foreign tourists (hikers, bikers): Through implementation of this project the Karlovac and Lika-Senj counties will enrich and diversify their existing tourist offer, and create the necessary preconditions to allow local and foreign visitors a unique experience of hiking and biking activities in a clean, healthy and preserved environment. Further, project implementation implies a more even spread of tourist visitation and accompanying receipts across the project area.

Private investors in tourist infra and superstructure: Following its implementation, the project should result in a steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for various services of different destination management companies – SME businesses (accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the region - the area of special state concern.

The wider population of Karlovac and Lika-Senj Counties: The increased tourism revenues in the privately held establishments will, by means of increased tax proceeds, gradually spill over to the community at large, improving the level of public services (medical care, education, day-care, culture etc.) and the standard of living in general.

Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

## 1.7 Detailed description of activities

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### ***Component 1: Objective assessment of the existing hiking and biking trails and evaluation of their market readiness***

This component aims to check the quality, safety level as well as the status of facilities and amenities along the existing hiking and biking trails in order to evaluate their readiness for more pronounced national and/or international commercialisation. It is foreseen that this assessment will be undertaken by consulting experts in hiking and biking trail development.

#### **1.1. Prepare an inventory of existing hiking and biking trails in the project area**

At present there are several hiking and/or biking locations within the project area that are already, to a large extent, prepared for more serious market commercialisation. Among these locations, one should stress Mount Klek and Mount Bjelolasica, both in Karlovac County, and the whole Velebit mountain range in Lika-Senj County. However, although all of these locations, at present, attract a certain amount of visitors, their visitation potential is still very much underestimated. The reason for this lies in underdeveloped tourist infra and superstructure, fragmented presentation and promotion, lack of a comprehensive development framework, inadequate usage of available public funds etc. Therefore, in order to turn these locations into prime destinations for hikers and bikers around the world, the first step is to prepare a complete inventory of all existing locations/zones within the project area that have started to cater to the hiking and biking communities' demand.

#### **1.2. Evaluate market readiness of existing hiking and biking trails**

On the basis of a completed inventory of existing locations and trails, an objective evaluation of their market readiness needs to be undertaken. This evaluation should focus on the quality and the very existence of specialised hikers' and bikers' infra and superstructure along the trails, and its comparison with international requirements/standards.

**Component 2: Identify best suited new locations for hiking/biking trails**

This component contains a set of activities aiming to identify best suited new locations for the development of the hiking and biking tourism product in the project area. It is foreseen that the survey of the area will be done by consulting experts in hiking and biking trail development.

**2.1. Undertake a survey of potential hiking and biking locations in the Region**

Karlovac County and Lika-Senj Counties are abundant in landscapes which offer great potential for the development of hiking and biking tourism. However, at this point in time, the minor exceptions being only previously mentioned Mount Klek, Mount Bjelolasica and the Velebit mountain range, there have been no considerable attempts made to create a hiking and biking tourism product that would brand the whole region. As a result of that, at present there does not exist a network of well equipped hiking and biking trails that would link one individual location with the others, allowing for: (i) diversification of hiking/biking experience, (ii) extended hikers'/bikers' stay in the project area, and (iii) increased guest satisfaction. In order to create such a network, and apart from the necessary upgrades in the offer of existing trails, it is vital to identify additional locations that can, most effectively, not only be developed into attractive self sufficient hiking and biking micro-locations ("islands"), but which would represent a linkage to the already existing micro-locations as well. In order to locate most appropriate additional (connecting) locations/zones necessary to develop a possibility for creating competitive hikers'/bikers' itineraries, forming a well structured regional product, a detailed survey needs to be undertaken by proven experts in hiking/biking trail development.

**2.2. Estimate maximum carrying capacity of each new identified trail**

Alongside with identification of additional locations, the carrying capacity assessment needs to be made for each trail in order to ensure both, exclusivity and environmental sustainability.

**2.3. Create a map of the area highlighting the locations and grade them according to skills requirement**

Once the best suited locations/zones for hiking and biking have been specified, trails marked and graded, a detailed map of each location needs to be prepared, indicating the difficulty of each trail, time required to complete it, as well as available specialised infra and superstructure facilities, amenities and services in the vicinity.

**Component 3: Assess the size, profile and economic viability of existing and potential hiking and biking markets**

This component contains a set of activities aiming to identify the overall market potential, as well as to specify the catchment area and specific market sub-niches to target. It is foreseen that the market analysis will be done by consulting experts in niche market development.

**3.1. Estimate the size of the hiking and biking tourist market**

Based on analysis of existing market volume, market growth rate and other relevant characteristics of the international hiking and biking market demand, projections of future market evolution (trends and volume) will be made.

**3.2. Profile/segment hiking and biking tourists' requirements in order to design the product in accordance with market demand**

Based on the assessment of the market volume, a detailed segmentation of hikers'/biker' demand will be provided, with specification of each segments' requirements, needs and expectations in terms of product design.

**3.3 Identify main markets for the region's hiking and biking tourism product**

Taking into consideration all of the conclusions stated in the preceding sections, main markets for the region ("the project catchment area") will be determined and most relevant market segments to cater to will be specified.

**Component 4: Assess the existing accommodation capacity available to hikers and bikers and recommend on the type, location and size of additional accommodation**

This component contains a set of activities aiming to identify the need for additional accommodation facilities in the vicinity of previously identified hiking and biking locations/zones and/or alongside the marked hiking and biking trails. For each of the accommodation facilities needed, best locations will be specified and cost estimated. It is foreseen that this particular assignment will be accomplished by consulting experts in hiking/biking product development and tourism business economics.

**4.1. Forecast the capacity needed over the next ten year**

Based on detailed analysis of the hiking/biking tourism demand and its characteristics, total need for accommodation capacity (and type) to cater to the identified market segments of the hiking/biking demand in the region will be assessed.

**4.2. Survey of existing accommodation facilities and assess their suitability for the hiking/biking market**

Based on the assessment of accommodation needs for the ten year period, a survey of already existing accommodation facilities in the region will be undertaken in order to determine whether these establishments, in terms of quality and quantity, can adhere to the needs of the hikers/bikers. This analysis will also provide crucial input whether some of the existing accommodation facilities can be expanded (more units) and/or improved to satisfy market demand requirements.

**4.3. Assess the potential of accommodation in existing homes**

Hiking and biking markets represent special interest market niches. One of its characteristics is the fact that sometimes, depending on the quality on hiking/biking locations, tourists prefer to stay as close to the trails as possible. In other words, such tourists might not want to use more distant commercial accommodation, but would prefer to be accommodated in private homes on a bed and breakfast basis. In this regard, one should also assess the possibility if there is interest among the local population to offer this type of service.

**4.4. Recommend on type, size and location of additional accommodation facilities**

Following all the previously addressed assessments and analyses, and taking into consideration the projected hiking/biking market demand for the region, the need for additional accommodation facilities will be determined (type and capacity).

**4.5. Develop an investment promotion program for private sector accommodation providers**

In most cases, the providers of accommodation services to the hiking/biking market will be recruited from local entrepreneurial individuals who would recognise the growing potential of this market niche. However, in order to reach those individuals and persuade them to invest, an investment promotion program targeting potential private sector investors – existing and/or future SME operators is envisaged. The program will focus on explaining the project idea to potential investors – hiking/biking product development, existing market demand, expected number of visitors and their spending habits.

**4.6. Recommend on possible investment and other incentives to attract new investors**

In order to ensure more private sector interest as future providers of accommodation services to the hiking/biking market demand, and having in mind the existing socio-economic situation in the region, a special incentive packages should be developed for those willing to participate in the endeavour.

**Component 5: Identify existing and required additional support services**

Development of a hiking/biking related value chain is associated with development of various other services, facilities and amenities that need to be available to the tourist at all times. It is, therefore, necessary to assess which services should be offered, do these services need to be available from day one (or is gradual development an option) and, in particular, the best location for their operation. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism business economics.

#### **5.1. Assess the existing support facilities**

A survey of already existing support facilities (F&B and retail outlets, travel agents, event organisers, equipment rentals and repair shops etc.) in the region, and in the vicinity of the individual hiking/biking locations/trails will be undertaken in order to determine whether these services, in terms of quality and quantity, can adhere to the needs of the specialised needs of the market demand.

#### **5.2. Identify the need for additional facilities**

Following the previously addressed assessment and availability analysis, and taking into consideration the projected market demand for hiking/biking in the region during the next ten years, the need for additional supporting service facilities will be determined (by type and capacity).

#### **5.3. Identify suitable locations for clustering of supporting facilities**

As is the case with accommodation facilities to be built, supporting service facilities will most likely be clustered (whenever possible). It is therefore vital that suitable locations are identified. These can be either close to the accommodation, alongside the trails, or along the roads connecting the accommodation facilities with hiking/biking locations/trails.

#### **5.4. Provide training programs for new entrants to the market**

Most of the future providers of support services to the hiking/biking market are expected to be new in this line of business. For most of them, this might be the first experience in the services sector as well. In order to ensure an expected service quality, adequate training and/or skills enhancement programs will be needed and provided.

### ***Component 6: Professional tour operators providing hiking and biking tours will be identified both nationally and internationally***

This component comprises a series of activities designed to facilitate efficient market commercialisation, once the project gets to the implementation phase. In order to ensure smooth implementation, these activities should be initiated at once. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism marketing and promotion.

#### **6.1. Identify the number of tour-operators that are willing to involve in the provision of hiking/biking experience**

Effective market commercialisation of a new tourist product, especially in its preparatory, creating market awareness stage, implies the assistance of specialised tour-operators willing to package the product and offer it to the market. Therefore, at this stage of the project, a survey of existing tour-operators needs to be carried out so as to determine if some of them are already dealing with the product and are they doing a good job out of it. On top of that, the willingness to enter the market of those currently not associated in distribution of the product needs to be assessed.

#### **6.2. Identify potential for new market entry**

Based on the findings of the previous activity, the potential for the establishment of new tour-operating businesses focusing on hiking/biking market demand will be determined.

#### **6.3. Provide training initiatives for new entrants**

Similarly as in the case of supporting services providers, a large number of tour-operators willing to deal with the hiking/biking product is expected to be new in this line of business. For most of them, this might be the first experience in any type of niche market products. In order to ensure an

expected service quality, adequate training and/or skills enhancement programs will be needed and provided.

#### **6.4. Recommend on how to attract new tour-operators and providers of support facilities to serve the hikers' and bikers' market**

The hiking/biking product related receipts in the project area will be directly and positively correlated with the quality and diversity of services that form the value chain of this specific market niche. It is, therefore, pivotal to ensure the value chain is diverse and that the guests (hikers, bikers and accompanying persons) are satisfied with the quality of services provided by various individual SMEs. In order to ensure the above, advice will be given on how to attract as many individual operators – services providers to participate in the overall tourism offer targeting the hikers'/bikers' market niche.

### ***Component 7: Identify appropriate means of creating awareness of the opportunities relating to hiking and biking tourism in the project area both nationally and internationally***

This component comprises a series of activities designed to generate effective day to day operational marketing, once the project reaches its implementation stage. However, as is the case with distribution channels, in order to ensure smooth market launch of the product, these activities should be initiated at once. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism marketing and promotion.

#### **7.1. Evaluate the current marketing efforts in promoting hiking and biking tourism in the project area**

A detailed analysis of existing marketing activities dedicated to promote the hiking/biking tourism in the region will be undertaken. The analysis will, among other, include (i) assessment of existing promotional material, (ii) functionality of the existing Internet portal, (iii) existing market positioning of the region, (iv) communication links with travel agents and tour-operators, (v) reservation system, (vi) commercialisation system, (vii) availability of information on the hiking/biking opportunities in the region (and their quality).

#### **7.2. Recommend on a mid-term marketing strategy**

In order to achieve this goal, a mid-term marketing action plan will be developed, resulting in the specification of concrete activities that, at affordable cost, need to be implemented in order to achieve maximum results in terms of increased hikers' and bikers' related visitation and receipts generated in the project area. All the actions recommended will take consideration of the limited promotional budgets of the Karlovac and Lika-Senj counties.

#### **7.3. Undertake sales missions to promote the region's hiking and biking product to specialised international tour operators**

In order to create international awareness of the product and the set of experiences offered in the region, several sales missions will be organised.

## **1.8 Methodology**

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### **1.8.1. Methods of implementation and reasons for the proposed methodology**

To ensure effective project management and subsequent implementation, a structure has been devised that ensures (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with the above, a rather detailed description of the individual activities has been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the

working time needed for each of them. This way, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, a Project Steering Committee will be installed that will supervise the entire project. The Steering Committee will receive regular (at least monthly) progress reports from the commissioned consulting teams, which will enable it to quickly react to any requirement for decision-making.

The project is divided in seven separate components. The establishment of three Working Groups (WG) is foreseen, each covering at least two of the topics of these components. The division is logically based on types of activities: first WG will deal with all aspects of assessment and identification of additional hiking/biking locations/trails; second will deal with all aspects of accommodation facilities, specialised infrastructure requirements and supporting facilities assessment; third will deal with all aspects of market size assessment, project commercialisation and promotion. The working groups will be staffed by 2 dedicated employees from each of the institutions representing partners on the project.

### 1.8.2. Relations with previous actions

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. Hence, the best tourism development scenario for the project area implies that all of them get funded and implemented.

### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Measurable indicators of achievement<sup>7</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>8</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a

<sup>7</sup> See Logical Framework

<sup>8</sup> See chapter 1.9

regular basis by the Project Manager. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will advise on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The project manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the three working groups.

The Project Management Units of Karlovac and Lika-Senj County, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs will use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

#### **1.8.5. Roles and participation of the various actors**

The Karlovac and Lika-Senj Development Agencies, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Karlovac and Lika-Senj Development Agencies are the major institutions in charge of the implementation of the Tourism Master Plan for Karlovac and Lika-Senj Counties, and are the only appropriate institutions to initiate and implement the project like this.

The Counties of Karlovac and Lika-Senj are partners and an essential part of the project for obvious reason – the project is related to economic development of their territory and they should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

The County Tourism Boards (TBs) of Karlovac and Lika-Senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs are represented on the Steering Committee. The TBs are an essential part of the project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities set out by the marketing action plan.

The Croatian Chamber of Economy in Karlovac and Otočac are partners in the project. The Chamber offices in Karlovac and Otočac are active in promoting business development in the wider Karlovac and Lika-Senj region, and have a special interest in the project. The regional Chambers will each have a seat on the Steering Committee.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), private tourism related business sector in the wider Karlovac and Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

#### **1.8.6. Team proposed for implementation of the action**

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- Development of hiking and biking trails
- Assessment of market potential for hiking and biking tourism



- Market projections
- Marketing and promotion of special interest (niche market) tourism, notably hiking and biking
- Small accommodation and other tourism SME development
- Tourism business economics
- Local infrastructure development

The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The working group members are expected to help the commissioned consultants in performing their work tasks.

#### **1.8.7. Main means for implementation**

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, Karlovac and Lika-Senj Development Agencies (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

### **1.9. Duration and action plan**

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The envisaged duration of the project will be 11 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:

# Activity

## Component 1 - Assess e

- 1.1 Prepare inventory of
- 1.2 Evaluate their marke

## 2. EXPECTED RESULTS

### Component 2 - Identify new

#### 2.1 Expected impact on target groups/beneficiaries

In Europe, 'walking or hiking' is the most popular 'soft' adventure travel activity, attracting all age groups and social classes, although the ABC1 group is the most prominent in this segment. AB social groups are classified by marketers as the 'Professional and Higher Managerial' class and the C1 group as the 'Middle Management and Supervisory' class. This is confirmed by the Scottish research on the hiking market revealing that hikers represent a broad selection of people, mainly couples without children, over half under the age of 44, belonging mostly to the upper income bracket. Most of the walking and hiking demand emanates from Germany, the UK and the Netherlands and in the summer months there are many hikers from France, Czech Republic and Slovenia. According to the TOMAS Summer survey, about 10% of tourists staying in Primorje-Gorje County, and 38% of those staying in Lika-Senj County participated in hiking while holidaying. In addition, hiking is a well organised activity in Croatia with almost every Croatian city having one or several hiking societies associated with the Croatian Hiking Federation, although the total number of hikers is not known. Besides the physical challenge and self-initiated drives, hikers search for peaceful enjoyment of the nature and the feeling of health and well being. Providing that the hiking experience is well organised, such as it is in Scotland, there are good growth prospects for this market.

## Component 3 - Assess the

### 3.1 Estimate the size of the

On the other hand, cycling is the most popular activity after walking taken up by adventure travellers throughout Europe. It is especially popular in France. It is estimated that the proportion of Europeans using cycling as the primary means of travel will rise by 6 to 13% over the next ten years. There is also a significant market of those for whom cycling is an important additional activity. Cyclists are primarily motivated by health reasons and the desire to be in a nature/countryside environment, and to relax and escape from the daily routine. Passionate cyclists are either very young (20 to 25 years of age) or middle aged (40 to 55), travelling in small groups with the bicycle as the main transport means. Recreational cyclists plan their routes while at a destination and need good information and maps. Their main motivation is to enjoy the scenery and explore natural and cultural attractions along the way. According to the TOMAS Summer survey, 55% of visitors to Lika-Senj County and 34% of visitors to Primorje-Gorje County cycle while on holidays in the area.

Using the already existing market potential of these two special interest groups (hikers and bikers), the project aims to establish the project area as one of the prime new markets for the European hiking/biking market demand. In order to do so, it is necessary to provide necessary demand specific infra and superstructure required, establish adequate supporting facilities/services, enhance skills of the stakeholders related to the product, and prepare the launching of an internationally competitive hiking and biking product. The project should, therefore, ensure a significant increase in tourist visitation to the Region, with positive macroeconomic and social effects.

The increasing number of hikers and bikers in the project area will considerably increase the demand for related services, resulting in the acceleration in the small and medium-size businesses start-up rate, not only in the services sector. The new SME start-up activity will inevitably further improve the existing tourist offer of the whole region and will affect its economic growth. This growth should not be concentrated only in the major cities of the region. On the contrary, it would be evenly spread across the whole territory of the project area.

Further, due to the expected increase in the number of SMEs related to the hikers' and bikers' demand, as well as gradual rejuvenation in the overall economic activity, the project will result in the creation of additional employment opportunities in a fast growing services sector. This will considerably reduce the high unemployment rate and spur optimism across the entire project area. This should considerably slow down the outflow of active workforce from this region in the mid-term period, and lead to a gradual return of educated and skilled workers (younger age brackets). Such an outcome will in the long-run reflect itself positively in the demographic sphere as well by means of a positive natural population growth.

During work on project, the applicant and its partners will obtain new knowledge and skills required for the implementation of similar projects in the near future. These skills will help them to initiate other activities related not only to additional diversification of the tourism product in the project area, but that will positively affect local economy. This, in turn, implies an increase in the standard of living of the local population.

The project will also help in improvement of existing and creation of new tourism infrastructure, which will not only be serving the needs of the hiking and biking market demand, but which will cater to the needs of other related market niches as well.

Finally, the project offers considerable enhancement in skills of dedicated personnel in the public sector, as well as of the newly established SMEs' owners. It is expected that these individuals pass on their knowledge to their colleges, employees and/or other stakeholders in the region. In other words, the individuals involved in the skills enhancement program related to this particular project will be able to act as trainers (coaches) to the community at large.

To sum up, direct expected results of the project are as follows:

- ➔ An increase in tourism receipts in the Region related to the hiking/biking market in each of the first five years following project completion

- ➔ An increase in visitor satisfaction, resulting in repeated visitation and image enhancement (word of mouth)
- ➔ Identification of at least 10 new hiking/biking trails that can be linked to the existing ones
- ➔ The establishment of at least 5 accommodation facilities, suited for the needs of hiking/biking market demand, during first 3 years following project completion
- ➔ The establishment of at least 15 new specialised service operators during first 3 years following project completion that would predominantly cater to the hiking/biking market needs
- ➔ Contact with at least 10 tour-operators in made and awareness of hiking/biking opportunities in the region created
- ➔ Increase of skills and know how in project preparation, implementation and management

Taking into consideration the above stated, it is pretty obvious that the major beneficiaries of this project will not be the project partners, but the vast majority of population. However, the individuals owning businesses and engaged in providing services to the hiking/biking market demand are expected to be more exposed to the benefits of the project than those that will not take an active part in it. Nevertheless, by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into 7 components. The list below does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

### **Component 1: Objective assessment of the existing hiking and biking trails and evaluation of their market readiness**

- 1.1. An inventory of existing hiking and biking trails in the project area
- 1.2. Evaluation of market readiness of existing hiking and biking trails

### **Component 2: Identify best suited locations for new hiking/biking trails**

- 2.1. A survey of potential hiking and biking locations/trails in the Region
- 2.2. Estimation of maximum carrying capacity of each new identified trail
- 2.3. Detailed map of hiking/biking locations and trails, graded according to skills requirement providing information of available facilities and amenities

### **Component 3: Assess the size, profile and economic viability of existing and potential hiking and biking markets**

- 3.1. Estimation of the size of the hiking and biking tourist market
- 3.2. A detailed segmentation of the hiking and biking tourists' market
- 3.3. Identification of main markets for the region's hiking and biking tourism product

### **Component 4: Assess the existing accommodation capacity available to hikers and bikers and recommend on the type, location and size of additional accommodation**

- 4.1. Projection of accommodation capacity over the next ten year
- 4.2. Assessment of the suitability of existing accommodation facilities
- 4.3. Assessment of existing homes suitability to provide accommodation services
- 4.4. Projection of type, size and location of additional accommodation facilities
- 4.5. An investment promotion program for private sector accommodation providers
- 4.6. Investment incentives program to attract new investors

### **Component 5: Identify existing and required additional support services**

- 5.1. Assessment of the existing support facilities

- 5.2. Specification of required additional facilities
- 5.3. Identification of locations best suited for clustering of supporting facilities
- 5.4. Training programs designed for new entrants to the market

**Component 6: Professional tour operators providing hiking and biking tours will be identified both nationally and internationally**

- 6.1. A list of tour-operators that are willing to involve in the provision of hiking/biking experience
- 6.2. New market entry projection
- 6.3. Training programs designed for new entrants
- 6.4. Recommendation on how to attract new tour-operators and providers of support facilities

**Component 7: Identify appropriate means of creating awareness of the opportunities relating to hiking and biking tourism in the project area both nationally and internationally**

- 7.1. Evaluation of current marketing efforts in promoting hiking and biking tourism in the project area
- 7.2. A mid-term marketing strategy
- 7.3. Identification of specialised international tour operators willing to sell the hiking/biking tourism product of the project area

## 2.3 Multiplier effects

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The tourism industry is constantly in search of new destinations and attractive natural resources. Croatia has, so far, been known for its coastal tourism, with its continental part being still practically undiscovered, especially by the international tourism demand. With their abundant natural resources and low population densities Karlovac and Lika-Senj Counties represent probably the most attractive Croatian continental destinations in terms of prospective tourist visitation. This is especially the case for nature lovers and various special interest groups (market niches). The structured strategic framework and subsequent product development and market commercialisation of hiking and biking tourism products in the Region will increase international awareness of the tourism potential of the Karlovac and Lika-Senj and, by means of cross-selling, increasingly open up the Region for other nature loving special interest groups (market niches) such as wildlife watchers, sport fishermen, rural tourism fans etc. In order to protect the sensitive environmental balance, both Counties should make sure they follow the principles of sustainable development and commercialise their tourism products in a structured and pre-planned way, thus minimising the risk of over-construction. Moreover, the project shall preserve the environment and ensure the Region will be equally interesting for organised day excursions and individuals over the long run.

Karlovac and Lika-Senj Counties are both currently facing high unemployment rates. Therefore, all possibilities for creating new jobs are of the utmost importance. The project itself, once it comes to its implementation phase, will generate a considerable amount of directly and indirectly induced jobs and self-employment opportunities.

Finally, one should not overlook the fact that increased interest for the Region implies additional awareness and promotion for Croatia as a tourism destination, with all accompanying positive effects on job creation, GDP/capita and infrastructure development.

## 2.4 Sustainability

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### 1.4.1. Financial sustainability

With the completion of the project and realisation of all mentioned activities, the conditions for sustainable development of hiking/biking tourism in the Region will have been created. The applicant, Karlovac and Lika-Senj Development Agencies and their project partners will ensure additional funds for the development of required public infrastructure, whereas hiking/biking related superstructure will be provided for by means of a tendering process specially crafted for individual

private sector investors. The tender will be accompanied by a specially designed state-aided investment package.

#### 1.4.2. Institutional sustainability

Cooperation between the Karlovac and Lika-Senj Counties, as well as between their respective Development Agencies (the applicant) and other partners in the project will be continued after the completion of this project. Following project completion, all involved institutions will arrange and re-arrange the relations between themselves in order to assure best and most effective project implementation and market commercialisation of the largely improved hiking and biking tourism products. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability in the implementation stage of the project

#### 1.4.3. Policy issues

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

### 2.5 Logical framework

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Please see Annex A

## 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of **EUR 154,000.00**, and can be decomposed as follows:

### 3.1 Consultancy fees

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The required provision of international and local consulting services is estimated at 10 person-months. The time input is estimated to be split approximately equally between international and local consultants at an average consulting fee at EUR 10,000 per month. Consequently, the consultancy fees are estimated at **EUR 100,000.00**.

### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been estimated at 100 at EUR 200 per day, resulting in total per diems in amount of **EUR 20,000.00**.

### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (10), and a estimated cost of 1,000.0 EUR per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 10,000.00**.

### **3.4 International travel (including sales missions) / field trips**

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The total travel cost including both, international travel and local transport, has been estimated as a lump sum of **EUR 10,000.00**.

### **3.5 Contingency**

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Contingency has been budgeted in amount of **EUR 14,000.00** (or about 10% of EUR 140,000.00, the sum of all previously specified costs.)

## **4. EXPECTED SOURCES OF FUNDING**

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.00.

The rent of venues for meetings and workshops is estimated at EUR 2,500.00.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 40,000.00.

The total contribution of the beneficiary amounts, thus, to **EUR 47,500.00**.

## Annex 1: Logical Framework Matrix

Project Title: <i>Strategic development and action plan for hiking &amp; biking tourism development in Karlovac and Lika-Senj project area</i>	Programme number:		Priority project number: 4
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 201,500	EU budget: EUR 154,000	
Overall Objective	Objectively Verifiable Indicators	Sources of Verification	
<ul style="list-style-type: none"> <li><i>Increase international awareness, tourism receipts and job creation in the project area by offering exciting new tourist visitation motives and experiences.</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Increased tourist demand for the project area</i></li> <li><i>Increased number of tourist nights spent in the region</i></li> <li><i>Increased tourism employment</i></li> <li><i>Increased number of registered tourism SMEs</i></li> <li><i>Increased tourism receipts and increased contribution from tourism to the regional GDP</i></li> </ul>	<ul style="list-style-type: none"> <li><i>County statistical reports (Central Bureau of Statistics)</i></li> <li><i>Tax administration reports</i></li> <li><i>Croatian Employment Office reports</i></li> <li><i>Business registration reports</i></li> <li><i>Entrepreneurship register</i></li> </ul>	
Specific Objectives	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> <li><i>To develop a comprehensive framework for long-term sustainable and competitive hiking and biking tourism in the project area</i></li> <li><i>Increase the share of tourism in the GDP of the project area</i></li> <li><i>Diversify existing tourist offer</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Increased hiking &amp; biking related tourism revenues in the project area</i></li> <li><i>Increased visitor satisfaction</i></li> <li><i>Presence of the project area in 5 brochures of international specialized operators in first year of project implementation</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Annual reports of Ministry of Tourism and regional tourism boards</i></li> <li><i>Annual TOMES visitor surveys conducted by the Institute for Tourism</i></li> <li><i>Promotional material</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Perception of Croatia as an attractive tourism destination in the target markets continues</i></li> <li><i>Stable market demand for hiking and biking as a tourism product</i></li> <li><i>Stakeholders are committed to develop the hiking &amp; biking tourism product</i></li> </ul>
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ol style="list-style-type: none"> <li><i>Complete assessment of the existing hiking &amp; biking trails and their market readiness undertaken</i></li> <li><i>New hiking &amp; biking trail routes identified, creating a well thought out network of (scenic) trails</i></li> </ol>	<ul style="list-style-type: none"> <li><i>At least 10 new hiking &amp; biking trails are identified and are linked to the existing network</i></li> <li><i>At least 5 new tourism accommodation facilities specialized for hikers &amp; bikers</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Project documentation and independent evaluation reports</i></li> <li><i>Records of contacts with tour operators</i></li> <li><i>Newspaper articles</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Incentives to encourage SME development provided by the relevant authorities</i></li> <li><i>Croatia National Tourism</i></li> </ul>



<p>3. <i>Assessment of the size, profile and economic potential of existing and potential hiking &amp; biking markets</i></p> <p>4. <i>Assessment of the existing accommodation capacity available for hikers &amp; bikers and recommendation of necessary additional accommodation</i></p> <p>5. <i>Identification of existing and required new support services (info-points, retail outlets, equipment for sale and rental, repair shops, etc.)</i></p> <p>6. <i>Identification of professional national and international tour operations providing hiking &amp; biking tours</i></p> <p>7. <i>Awareness of the hiking &amp; biking opportunities in the project area created at both national and international levels</i></p>	<p><i>established within 3 years following project completion</i></p> <ul style="list-style-type: none"> <li>• <i>At least 15 new specialized service operators registered within 3 years following project completion</i></li> <li>• <i>Contact with at least 10 tour operators is made and awareness about the opportunities for hiking &amp; biking in the project area created</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Minutes from workshops and stakeholder meetings</i></li> </ul>	<p><i>Board is committed to promote hiking &amp; biking tourism experience</i></p> <ul style="list-style-type: none"> <li>• <i>Spatial plans exist and allow for development in selected locations</i></li> </ul>
Activities	Means	Costs	Assumptions
<p>1. <i>Identification of the existing hiking &amp; biking trails within the project area and assessment of their market readiness assessed</i></p> <p>a. <i>Prepare an inventory of existing hiking &amp; biking trails in the project area</i></p> <p>b. <i>Evaluate market readiness of existing hiking &amp; biking trails</i></p> <p>2. <i>New hiking &amp; biking trail routes will be identified, thus creating a well thought out network of (scenic) trails, allowing for an alternative way to travel and/or visit various attractions in the project area</i></p> <p>a. <i>Identify new hiking &amp; biking trails that can be linked to the existing trails to establish a comprehensive network</i></p> <p>b. <i>Estimate the maximum carrying capacity of each of the identified trails</i></p> <p>c. <i>Create a map of the area highlighting the most suitable locations for hiking &amp; biking trails and grade them according to skills requirements</i></p>	<p><i>Provision of eleven person-months of international and local census (11) ting services covering the following areas of expertise (a consultant may cover several areas of expertise):</i></p> <ul style="list-style-type: none"> <li>• <i>General tourism planning and product development</i></li> <li>• <i>Tourism economics and business development</i></li> <li>• <i>Development of hiking and biking tourism</i></li> <li>• <i>Assessment of market potential and market projections</i></li> <li>• <i>Marketing and promotion of special interest (niche market) tourism</i></li> </ul>	<p><b>Estimated project costs:</b></p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• <i>Time input split approximately equally between international and local consultants at average consulting fee at € 10,000</i></li> <li>• <i>€ per diem rate of € 200 for Croatia is applied</i></li> <li>• <i>Number of per diem days set at one fourth of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</i></li> <li>• <i>Travel costs set at € 5,000 covering both international air travel and field travel in Croatia</i></li> <li>• <i>Workshops and stakeholder meetings estimated at € 1,000</i></li> <li>• <i>Contingency of about 10% of costs</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Dedicated support from local administrations</i></li> </ul>

<p>3. <i>Assess the size, profile and economic viability of existing and potential hiking &amp; biking markets</i></p> <p>a. <i>Estimate the size of the hiking &amp; biking tourist market</i></p> <p>b. <i>Profile/segment hiking &amp; biking tourists' requirements to design the product in accordance with market demand</i></p> <p>c. <i>Identify main markets for the region's hiking &amp; biking tourism product</i></p> <p>4. <i>Assess the existing accommodation capacity available to hikers &amp; bikers and recommend on the type, location and size of additional accommodation</i></p> <p>a. <i>Estimate the accommodation capacity needed over the next 10 years based on forecasting of the number of hikers &amp; bikers that can be attracted to the project area</i></p> <p>b. <i>Survey the existing accommodation facilities and assess their suitability for the hiking &amp; biking market</i></p> <p>c. <i>Assess the potential of accommodation in existing homes (home stays and bed &amp; breakfast)</i></p> <p>d. <i>Recommend on the type, size and location of additional accommodation facilities</i></p> <p>e. <i>Develop an investment promotion programme for private sector investors (accommodation providers)</i></p> <p>f. <i>Recommend on possible investment and other incentives to attract new investors</i></p> <p>5. <i>Identify existing and required additional support services (e.g. info-points, retail outlets, equipment for sale and rental, repair shops, etc.)</i></p> <p>a. <i>Assess the existing support facilities and assess the requirement Identify the need for additional facilities</i></p> <p>b. <i>Identify suitable locations for clustering of these facilities</i></p> <p>c. <i>Propose training programs for local tour guides</i></p>		<p><b>Consulting fee:</b>  <i>10 person-months x EUR 10,000 = EUR 100,000</i></p> <p><b>Per diem:</b>  <i>100 consultant days x EUR 200 = EUR 20,000</i></p> <p><b>International travel / field trips including sales mission to main markets:</b>  <i>Estimated cost: EUR 10,000</i></p> <p><b>Workshops/stakeholder meetings:</b>  <i>10 events x EUR 1,000 = EUR 10,000</i></p> <p><b>Sub-total: EUR 140,000</b></p> <p><b>Contingency: EUR 14,000</b></p> <p><b>TOTAL FINANCIAL INPUTS: EUR 154,000</b></p>	
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<p>6. <i>Professional tour operations providing hiking &amp; biking tours will be identified both nationally and internationally</i></p> <p><i>a. Identify the number of tour operators that are willing to provide hiking &amp; biking</i></p> <p><i>b. Identify potential for new operators</i></p> <p><i>c. Propose training initiatives for new entrants</i></p> <p><i>d. Recommend on how to attract new tour operators and providers of support facilities to serve the hikers &amp; bikers market</i></p> <p>7. <i>Identify appropriate means of creating awareness of the opportunities relating to hiking &amp; biking tourism in the project area both nationally and internationally</i></p> <p><i>a. Evaluate the current marketing efforts for promoting hiking &amp; biking tourism in the project area</i></p> <p><i>b. Recommend on a mid-term marketing strategy</i></p> <p><i>c. Undertake sales missions to promote the region's hiking &amp; biking product to specialized inbound tour operators</i></p>			
			<p><b>Preconditions</b></p>
			<p>•</p>

# **Project No. 5: Strategic Plan for Wildlife Watching**

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## CONCEPT NOTE

### 1. Summary of the action

#### 1.1 *Brief description of the proposed action*

The **overall objective** of the project is “to contribute to the social and economic welfare of the region through the development and diversification of the tourism product”. This should be done in accordance with highest standards of environmental protection, resulting in long-term sustainable socio-economic development.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. Further, the whole project area is among the least populated regions of Croatia and has over a long time period been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends still represent a major threat to the long term economic and social development of the project area. In order to gradually reverse the present situation and create foundations for sustainable growth of the economy in the coming years, the main idea of the project is to develop a competitive niche market tourism product that would act as one of generators of nature-based, environmentally aware, international tourism demand to the region. Coupled with other complementing niche market tourism products (sport fishing, hiking, biking, tourism in rural environment), the development of a competitive wildlife watching tourism product will result in gradual increase in tourism receipts and job creation throughout the project area.

On the other hand, **specific objectives** of the project are as follows:

1. *To develop of a comprehensive framework for long-term sustainable and competitive quality wildlife-base tourism.*

With rich and well preserved fauna, including large mammals such as bears and deer, and the great diversity of birds in the national parks, the project area offers excellent opportunities of developing an excellent wildlife viewing product, including photo safaris. Although potentially a very lucrative product, there have not been serious attempts made to develop this product on the territory of the project area, mostly due to the fact that tour operators in the region have not recognised the potential of this tourism activity. Although Poveljansko/Kolansko Blato on the island of Pag has been declared as ornithological reserve, and is particularly interesting for bird watching, it is still little known even within the regional boundaries. There is also the Gama Game Reserve near Ogulin, a private hunting ground, which has recently started to offer organised animal viewing and feeding. Studies of bird species are under way in Velebit Nature Park as well. If developed and commercialised properly, the establishment of organised animal viewing experiences would considerably expand the portfolio of internationally competitive tourism products, increase the international awareness and induce additional visitation to the whole project area. In this regard, the development of a well known wildlife watching as one of the distinctive tourism trademarks of the region should be one of top priorities of tourism development throughout the project area. In order to achieve this goal in a most effective way, minimizing the risk of both, over-visitation and environmental damages, at the same time ensuring that the resulting investment in product development will be economically feasible, the first and vital step is to produce a comprehensive development framework that would (i) identify most suitable locations (sites) for wildlife watching, (ii) assess the market size and profile for different wildlife watching experiences, (iii) specify concrete actions for the development of most prosperous types of wildlife-based tourism experiences and provide site plan and interpretation for the selected sites, (iv) tourism infra and/or superstructure to be built, (v) determine infrastructure and support services and/or facilities to be established, and (vi) define marketing activities to be embarked upon.

2. *To diversify the existing tourist offer in the project area*

The existing tourism demand for the whole project area is, at present, concentrated around two tourism products: the sun and sea product (the island of Pag and the narrow coastal strip along the Senj-Karlobag scenic road) and the national park(s) product (with 90% of visitation achieved in the Plitvice Lakes NP). As a result, tourist demand for other parts of the project area is, at present, rather weak, regardless of the abundant resource base and great potential for tourist visitation. In order to induce greater tourist visitation to the region, existing tourist offer needs to be improved/upgraded and developed in order to create a much needed diversification of tourist experiences appealing to different, fast growing or emerging, market segments.

3. *To increase the share of tourism in the GDP of the project area.*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, tourism development should be targeted especially towards development of niche products intended for market segments that appreciate nature and nature based activities. Wildlife watching is undoubtedly one of such products. Successful product development and subsequent market commercialisation of wildlife watching tourism will induce the awareness building process on international markets and gradually increase the interest for the project area among other market segments as well. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

**Justification**

The importance of tourism development, in which this project acts as one of the frontrunners, lies in the fact that there are no better alternatives to induce economic development and reverse long-term negative demographic trends in the region. Namely, the implementation of the project implies increased tourist visitation and increased tourism receipts in the region. As a result of this, additional awareness of the project area will be created, resulting in further product development and product diversification. This will bring in more tourism related receipts. Hence, the economy of the whole region will gain momentum, the emphasis being on the services sector and the SME business. The gradual increase in economic activity driven by the successful SME operators will create more investor optimism as will result in a more business friendly environment. This, in turn, should induce additional SME business start-ups in the region. Increasing economic activity and rising tax proceeds would enable the local communities to ensure proper functioning of the (largely deceased) public services as well. The whole process should eventually reverse the unfavourable demographic trends.

An important component of the project is the improvement of skills and know-how in the field of project development, project management, and operational marketing. Also the project will enhance private sector's operational management skills and provide support services to various types of destination management companies that are expected to be established.

In addition, the project incorporates a mid-term marketing and promotion strategy, as well as the development of appropriate marketing tools and instruments that will enable its successful market commercialisation, both nationally and internationally.

**2. Relevance:**

2.1 *Needs and constraints of the target area*

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its

reputation for sea-side tourism, the country has recently formulated a strategy that focuses more on the development of tourism in the continental part of the country as well. The orientation on tourism as a strategic development vehicle is also strongly emphasised in the ROP for both, Karlovac and Lika-Senj Counties. Namely, the SWOT analysis, carried out for the purpose of the respective ROPs, points out the “pristine natural environment” as a major strength, and the “inadequate use of natural resources” and “small and underdeveloped business sector” as the most obvious weaknesses of the project area in general. In case of the Lika-Senj County alone, these findings have led to the explicit formulation of the following strategic development objective - *“the promotion of the tourism sector as a key driver of development in the County”*. For the time being, economic development in both counties is still slow, especially in Lika-Senj. So is the case in employment. In order to ignite economic activity, the whole project area is badly in need of new and innovative project ideas, programmes and initiatives. This project entails all the required elements and refers to the territory of both counties. Therefore, most of the expected positive effects of the project will be dispersed throughout the project area.

## 2.2 *Problems and needs*

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient organisational, management and marketing capacities in the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists and prolong their stay in the region. The combination of the above stated issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, and number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues. Further, it would open up the region to increased international exposure, with various direct and indirect benefits associated.

## 2.3 *Target groups and final beneficiaries*

The target group consists of the Karlovac and Lika-Senj Development Agencies (applicant), Karlovac and Lika-Senj Counties (partners), HGK Karlovac and HGK Otočac (partners), as well as Karlovac and Lika-Senj tourism boards (partners). All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive wildlife watching tourism development strategy, but especially from the organisational, management, training and marketing support the project will focus on.

Apart from tourists, end users of the wildlife watching product, final beneficiaries are the population at large, and the SME start-ups that are going to exploit the opportunity to establish themselves offering a range of various services to the increasing number of nature lovers attracted to the region. Namely, following its implementation, the project should result in steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for personalised services of various destination management companies – SME businesses (specialised accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the whole region - the area of special state concern. Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

## 2.4 *Objectives and expected results*

The general objective is to “improve business-related infrastructure and to contribute to regional development”. This objective is implicitly and explicitly met by this project proposal. The project is also directly associated with (i) modernisation/extension of existing (tourism related) infrastructure,

(ii) SME and private sector development, (iii) job opportunity creation for local population, and (iv) training and technical assistance to both, public and private sector stakeholders so as to maximise the economic effects incorporated in the project itself.

Expected results, in terms of external (new) jobs, new SMEs established, increase in tourist receipts (and GDP/capita) are at this stage difficult to predict. However, there is great potential, especially if coupled with other projects aiming to increase and/or diversify existing tourism experiences in the project area. Nevertheless, the expected economic effects will not be immediate. Only some of the new expected private initiatives will be launched immediately following project implementation (accommodation facilities, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.), while others will be spread out over the years to come as a reaction to the gradually increasing inflow of new tourists affected by the project in its initial stages.

A special feature of the project is its environmental dimension, which is expected to preserve the region from possible spatial misuses in the future.

### 2.5 *Added value of the action*

No other similar intervention in this field has so far been made public, so the added value may be estimated as close to 100%. Men and women should equally benefit from the project, especially younger and more entrepreneurial representatives of both genders. The project will help both Counties to make up for their lagging position and help them get closer to national averages in the field of GDP, employment and wealth in general.

## **3. Methodology and Sustainability**

### 3.1 *Main project activities*

The project contains eight activity components. These are listed in the table below in a way to show the logical connection between the project's objectives and the planned activities.

<b>Specific objective</b>	<b>Project component</b>
1. An inventory of suitable sites for wildlife watching is prepared	1. Undertake a survey to identify most suitable locations for wildlife watching
2. Assessment of size, profile and economic potential of wildlife watching market and its sub-niches	2. Identify market potential and guest profile for different wildlife watching experiences
3. Strategic action plan for the development of most prosperous types of wildlife-based tourism products is proposed	3. Specify most prosperous locations for different wildlife-based tourism products and define actions to develop them
4. Site plan and interpretation strategy for several selected locations is developed	4. Prepare project documentation for selected sites and specify interpretation strategy
5. Existing accommodation capacity is assessed and locations for new accommodation facilities determined	5. Identify the need for new accommodation, estimate cost and suggest optimal locations
6. Infrastructure needs and support services are defined	6. Specify additional infrastructure needed and destination management related services to be established
7. Specialised tour operators are identified	7. Provide distribution channels for new product
8. Awareness of the product is created (nationally and internationally)	8. Develop an operational marketing action plan



### 3.2 *Main implementing partners*

The entire set-up of the project has been designed so as to make sure that each partner can actively contribute his specific know-how, expertise and ideas as relevant input to the commissioned team of consultants. Activities have been defined in such a way that each partner has the opportunity to assist in providing information and creative input to the team of consultants during their work on the project. The very idea is to establish a dedicated group of stakeholders aiming towards a common goal: more prosperity for the project area through diversification of tourism experiences. All partners on the project have known each other for many years, and have developed good working relationships.

### 3.3 *Sustainability*

With the implementation of the project and realisation of all necessary activities, the conditions for sustainability of the project will have been created. The applicant, the Karlovac and Lika-Senj Development Agencies and their project partners will ensure the development, maintenance and upgrading of the wildlife watching product tourism infra and superstructure, as recommended by the Strategic development plan, through various existing state aided, private sector development schemes, as well as by the effective use of county, town and municipal budgets.

Cooperation between the Karlovac and Lika-Senj Counties, as well as between other stakeholders involved in the project will be continued in the years following completion and subsequent implementation of this project. During the implementation, relevant institutions will arrange and re-arrange the relations between themselves in order to assure the best exploitation of the new tourism product. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability after the implementation of the project. Joint development of the project idea of the two local self-government units and involvement of other local and regional institutions is a new approach even at the level of preparation of this project. The joint project partners emphasise the strengthening of their real cooperation, rather than just a formal one.

### 3.4 *Multiplier effects*

The strategic plan for the development of wildlife watching tourism will provide a necessary regulatory framework and ensure a long-term sustainable tourism development in the project area. Once implemented, it will result in much needed diversification in the existing tourist offer of the whole project area, and will result in increased tourist visitation and tourism related receipts. Also, it is expected that the initial increase in tourist visitation associated with the development of wildlife watching infra and superstructure, will gradually spill over to other tourism market niches for which the project area offers great experience opportunities as well (hiking, biking, sport fishing, touring, tourism in rural environment etc.). The whole process should be characterised by dynamic SME business development that will spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

The human resources related investment component (training of various tourism related services providers and local self-government units) will ensure high quality destination and spatial management and thus create necessary conditions for long-term sustainable development.

Additionally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on utilisation of idle and/or insufficiently

used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

#### **4. Expertise and operational capacity:**

##### *4.1 Project management experience*

Karlovac and Lika-senj Counties have both been involved in various development projects in recent years, some of which have dealt with EU donor agencies as well (e.g. the preparation of a joint Tourism Master Plan). Working on these development projects, both Counties have developed excessive expertise and project management skills required to successfully embark upon, manage and finalise even very sophisticated and complex projects. It is in this regard that we do not anticipate any potential problems with operational capacity to fulfil the objectives of this particular project.

Additionally, both Counties maintain a long-established cooperation with the Croatian Chamber of Economy, the Croatian Chamber of Trade and County economic departments. As self-government units, both Counties also have a continuous close cooperation with the Ministry of Economy, Labour and Entrepreneurship, the Ministry of Finance, the Ministry of Culture and other ministries and government funds (Regional Development Fund, Environmental Protection Fund and Development and Employment Fund) that might prove to be of relevance to the project.

##### *4.2 Technical experience*

Regardless of the fact that all the related partners in the project have a long track record in the sector of tourism, the core technical know-how for the project will be ensured by means of the engagement of experienced tourism planners (national and international), commissioned over a period of not more than a 11 months. Providing cooperation with local stakeholders is established during every stage of work on the project, there should be no problems associated with the implementation of this project.

## I.FULL APPLICATION FORM

## 1. DESCRIPTION

## 1.1 Title

**Preparation of a strategic plan for development of wildlife watching in Karlovac and Lika-Senj project area**

## 1.2 Location(s)

Republic of Croatia, Karlovac and Lika-Senj Counties

## 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 201,500	EUR 154,000	% 76.4

## 1.4 Summary

Duration of the action	11 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To contribute to the social and economic welfare of the region through the development and diversification of the tourism product.</p> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>• To develop a comprehensive framework for long-term sustainable and competitive wildlife-based tourism in the project area</li> <li>• To diversify existing tourist offer in the project area</li> <li>• To increase the share of tourism related SMEs in the GDP of the project area</li> </ul>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>
Target group(s)	<p>Karlovac and Lika-senj Development Agencies Karlovac and Lika-Senj Counties.</p> <ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>

Final beneficiaries	Local population of Karlovac and Lika-Senj Counties All stakeholders of the tourism industry in the area of intervention Tourists and visitors
Estimated results	<p>At the end of the project the locations best suited for development of wildlife watching experiences in the project area will be identified, their carrying capacity determined and strategic action plan for the development of several, best suited, locations made. This includes required infrastructure, number, size and type of new accommodation facilities, F&amp;B and retail outlets, as well as various destination management services to be built. Each location will be mapped, indicating the wildlife watching opportunities as well as available facilities and amenities.</p> <p>Based on detailed market analyses, distribution channels most suitable for effective product commercialisation will be defined.</p> <p>Training programs for new market entrants (destination management services, specialised tour-operating agencies) will be developed, and training programmes for skills enhancement offered.</p> <p>An operational marketing and promotion action plan will be elaborated and made available for immediate implementation.</p>
Main activities	<ul style="list-style-type: none"> <li>▪ A detailed survey of potential wildlife watching locations will be undertaken</li> <li>▪ A detailed wildlife watching market analysis will be carried out in order to determine the market potential for the product</li> <li>▪ A strategic action plan for the development of most prosperous wildlife watching locations will be proposed</li> <li>▪ Site plan and interpretation strategy for most prosperous locations will be developed</li> <li>▪ The need for new (specialised) accommodation will be identified with cost estimates and optimal locations suggested</li> <li>▪ Additional infrastructure and destination management related services to be developed will be specified and training programmes designed</li> <li>▪ Distribution channels for new product will be defined and provided for</li> <li>▪ An operational marketing action plan will be developed</li> </ul>

## 1.5 Objectives

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The **overall objective** of the project is “to contribute to the social and economic welfare of the region through the development and diversification of the tourism product”. This should be done in accordance with highest standards of environmental protection, resulting in long-term sustainable socio-economic development.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. Further, the whole project area is among the least populated regions of Croatia and has over a long time period been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends still represent a major threat to the long term economic and social development of the project area. In order to gradually reverse the present situation and create foundations for sustainable growth of the economy in the coming years, the main idea of the project is to develop a competitive niche market tourism product that would act as

one of generators of nature-based, environmentally aware, international tourism demand to the region. Coupled with other complementing niche market tourism products (sport fishing, hiking, biking, tourism in rural environment), the development of a competitive wildlife watching tourism product will result in gradual increase in tourism receipts and job creation throughout the project area.

On the other hand, **specific objectives** of the project are as follows:

1. To develop a comprehensive framework for long-term sustainable and competitive quality wildlife-based tourism
2. To diversify existing tourist offer in the project area
3. To increase the share of tourism in the GDP of the project area.

*1. To develop a comprehensive framework for long-term sustainable and competitive quality wildlife-based tourism*

With rich and well preserved fauna, including large mammals such as bears and deer, and the great diversity of birds in the national parks, the project area offers excellent opportunities of developing an excellent wildlife viewing product, including photo safaris. Although potentially a very lucrative product, there have not been serious attempts made to develop this product on the territory of the project area, mostly due to the fact that tour operators in the region have not recognised the potential of this tourism activity. Although Poveljansko/Kolansko Blato on the island of Pag has been declared as ornithological reserve, and is particularly interesting for bird watching, it is still little known even within the regional boundaries. There is also the Gama Game Reserve near Ogulin, a private hunting ground, which has recently started to offer organised animal viewing and feeding. Studies of bird species are under way in Velebit Nature Park as well. If developed and commercialised properly, the establishment of organised animal viewing experiences would considerably expand the portfolio of internationally competitive tourism products, increase the international awareness and induce additional visitation to the whole project area. In this regard, the development of a well known wildlife watching as one of the distinctive tourism trademarks of the region should be one of top priorities of tourism development throughout the project area. In order to achieve this goal in a most effective way, minimizing the risk of both, over-visitation and environmental damages, at the same time ensuring that the resulting investment in product development will be economically feasible, the first and vital step is to produce a comprehensive development framework that would (i) identify most suitable locations (sites) for wildlife watching, (ii) assess the market size and profile for different wildlife watching experiences, (iii) specify concrete actions for the development of most prosperous types of wildlife-based tourism experiences and provide site plan and interpretation for the selected sites, (iv) tourism infra and/or superstructure to be built, (v) determine infrastructure and support services and/or facilities to be established, and (vi) define marketing activities to be embarked upon.

*2. To diversify existing tourist offer in the project area*

The existing tourism demand for the whole project area is, at present, concentrated around two tourism products: the sun and sea product (the island of Pag and the narrow coastal strip along the Senj-Karlobag scenic road) and the national park(s) product (with 90% of visitation achieved in the Plitvice Lakes National Park). As a result, tourist demand for other parts of the project area is, at present, rather weak, regardless of the abundant resource base and great potential for tourist visitation. In order to induce greater tourist visitation to the region, existing tourist offer needs to be improved/upgraded and developed in order to create a much needed diversification of tourist experiences appealing to different, fast growing or emerging, market segments.

### 3. To increase the share of tourism in the GDP of the project area.

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, tourism development should be targeted especially towards development of niche products intended for market segments that appreciate nature and nature based activities. Wildlife watching is undoubtedly one of such products. Successful product development and subsequent market commercialisation of wildlife watching tourism will induce the awareness building process on international markets and gradually increase the interest for the project area among other market segments as well. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

## 1.6 Justification

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### 1.6.1. Relevance of the action to the objectives and priorities of the programme

The Karlovac and Lika-Senj Counties are still among the less developed regions of Croatia as regards economic and social resources. The strategy for economic development of both Counties is defined by their respective Regional Operational Programmes (ROP). According to these documents, development of tourism is emphasised as one of the priorities of economic development of the whole Region. The emphasis on tourism development is logical: the whole project area is ecologically unspoilt, rich in resources and with low population density. Additionally, it is easily accessible (new motorway) to both, tourists and entrepreneurs. Finally, and taking into consideration possible environmental impact of alternative tourism development strategies, it should be clear that the exclusivity of the project area should be strictly controlled and maintained over the long run. In order to achieve this goal, most of the territory of the two Counties should cater to the needs of specific, environment friendly and/or nature loving, market niches. In this regard, development of a wildlife watching tourism product should be one of a few selected nature based experiences that the project area should focus on in the long run.

To sum up, the proposed project will have direct impact on:

- Provision of a well thought out wildlife watching product;
  - Increase in the overall quality and diversity of the tourist offer in the project area;
  - Targeted market (re)positioning of the project area
  - Improved conditions for SME start-ups, new jobs creation and increase in tourism related receipts
  - Enhancement of skills and training in the areas of project management, product development, marketing, finance and operational management
  - Greater awareness of local population and stakeholders in the two Counties of the importance to preserve a clean environment (sustainable development principles);
  - Increased recognition of Croatia, Karlovac and Lika-Senj Counties and specific locations as internationally well known destinations for wildlife watching and other complementary nature based tourism activities.

Successful implementation of the project will shortly be visible in: the number of new investments in tourist facilities, the number of newly created forms of tourist offer, the number of visitors and receipts, the number of persons employed or self-employed in tourism, increased interest for other tourism products of the Region (cross selling) etc. The proposed project is directly related with the following development criteria:

### *1. Structured Development of Tourist Infrastructure*

The proposed project aims to create all the necessary conditions and requirements needed to establish a rich and diversified tourist offer by means of a planned and guided development of wildlife watching infra and superstructure in the unique setting of nature preserved environment of National and nature parks (Karst relief forms, unspoilt rivers and rich forests) of the Karlovac and Lika-Senj Counties. Once the project is completed, the local governments will dispose of an essential development tool, consisting of a set of concrete actions that need to be implemented (according to priorities) and organised in the format of an operational development manual. By following this strategic product development plan framework in the implementation stage, local authorities will not only develop new, up to date tourism related infra and superstructure, but will at the same time ensure adequate usage of space, maximum protection of the environment, and minimum risk of poor investment decisions.

### *2. SME and private sector development*

The implementation of the project on the level of both Counties will result in a series of successful new SME start-ups (accommodation facilities, F&B and retail outlets, tourist agencies, equipment rental and repair shops, attractions managing companies etc), forming a comprehensive wildlife watching related tourism value chain. The very existence of such a value chain will add to increased attractiveness of the project area and contribute to increased tourism receipts that will be evenly spread out across the region and that will spill over to other sectors of the economy as well (multiplication effect).

### *3. Job opportunity creation for local population*

Increased SME start-up activity in the Region naturally implies more job opportunities offered. Although these job opportunities will mostly be concentrated in the services sector, the increase in the overall economic activity should spill over to other economic sectors as well, agriculture in particular.

### *4. Market (re)positioning*

Through completion of the project, both Counties will create preconditions for a new market positioning, based on preservation of nature, sustainability and niche product development. Such new positioning will help the Counties to focus on market segments that they would otherwise have neglected. A focused marketing and promotion strategy, on the other hand, implies more effective use of scarce funds, resulting, at the same time, with superior outcomes.

### *5. Training and skills enhancement*

Apart from skills enhancement on the level of partnering public institutions (project management, product development, and marketing), the project also emphasises improvement of skills and know-how of the new private sector investors/entrepreneurs associated with the development and market commercialisation of the competitive wildlife watching tourism product. Special emphasis will be given to provision of training programs in the field of operational management, marketing and financial planning.

#### **1.6.2. Perceived needs and constraints**

In general, the Karlovac and Lika-Senj Counties have all the necessary natural preconditions to become a thriving area for tourism and leisure related activities. Yet, tourism development is still very slow and sporadic. This is caused by a combination of factors such as:

- ➔ lack of documentation necessary for structured tourism development (master plans, marketing plans)

- lack of public sources to fund tourism development
- lack of private sector investors with vision
- unfavourable demographic structure (old age groups prevail)
- outward migration of the young and educated
- insufficient funds to maintain and allow for improvement in infrastructure necessary for new investment in tourism
- lack of (tourism) infrastructure
- inadequate usage of state-aided financial schemes.

### 1.6.3. Target groups and final beneficiaries

The project directly targets the staff of the applicant (Karlovac and Lika-Senj Development Agencies), as well as a selected part of the staff in applicant's partner institutions - Karlovac and Lika-Senj Counties, Chamber of Economy Karlovac and Chamber of Economy Otočac, and Karlovac and Lika-Senj tourism boards. All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive wildlife watching tourism strategy, but especially from the organisational, management, training and marketing support the project will focus on.

- Karlovac and Lika-Senj Development Agencies: 2 - 4 persons will be directly involved in the project activities, and respectively affected by the project. The main direct effect is that these persons will learn and gain experience on how to efficiently and professionally manage development projects, especially those associated with EU funding schemes
- Karlovac and Lika-senj Counties' tourism boards: all employees are in need of further training in project preparation, project management, fund raising and marketing.
- The Croatian Chamber of Economy regional chambers in Karlovac and Otočac: 2 – 4 persons will in particular benefit from activities foreseen under this project. The staff of the HGK will participate in workshops, provide input and assist in various concrete activities in the preparation of the final strategic document.

Final beneficiaries are:

Local and foreign tourists (wildlife watchers, nature lovers): Through implementation of this project the Karlovac and Lika-Senj Counties will enrich and diversify their existing tourist offer, and create the necessary preconditions to allow local and foreign visitors a unique experience of wildlife watching activities in a clean, healthy and preserved environment. Further, project implementation implies a more even spread of tourist visitation and accompanying receipts across the project area.

Private investors in tourist infra and superstructure: Following its implementation, the project should result in a steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for various services of different destination management companies – SME businesses (accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the region - the area of special state concern.

The wider population of Karlovac and Lika-Senj Counties: The increased tourism revenues in the privately held establishments will, by means of increased tax proceeds, gradually spill over to the community at large, improving the level of public services (medical care, education, day-care, etc.) and the standard of living in general.



Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

## 1.7 Detailed description of activities

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### **Component 1: Prepare a comprehensive inventory of suitable sites for wildlife watching**

This component contains a set of activities aiming to identify best suited locations for the development of wildlife watching tourism product in the project area. It is foreseen that the survey of the area will be done by consulting experts in wildlife watching site development.

#### **1.1. Undertake a survey of potential wildlife watching locations in the Region**

Karlovac County and Lika-Senj Counties are abundant in landscapes/resources which offer great potential for the development of wildlife watching tourism. However, at this point in time, there have been no considerable attempts made to create an internationally recognised wildlife watching tourism product that would be able to brand much of the whole region. As a result of that, at present there are no properly equipped wildlife watching sites that would appeal to the potential demand for this highly lucrative product. In order to develop a competitive and differentiated wildlife watching product, the first step is to identify most suitable locations that can, most effectively, be developed into attractive self sufficient wildlife watching micro-locations. In order to locate such most appropriate locations/sites, a detailed survey needs to be undertaken by proven experts in wildlife watching product development.

#### **1.2. Prioritise the identified wildlife watching opportunities and locations**

As a result of the survey, an inventory of suitable wildlife watching sites will have been developed. However, some of the identified sites will offer better and more diverse wildlife watching opportunities than the other. In order to establish priorities in terms of individual site development, each identified site will be graded in terms of its potential, so as to objectively determine which locations should be developed first.

#### **1.3. Estimate maximum carrying capacity of each new identified location/site**

Alongside with identification and priority determination, the carrying capacity assessments will be made for each identified site in order to ensure both, exclusivity and environmental sustainability.

#### **1.4. Create a map of the area highlighting the locations and grade them according to skills requirement**

Once the best suited locations/sites for wildlife watching have been determined, a detailed map of each location needs to be prepared, indicating the wildlife watching experiences possible, as well as available specialised infra and superstructure facilities, amenities and services in the vicinity.

### **Component 2: Assess the size and profile of the most prosperous markets for wildlife watching experiences offered in the project area**

This component contains a set of activities aiming to identify the overall market potential, as well as to specify the catchment area and specific market sub-niches to target. It is foreseen that the market analysis will be done by consulting experts in wildlife watching market assessment.

#### **2.1. Estimate the size of the markets for different types of wildlife-based tourism**

Based on analysis of existing market volume, market growth rate and other relevant characteristics of different types (market sub-niches) of the international wildlife watching market demand, projections of future market evolution (trends and volume) will be made.

## **2.2. Profile the requirements of the most important wildlife-base tourism market sub-niches in order to design the product in accordance with market demand**

Based on the previous analyses, a detailed segmentation of market demand will be provided, with specification of each segments' requirements, needs and expectations in terms of product design.

## **2.3. Identify main markets for the region's wildlife watching tourism product**

Taking into consideration all of the conclusions stated in the preceding sections, main markets for the region ("the project catchment area") will be determined and most relevant market segments to cater to will be specified.

### ***Component 3: Prepare a strategic action plan for the development of the most prosperous types of wildlife-based tourism products in the region***

Based on the detailed information on animal and plant species suitable for the development of wildlife watching, this component contains a strategic action plan for the development of several most-prosperous types of wildlife based products. For each of the products, best locations will be specified and development cost estimated. It is foreseen that this particular assignment will be accomplished by consulting experts in wildlife watching product development and tourism business economics.

#### **3.1. Identify the wildlife species most suitable for wildlife product development**

A detailed analysis of wildlife species in each of the identified locations is going to be carried out. Based on this analysis, recommendation on most prosperous types of wildlife based tourism products will be made.

#### **3.2. Specify actions that need to be implemented in order to develop a wildlife based tourism product**

Based on the previous analyses, a detailed activity plan on how to develop a wildlife based tourism product will be prepared.

### ***Component 4: Assess the existing accommodation capacity relating to the identified wildlife watching locations and recommend on the type, location and size of additional accommodation required***

This component contains a set of activities aiming to identify the need for additional accommodation facilities in the vicinity of previously identified wildlife watching locations/sites. For each of the accommodation facilities needed, best locations will be specified and cost estimated. It is foreseen that this particular assignment will be accomplished by consulting experts in wildlife watching product development and tourism business economics.

#### **4.1. Forecast the capacity needed over the next ten year**

Based on detailed analysis of the wildlife watching tourism demand and its characteristics, total need for accommodation capacity (and type) to cater to the identified market segments of the wildlife watching market demand in the region will be assessed.

#### **4.2. Assess the existing accommodation facilities and recommend on the requirements for expansion and improvements**

Based on the assessment of accommodation needs for the ten year period, a survey of already existing accommodation facilities in the region will be undertaken in order to determine whether these establishments, in terms of quality and quantity, can adhere to the needs of the wildlife watching market demand. This analysis will also provide crucial input whether some of the existing accommodation facilities can be expanded (more units) and/or improved to satisfy market demand requirements.

**4.3. Assess the potential of developing accommodation in existing homes**

Wildlife watching market represents a special interest market niche. One of its characteristics is the fact that sometimes, depending on the quality on wildlife watching locations, tourists prefer to stay as close to the site as possible. In other words, such tourists might not want to use more distant commercial accommodation, but would prefer to be accommodated in private homes on a bed and breakfast basis. In this regard, one should also assess the possibility if there is interest among the local population to offer this type of service.

**4.4. Recommend on type, size and location of additional accommodation facilities**

Following all the previously addressed assessments and analyses, and taking into consideration the projected wildlife watching market demand for the region, the need for additional accommodation facilities will be determined (type and capacity).

**4.5. Recommend on an investment incentives and promotion program for private sector accommodation providers**

In most cases, the providers of accommodation services to the wildlife watching market will be recruited from local entrepreneurial individuals who would recognise the growing potential of this particular market niche. However, in order to reach those individuals and persuade them to invest, an investment incentives and promotion program targeting potential private sector investors – existing and/or future SME operators is envisaged.

***Component 5: Develop site plans and interpretation strategies for selected sites***

This component contains a set of activities aiming ensure most suitable site development and interpretation strategy in order to maximise guest satisfaction on one side, and provide the necessary conditions for undisturbed wildlife activity, on the other. It is foreseen that this particular assignment will be accomplished by consulting experts in wildlife watching product development and tourism business economics.

**5.1. Develop site plans for the most appropriate wildlife watching sites**

Based on detailed survey of each selected location, site plans will be developed showing most suitable areas for construction of required wildlife watching infra and superstructure.

**5.2. Develop interpretation strategies for the selected sites**

Following the previously developed site plans, appropriate interpretation strategies will be developed so as to maximise the experience of the guests.

**5.3. Assess the environmental impact of proposed development for each site**

In order to ensure there will be no harmful effects to the environment as a result of the proposed site development plans, environmental impact assessment will be made for each of the selected sites.

***Component 6: Identify required infrastructure and additional support services***

Development of a wildlife watching related value chain is associated with development of product specific infrastructure and various other services, facilities and amenities that need to be available to the tourist at all times. It is, therefore, necessary to assess the need for additional infrastructure and services that should be offered, do these services need to be available from day one (or is gradual development an option) and, in particular, the best location for their placement. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism business economics.

**6.1. Assess existing infrastructure and support facilities**

A survey of already existing infrastructure and support facilities (F&B and retail outlets, travel agents, event organisers, equipment rentals and repair shops etc.) in the region, and in the vicinity of the selected wildlife watching locations will be undertaken in order to determine whether these

facilities and/or services, in terms of quality and quantity, can adhere to the needs of the specialised needs of the market demand.

### **6.2. Identify the need for additional facilities**

Following the previously addressed assessment and availability analysis, and taking into consideration the projected market demand for wildlife watching in the region during the next ten years, the need for additional infrastructure and supporting service facilities will be determined (by type and capacity).

### **6.3. Identify suitable locations for clustering of supporting facilities**

As is the case with accommodation facilities to be built, supporting service facilities will most likely be clustered (whenever possible). It is therefore vital that suitable locations are identified. These can be either close to the accommodation, in the vicinity of the wildlife watching locations, or along the roads connecting the accommodation facilities with wildlife watching locations/sites.

## ***Component 7: Identify professional tour operators providing wildlife-based tourism services***

This component comprises a series of activities designed to facilitate efficient market commercialisation, once the project gets to the implementation phase. In order to ensure smooth implementation, these activities should be initiated at once. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism marketing and promotion.

### **7.1. Identify the number of tour-operators that are willing to provide wildlife-based experiences to the market**

Effective market commercialisation of a new tourist product, especially in its preparatory, creating market awareness stage, implies the assistance of specialised tour-operators willing to package the product and offer it to the market. Therefore, at this stage of the project, a survey of existing tour-operators needs to be carried out so as to determine if some of them are already dealing with the product and are they doing a good job out of it. On top of that, the willingness to enter the market of those currently not associated in distribution of the product needs to be assessed.

### **7.2. Identify potential for new market entrants and recommend on training programs for these**

Based on the findings of the previous activity, the potential for the establishment of new tour-operating businesses focusing on wildlife watching market demand will be determined. However, since a large number of tour-operators willing to deal with the wildlife watching product is expected to be new in this line of business, for most of them, adequate training and/or skills enhancement programs will be recommended for.

### **7.3. Recommend on how to attract new tour-operators and providers of support facilities to serve the wildlife-based tourism market**

The wildlife-based tourism product related receipts in the project area will be directly and positively correlated with the quality and diversity of services that form the value chain of this specific market niche. It is, therefore, pivotal to ensure the value chain is diverse and that the guests are satisfied with the services offer. In order to ensure the above, advice will be given on how to attract as many individual operators – services providers to participate in the overall tourism offer targeting the hikers'/bikers' market niche.

### **7.4. Propose training programs for local tour guides**

Wildlife watching is a special interest market niche product that requires certain product specific skills. Since there is practically no previous local experience with this product and in order to ensure needed guest satisfaction from day one of the product launch, local tour-operators and their tour guides need to get adequate training.

### **Component 8: Create national and international awareness of the wildlife watching opportunities in the project area**

This component comprises a series of activities designed to generate effective day to day operational marketing, once the project reaches its implementation stage. However, as is the case with distribution channels, in order to ensure smooth market launch of the product, these activities should be initiated at once. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism marketing and promotion.

#### **8.1. Evaluate current marketing efforts in promoting wildlife-based tourism in the project area**

A detailed analysis of existing marketing activities dedicated to promote the wildlife-based tourism in the region will be undertaken. The analysis will, among other, include (i) assessment of existing promotional material, (ii) functionality of the existing Internet portal, (iii) existing market positioning of the region, (iv) communication links with travel agents and tour-operators, (v) reservation system, (vi) commercialisation system, (vii) availability of information on the wildlife watching opportunities in the region (and their quality).

#### **8.2. Recommend on a mid-term marketing strategy**

In order to achieve this goal, a mid-term marketing action plan will be developed, resulting in the specification of concrete activities that, at affordable cost, need to be implemented in order to achieve maximum results in terms of increased wildlife watching related visitation and receipts generated in the project area. All the actions recommended will take consideration of the limited promotional budgets of the Karlovac and Lika-Senj counties.

#### **8.3. Conduct sales missions to promote the region's wildlife-based tourism products to specialised international tour operators**

In order to create international awareness of the product and the set of experiences offered in the region, several sales missions will be organised.

## **1.8 Methodology**

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### **1.8.1. Methods of implementation and reasons for the proposed methodology**

To ensure effective project management and subsequent implementation, a structure has been devised that ensures (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with the above, a rather detailed description of the individual activities has been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. This way, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, a Project Steering Committee will be established that will supervise the entire project. The Steering Committee will receive regular (at least monthly) progress reports from the commissioned consulting teams, which will enable it to quickly react to any requirement for decision-making.

The project is divided in eight separate components. The establishment of four Working Groups (WG) is foreseen, each covering at least two of the topics of these components. The division is logically based on types of activities: first WG will deal with all aspects of assessment and identification of wildlife watching locations/trails; second will deal with all aspects of accommodation facilities, specialised infrastructure requirements and supporting facilities assessment; third will deal with site planning and interpretation strategies issues; fourth will deal with all aspects of market potential evaluation, project commercialisation and promotion. The working groups will be staffed by 2 dedicated employees from each of the institutions representing partners on the project.

### 1.8.2. Relations with previous actions

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. Hence, the best tourism development scenario for the project area implies that all of them get funded and implemented.

### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Measurable indicators of achievement<sup>9</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>10</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a regular basis by the Project Manager. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will advise on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The project manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the four working groups.

The Project Management Units of Karlovac and Lika-Senj County, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs will use a standard reporting format for their monitoring which is based on the monitoring and evaluation

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<sup>9</sup> See Logical Framework

<sup>10</sup> See chapter 1.9

experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

#### **1.8.5. Roles and participation of the various actors**

The Karlovac and Lika-Senj Development Agencies, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Karlovac and Lika-Senj Development Agencies are the major institutions in charge of the implementation of the Tourism Master Plan for Karlovac and Lika-Senj Counties, and are the only appropriate institutions to initiate and implement the project like this.

The Counties of Karlovac and Lika-Senj are partners and an essential part of the project for obvious reason – the project is related to economic development of their territory and they should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

The County Tourism Boards (TBs) of Karlovac and Lika-Senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs are represented on the Steering Committee. The TBs are an essential part of the project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities set out by the marketing action plan.

The Croatian Chamber of Economy in Karlovac and Otočac are partners in the project. The Chamber offices in Karlovac and Otočac are active in promoting business development in the wider Karlovac and Lika-Senj region, and have a special interest in the project. The regional Chambers will each have a seat on the Steering Committee.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), private tourism related business sector in the wider Karlovac and Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

#### **1.8.6. Team proposed for implementation of the action**

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- Development of wildlife watching
- Assessment of market potential for wildlife watching
- Market projections
- Marketing and promotion of special interest (niche market) tourism, notably wildlife watching
- Small accommodation and other tourism SME development
- Tourism business economics
- Local infrastructure development

The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The working group members are expected to help the commissioned consultants in performing their work tasks.

#### **1.8.7. Main means for implementation**

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, Karlovac and Lika-Senj Development Agencies (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.



**1.9. Duration and action plan**

The envisage duration of the project will be 11 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:

Activity
<i>Component 1 - Inventory</i>
1.1. Prepare inventory of
1.2. Prioritise the locations
1.3. ...

**2. EXPECTED RESULTS**

*2.1. Expected impact on target groups/beneficiaries*  
 2.1. Create a map highlighting

The UNWTO estimates that the wildlife watching market amounts to 7% of the total international travel and is predicted to grow dynamically in the future. It is estimated that in UK there are about two million birdwatchers, 18 million in USA and about 2.2 million in Canada. Wildlife watchers, apart from enjoying the watching of wildlife in its natural environment, also appreciate beautiful scenery, the guide's knowledge and approach and like the opportunity of interacting with locals. They are usually high income earners and educated, in the middle or upper age brackets, demanding quality wildlife watching experiences and preferring friendly and good quality accommodation in B&B and small family hotels. For the occasional wildlife watchers, viewing animals and nature is part of the holiday trip. Being less knowledgeable about wildlife, the information and interpretation that they receive at the site is critical.

2.2. Estimate the size of the market  
 2.2. Profile/segment the market

Using the enormous international market potential of the wildlife watching market, with its different sub-niches, the project aims to establish the region as one of the prime new markets for the European wildlife watching market demand. In order to do so, it is necessary to provide necessary demand specific infra and superstructure required, establish adequate supporting facilities/services, enhance skills of the stakeholders related to the product, and prepare the launching of an internationally competitive wildlife watching product. The project should, therefore, ensure a significant increase in tourist visitation to the Region, with positive macroeconomic and social effects.

The increasing number of wildlife watchers in the project area will considerably increase the demand for related services, resulting in the acceleration in the small and medium-size businesses start-up rate, not only in the services sector. The new SME start-up activity will inevitably further improve the existing tourist offer of the whole region and will affect its economic growth. This growth should not be concentrated only in the major cities of the region. On the contrary, it would be evenly spread across the whole territory of the project area.

Further, due to the expected increase in the number of SMEs related to the wildlife watching demand, as well as gradual rejuvenation in the overall economic activity, the project will result in the creation of additional employment opportunities in a fast growing services sector. This will considerably reduce the high unemployment rate and spur optimism across the entire project area. This should considerably slow down the outflow of active workforce from this region in the mid-term period, and lead to a gradual return of educated and skilled workers (younger age brackets). Such an outcome will in the long-run reflect itself positively in the demographic sphere as well by means of a positive natural population growth.

During work on project, the applicant and its partners will obtain new knowledge and skills required for the implementation of similar projects in the near future. These skills will help them to initiate other activities related not only to additional diversification of the tourism product in the project area, but affecting positively local economy. This, in turn, implies an increase in the standard of living of the local population.

The project will also help in improvement of existing and creation of new tourism infrastructure, which will not only be serving the needs of the wildlife watching market demand, but which will cater to the needs of other related market niches as well.

Finally, the project offers considerable enhancement in skills of dedicated personnel in the public sector, as well as of the newly established SMEs' owners and/or their staff. It is expected that these individuals pass on their knowledge to their colleges, employees and/or other stakeholders in the region. In other words, the individuals involved in the skills enhancement program related to this particular project will be able to act as trainers (coaches) to the community at large.

To sum up, direct expected results of the project are as follows:

- ➔ An increase in tourism receipts in the Region related to the wildlife watching market
- ➔ An increase in visitor satisfaction, resulting in repeated visitation and image enhancement (word of mouth)
- ➔ Identification of at least 10 wildlife watching locations
- ➔ Site plans and interpretation strategy for at least 3 selected locations
- ➔ The establishment of at least 5 accommodation facilities, suited for the needs of wildlife watching market demand, during first 3 years following project completion
- ➔ The establishment of at least 15 new specialised service operators during first 3 years following project completion that would predominantly cater to the wildlife watching market needs
- ➔ Contact with at least 10 tour-operators in made and awareness of wildlife watching opportunities in the region created
- ➔ Contact is made with at least 5 destination management companies active in the project area
- ➔ Increase of skills and know how in project preparation, implementation and management

Taking into consideration the above stated, it is pretty obvious that the major beneficiaries of this project will not be the project partners, but the vast majority of population. However, the individuals owning businesses and engaged in providing services to the wildlife watching market demand are expected to be more exposed to the benefits of the project than those that will not take an active part in it. Nevertheless, by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into 8 components. The below list does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

### ***Component 1: Preparation of a comprehensive inventory of suitable sites for wildlife watching***

- 1.1. An inventory of potential wildlife watching locations/sites in the Region
- 1.2. Selection of most suitable locations for wildlife-based tourism development
- 1.3. Estimation of maximum carrying capacity of each identified location/site
- 1.4. Detailed map of wildlife watching locations/sites, offering information on wildlife watching experiences and on available facilities and amenities

### ***Component 2: Assess the size and profile of the most prosperous markets for the region's wildlife watching***

- 2.1. Estimation of the size of the markets for different types of wildlife-based tourism
- 2.2. A detailed segmentation of the wildlife-based tourism market
- 2.3. Identification of main markets for the region's wildlife-based tourism product

### ***Component 3: Prepare a strategic action plan for the development of the most prosperous types of wildlife-based tourism products***

### ***Component 4: Assess the existing accommodation capacity available to wildlife watchers and recommend on the type, location and size of additional accommodation***

- 4.1. Projection of accommodation capacity over the next ten year
- 4.2. Assessment of the suitability of existing accommodation facilities
- 4.3. Assessment of existing homes suitability to provide accommodation services
- 4.4. Projection of type, size and location of additional accommodation facilities
- 4.5. An investment incentives and promotion program for private sector accommodation providers

### ***Component 5: Develop site plans and interpretation strategies for selected sites***

- 5.1. Site plans for selected most appropriate wildlife watching locations
- 5.2. Interpretation strategies for selected wildlife watching locations
- 5.3. Environmental impact assessment for each of the selected sites

### ***Component 6: Identify required infrastructure and support services***

- 6.1. Assessment of the existing infrastructure and support facilities
- 6.2. Specification of required additional facilities
- 6.3. Identification of locations best suited for clustering of supporting facilities

### ***Component 7: Identify professional tour operations providing wildlife-based tourism services***

- 7.1. A list of existing tour-operators that are willing to provide wildlife-based experiences

- 7.2. New market entry projection and training programs design
- 7.3. Recommendation on how to attract new tour-operators and providers of support facilities
- 7.4. Training programs designed for local tour guides

**Component 8: Create national and international awareness of wildlife watching opportunities in the project area**

- 8.1. Evaluation of current marketing efforts in promoting wildlife-based tourism in the project area
- 8.2. A mid-term marketing strategy
- 8.3. Identification of specialised international tour operators willing to sell the wildlife-based tourism products of the project area

## 2.3 Multiplier effects

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The tourism industry is constantly in search of new destinations and attractive natural resources. Croatia has, so far, been known for its coastal tourism, with its continental part being still practically undiscovered, especially by the international tourism demand. With their abundant natural resources and low population densities Karlovac and Lika-Senj Counties offer great potential for tourism development, especially in the area of green-field investment. This is especially the case for special interest tourism products targeting nature loving niche markets. The structured development framework and subsequent product development and market commercialisation of the wildlife watching tourism products in the Region will considerably increase international awareness of the tourism potential of the Karlovac and Lika-Senj and, by means of cross-selling, increasingly open up the Region for other nature loving special interest groups (market niches) such as sport fishermen, hikers, bikers, rural tourism fans etc. In order to protect the sensitive environmental balance over the long run, both Counties should make sure they follow the principles of sustainable development and commercialise their tourism products in a structured and pre-planned way, thus minimising the risk of over-construction and suboptimal space utilisation. Moreover, the project shall preserve the environment and ensure the Region will be equally interesting for organised groups and individuals seeking for a hideaway.

Karlovac and Lika-Senj Counties are both currently facing high unemployment rates. Therefore, all possibilities for creating new jobs are of the utmost importance. The project itself, once it comes to its implementation phase, will generate a considerable amount of directly and indirectly induced jobs and self-employment opportunities.

Finally, one should not overlook the fact that increased interest for the Region implies additional awareness and promotion for Croatia as a tourism destination, with all accompanying positive effects on job creation, GDP/capita and infrastructure development.

## 2.4 Sustainability

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### 2.4.2 Financial sustainability

With the completion of the project and realisation of all mentioned activities, the conditions for sustainable development of wildlife-based tourism in the Region will have been created. The applicant, Karlovac and Lika-Senj Development Agencies and their project partners will ensure additional funds for the development of required public infrastructure, whereas wildlife watching related superstructure will be provided for by means of a tendering process specially crafted for individual private sector investors. The tender will be accompanied by a specially designed state-aided investment package.

#### 2.4.2. Institutional sustainability

Cooperation between the Karlovac and Lika-Senj Counties, as well as between their respective Development Agencies (the applicant) and other partners in the project will be continued after the

completion of this project. Following project completion, all involved institutions will arrange and re-arrange the relations between themselves in order to assure best and most effective project implementation and market commercialisation of the new, internationally competitive wildlife-based tourism products. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability in the implementation stage of the project

### 2.4.3. Policy issues

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

## 2.5 Logical framework

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Please see Annex A

## 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of **EUR 154,000.00**, and can be decomposed as follows:

### 3.1 Consultancy fees

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The required provision of international and local consulting services is estimated at 10 person-months. The time input is estimated to be split approximately equally between international and local consultants at an average consulting fee at EUR 10,000 per month. Consequently, the consultancy fees are estimated at **EUR 100,000.00**.

### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been estimated at 100 at EUR 200 per day, resulting in total per diems in amount of **EUR 20,000.00**.

### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (10), and an estimated cost of 1,000.0 EUR per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 10,000.00**.

### 3.4 International travel (including sales missions) / field trips

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The total travel cost including both, international travel and local transport, has been estimated as a lump sum of **EUR 10,000.00**.

### 3.5 Contingency

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Contingency has been budgeted in amount of **EUR 14,000.00** (or about 10% of EUR 140,000, the sum of all previously specified costs.)

#### 4. EXPECTED SOURCES OF FUNDING

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.

The rent of venues for meetings and workshops is estimated at EUR 2,500.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 40,000.

The total contribution of the beneficiary amounts, thus, to **EUR 47,500.00**

## Annex 1: Logical Framework Matrix

Project Title: Preparation of a strategic plan for development of wildlife viewing in Karlovac and Lika-Senj project area	Programme number:		Priority project number: 5
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 201,500	EU budget: EUR 154,000	
<b>Overall Objective</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	
<ul style="list-style-type: none"> <li>Increase international awareness, tourism receipts and job creation in the project area by offering exciting new tourist visitation motives and experiences.</li> </ul>	<ul style="list-style-type: none"> <li>Increased tourist demand for the project area</li> <li>Increased number of tourist nights spent in the region</li> <li>Increased tourism receipts</li> <li>Increased tourism related employment</li> <li>Increased contribution from tourism to the regional GDP</li> </ul>	<ul style="list-style-type: none"> <li>County statistical reports (Central Bureau of Statistics)</li> <li>Tax administration reports</li> <li>Croatian Employment Office reports</li> <li>Business registration reports</li> </ul>	
<b>Specific objectives</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>To develop a comprehensive framework for long-term sustainable and competitive regional wildlife watching tourism</li> <li>Increase the share of tourism in the GDP of the project area</li> <li>Diversify existing tourist offer</li> </ul>	<ul style="list-style-type: none"> <li>Improved visitor satisfaction</li> <li>Increased wildlife-based operators (tour operators, accommodation providers, etc) in the region</li> <li>Increased revenue earnings from wildlife-based tourism</li> <li>watching related tourism revenues in the region by 100% in third year following project implementation</li> </ul>	<ul style="list-style-type: none"> <li>Annual TOMAS visitor surveys conducted by the Institute for Tourism</li> <li>Entrepreneurship register</li> <li>Business register of the Chambers of Economy and Chamber of Small Trade and Crafts</li> <li>Annual reports of the Ministry of Culture and regional tourism boards</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholders are committed to investing in development of wildlife watching tourism product</li> <li>Perception of Croatia as an attractive tourist destination in the target markets continues</li> <li>The growth trend in wildlife watching as a tourism product continues</li> </ul>
<b>Results</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<p>1. A comprehensive prioritised inventory of suitable sites for wildlife viewing in the region is prepared by type of activity (e.g. bird watching, butterfly watching, game viewing, orchids and other flowers, mushrooms, reptiles, etc), with a special</p>	<ul style="list-style-type: none"> <li>At least 10 primary sites for wildlife watching are identified and surveyed</li> <li>Site plans and interpretation strategy prepared for at least 3 selected zones for wildlife</li> </ul>	<ul style="list-style-type: none"> <li>Project documentation and independent evaluation reports</li> <li>Records of contacts with tour operators</li> <li>Newspaper articles</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation with the management of the protected areas is established to support development of wildlife-based tourism</li> <li>Incentives to encourage SME</li> </ul>

<p>attention to the protected nature areas</p> <p>2. Assessment of the market size and profile for the different regional wildlife-based tourism opportunities</p> <p>3. Proposed strategic action plan for the development of the most prosperous types of wildlife-based tourism products</p> <p>4. Site plan and interpretation strategy developed for several selected sites</p> <p>5. Assessment of the existing and proposed new accommodation capacity by location, size and type</p> <p>6. Assessment of the existing and proposed new infrastructure and support services (visitor centres, viewing platforms, bird/game hides, retail outlets, equipment for sale and rental, guiding services, licensing, etc.)</p> <p>7. Identification of professional tour operations providing wildlife-based tourism in the region</p> <p>8. Awareness of the wildlife-based tourism opportunities in the region is created at national and international levels</p>	<p>watching experiences with prospects of cluster development</p> <ul style="list-style-type: none"> <li>• Contact made with at least 10 tour operators</li> <li>• Contact is made with at least 5 Croatian based destination management companies active in the project area</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes from workshops and stakeholder meetings</li> </ul>	<p>development provided by the relevant authorities</p> <ul style="list-style-type: none"> <li>• Croatia National Tourism Board is committed to promote wildlife-based tourism experiences</li> </ul>
Activities	Means	Costs	Assumptions
<p>1. Preparation of a comprehensive prioritised inventory of suitable sites for wildlife viewing in the region by type of activity (e.g. bird watching, butterfly watching, game viewing, orchids and other flowers, mushrooms, reptiles, etc), with a special attention to the protected nature areas</p> <p>a. Prepare an inventory of wildlife viewing opportunities in the region by type of viewing opportunities</p> <p>b. Prioritise the identified wildlife viewing opportunities and locations in the region</p>	<p>Provision of eleven person-months of international and local census (11) ting services covering the following areas of expertise (a consultant may cover several areas of expertise):</p> <ul style="list-style-type: none"> <li>• General tourism planning and product development</li> <li>• Wildlife utilisation, zoology, ornithology, and botany</li> <li>• Tourism economics and business development</li> <li>• Development of hiking and biking tourism</li> <li>• General and wildlife tourism specific infrastructure development</li> </ul>	<p>Estimated project costs:</p> <p>Assumptions:</p> <ul style="list-style-type: none"> <li>• Time input split approximately equally between international and local consultants at average consulting fee at €UR10,000</li> <li>• € per diem rate of €UR200 for Croatia is applied</li> <li>• Number of per diem days set at one fourth of total manpower input and covering international consultants' stay in Croatia and local</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient wildlife watching opportunities available</li> <li>• Cooperation with the management of the protected natural heritage is established to support development of wildlife watching experience/product</li> <li>• Supporting environment for wildlife watching development by relevant authorities is established</li> </ul>



<p>c. Determine the carrying capacity of each of site</p> <p>d. Create a map of the area highlighting the locations and types of wildlife viewing available</p> <p>2. Assess the size and profile of the most prosperous markets for regional wildlife watching by type of viewing</p> <p>a. Estimate the size of the markets for the different types of wildlife-based tourism</p> <p>b. Profile the requirements of the most important wildlife-based tourism markets to design the product in line with market demand</p> <p>c. Identify the main markets for regional wildlife watching tourism products</p> <p>3. Prepare a strategic action plan for the development of the most prosperous types of wildlife-based tourism products in the region</p> <p>4. Assess the existing accommodation capacity relating to the identified wildlife viewing locations and recommend on location, type and size of additional accommodation required</p> <p>a. Estimate the accommodation capacity needed over the next 10 years based on projected numbers of wildlife-based tourists that can be attracted to the area</p> <p>b. Assess the accommodation available for the wildlife-based tourist market and recommend on the requirements for expansion and improvements of existing facilities and advise on type, size and location of new facilities</p> <p>c. Assess the potential of developing accommodation</p>	<ul style="list-style-type: none"> <li>• Assessment of market potential and market projections</li> <li>• Marketing and promotion of special interest (niche market) tourism</li> </ul>	<p>consultants' field visits</p> <ul style="list-style-type: none"> <li>• Travel costs set at £UR 5,000 covering both international air travel and field travel in Croatia</li> <li>• Workshops and stakeholder meetings estimated at £UR 1,000</li> <li>• Contingency of about 10% of costs</li> </ul> <p><b>Consulting fee:</b>  <math>10 \text{ person-months} \times \text{£UR } 10,000 = \text{£UR } 100,000</math></p> <p><b>Per diem:</b>  <math>100 \text{ consultant days} \times \text{£UR } 200 = \text{£UR } 20,000</math></p> <p><b>International travel / field trips including sales mission to main markets:</b>  <i>Estimated cost: £UR 10,000</i></p> <p><b>Workshops/stakeholder meetings:</b>  <math>10 \text{ events} \times \text{£UR } 1,000 = \text{£UR } 10,000</math></p> <p><b>Sub-total: EUR 140,000</b></p> <p><b>Contingency: £UR 14,000</b></p> <p><b>TOTAL FINANCIAL INPUTS: EUR 154,000</b></p>	
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<p><i>in existing homes such as home stays and bed &amp; breakfast</i></p> <p>d. <i>Recommend an investment incentives and promotion program for private sector accommodation providers</i></p> <p>5. <i>Develop site plans and interpretation strategies for selected sites is developed</i></p> <p>a. <i>Develop site plans for the most appropriate wildlife viewing sites</i></p> <p>b. <i>Develop interpretation strategies for the selected sites</i></p> <p>c. <i>Assess the environmental impact of proposed developments for each site</i></p> <p>6. <i>Identify required infrastructure and support services (visitor information centres, viewing platforms, bird/game hides, retail outlets, equipment for sale and rental, guiding services, licensing, etc.)</i></p> <p>a. <i>Assess existing infrastructure and support facilities</i></p> <p>b. <i>Identify the need for additional facilities</i></p> <p>c. <i>Identify suitable locations for clustering of these facilities</i></p> <p>7. <i>Identify professional tour operations providing wildlife-based tourism services in the region</i></p> <p>a. <i>Identify the number of tour operators that are willing to provide wildlife-based experiences to the market</i></p> <p>b. <i>Identify potential for new market entrants and recommend training programs for these</i></p>			
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<p>c. <i>Recommend on how to attract new tour operators and other tourism service providers to serve the wildlife-based tourism market</i></p> <p>d. <i>Propose training programmes for local tour guides</i></p> <p>8. <i>Create national and international awareness of the wildlife watching opportunities in the region</i></p> <p>a. <i>Evaluate current marketing efforts to promote wildlife-based tourism in the region</i></p> <p>b. <i>Recommend on a mid-term marketing strategy</i></p> <p>c. <i>Conduct sales missions to promote the regional wildlife-based tourism products to specialised inbound tour operators</i></p>			
			<p><b>Preconditions</b></p>
			<p>•</p>

# **Project No. 6: Strategic Plan for Accommodation along Karlobag-Senj Coast**

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## CONCEPT NOTE

### 1. Summary of the action

#### *1.1 Brief description of the proposed action*

The **overall objective** of the project is to “develop a strategic framework for the creation of a new tourism product/brand able to attract new market segments and increase tourism receipts in the project area”.

With an area of 5,350 km<sup>2</sup>, Lika-Senj County is the largest county in Croatia covering almost 10% of Croatia. The Lika-Senj County has been heavily affected by the Homeland War and is still categorized as Area of Special State Concern. Even before the recent war, Lika-Senj County has consistently lagged behind the rest of Croatia in terms of economic development and social well-being. According to the Regional Operation Programme (ROP) for the County, the per capita GDP and unemployment level are below Croatian average. Gross domestic product of the County in year 2004 (last available figure) amounted to 3.2 billion kn, some 1.5% of the Croatian GDP.

The County is mostly mountainous (about 80%) with a small coastal area between Senj and Karlobag, and the north-western part of the island of Pag. According to the 2001 census, Lika-Senj had a population of about 53,700 constituting only 1.2% of Croatia's population. With an average population density of some 10 inhabitants per km<sup>2</sup>, it is the most sparsely populated county in Croatia. Further, for a long time period the County has been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in continuous depopulation. In order to gradually reverse the unfavourable demographic trends, it is necessary to create foundations for sustainable growth of the economy in the coming years. In this regard, tourism has been recognised as one of the key development engines. Namely the existing ROP for Lika-Senj County has defined key tourism policies, strategies and development priorities in the short and medium term. Out of these, most important tourism development priorities that directly relate to this project are as follows: a) development of selective tourism offers and basic infrastructure for the development of new tourism models / new products; b) preservation of natural, cultural and traditional heritage; c) activating national parks as regional development engines; e) upgrading of the public infrastructure.

The **coastal strip** underneath the Velebit Mountain massif stretching along the Senj – Karlobag coastal road is characterized by ragged terrain and numerous gorges cut into the mountain slopes forming shallow coves with pebbly beaches. Although some of these gorges have traditionally been used as natural seaports, the tourism development potential of this area has, so far, been almost totally neglected by the tourism planners and local authorities. Based on the scenic beauty and immediate presence of both: the Adriatic to the south, and the Velebit mountain range to the north, the whole strip offers a multitude of tourist experiences, ranging from passive sun, sea and beach holidaymaking, to various physical and adrenalin rush related activities. However, in order to induce tourist demand and increase tourist visitation, an increase in the number and variety of accommodation facilities in this area is necessary. The existing fishermen's villages in many secluded coves at the base of the Velebit mountain range present an ideal setting for such a development. However, in order to ensure environmental sustainability and long-term market attractiveness, the whole development concept needs to be carefully planned. In this regard, the aim of the project is to prepare a strategic framework for the development of small, family owned, traditionally built accommodation establishments, organized in the form of accommodation clusters. Such a development would not only represent a vital starting point for opening up of the Velebit mountain massif to increased and repeated tourist visitation, but would also encourage preservation and/or revitalization of national heritage. Finally, the project would offer great new opportunities for new self-employment and SME development in the area of private accommodation facilities.

On the other hand, **specific objectives** of the project area as follows:

1. *To preserve the still undeveloped coastal strip from possible degradation and ensure sustainable tourism development*  
The tourism potential of the narrow coastal strip underneath the Velebit mountain range, stretching from Senj to Karlobag, has so far been underestimated. As a result of this, at present there are only a few commercially run accommodation facilities in the area. These facilities are of a rather mediocre quality, offer no room for a more significant product improvement, and target market segments of low purchasing power. At the same time, a dynamic growth of private accommodation outlets (apartments to rent) in the area which, in many cases seriously degrade the nature, and threat to eat up most of the still available tourism development space, indicate a growing market demand for almost any type of accommodation. Apart from its negative and irreversible environmental impact, such a development considerably undermines both: (i) the unique resource base and tourism experience potential (the contact of the Adriatic sea and the Velebit mountain range), as well as (ii) the overall economic performance of the tourism sector. In order to ensure a sustainable tourism development and more tourism related receipts over the long run, the project needs to (i) identify most suitable locations (sites) for the development of small accommodation clusters, (ii) assess the maximum carrying capacity of each of the clusters, (iii) specify additional infrastructure needs, (iv) check for economic viability, (v) define marketing activities to be embarked upon to create national and international awareness of the new product, and (vi) propose product specific incentive schemes to attract the private sector's interest.
2. *To create a hub for increased tourist visitation to the North Velebit National Park*  
The existing tourism demand for the whole project area is, at present, clustered around two dominant brand identities: the "sun and sea" of the island of Pag) and the Plitvice Lakes National Park. As a result, tourist demand for other parts of the project area is, at present, rather negligent, regardless of the abundant resource base and great potential for diversified tourist experiences. In order to induce greater tourist awareness of the region and, more specifically, to open up the North Velebit National Park, as well as the whole Velebit mountain massif to increased and extended tourist visitation, additional accommodation facilities at its base need to be established. These accommodation establishments, in terms of style and atmosphere, need to appeal to especially to the nature loving special interest groups and market niches.
3. *To preserve and/or revitalise national heritage*  
The narrow coastal strip underneath the Velebit mountain range with numerous gorges cut into the mountain slopes has traditionally been used as natural seaports and inhabited by fishermen. These fishermen's villages represent a great natural setting for the development of a new, internationally appealing, type of tourist accommodation, based on preservation of national heritage and tradition. Additionally, the southern slopes of the Velebit mountain range also offer a similar opportunity. Namely, these slopes have also traditionally been inhabited by shepherds who moved their sheep up the mountain during the summer season and built their summer dwellings as seasonal homes. Today, most are abandoned and in ruins. However, there are a substantial number of relatively well-preserved dwellings in the Senj hinterland that could be restored into themed accommodation as well.
4. *To increase the share of tourism in the GDP of the project area.*  
Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, the provision of a strategic concept intended to boost the development of new and/or revitalisation of existing small accommodation facilities deserves to be treated with special attention.

Subsequent project implementation (product development and market commercialisation) will further induce the awareness building process on international markets and gradually increase the interest for the project area among various market segments. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

### **Justification**

The importance of tourism development, in which this project acts as one of the frontrunners, lies in the fact that there are no better alternatives to induce economic development and reverse long-term negative demographic trends in the region. Namely, the project implies a tourism development concept along the lines of sustainable development principles, protection/preservation and/or revitalisation of national heritage, and a great opportunity for the acceleration of the SME start-up activity in the project area. Further, subsequent implementation of the project according to the outlined strategy, implies a gradual increase in tourist visitation, resulting in increased tourism receipts in the region. As a result of this, additional awareness of the project area will be created, resulting in additional product development and further product diversification. This will bring in even more tourism related receipts.

Increasing economic activity and rising tax proceeds will enable the local communities to ensure proper functioning of the (largely deceased) public services as well. The whole process should eventually reverse the unfavourable demographic trends.

An important component of the project is the improvement skills and know-how of the public sector employees in the field of project development, project management, and operational marketing.

In addition, the project incorporates an investment incentive scheme, a mid-term marketing and promotion strategy, as well as the development of appropriate marketing tools and instruments that will enable its successful market commercialisation, both nationally and internationally.

## **2. Relevance:**

### ***2.1 Needs and constraints of the target area***

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its reputation for sea-side tourism, the country has recently formulated a strategy that focuses more on the development of tourism in the continental part of the country as well. The orientation on tourism as a strategic development vehicle is also strongly emphasised in the ROP of Lika-Senj County. Namely, the SWOT analysis, carried out for the purpose of the ROP, points out the “pristine natural environment” as a major strength, and the “inadequate use of natural resources” and “small and underdeveloped business sector” as the most obvious weaknesses of the Lika-Senj County in general. These findings have led to the explicit formulation of the following strategic development objective - *“the promotion of the tourism sector as a key driver of development in the County”*. For the time being, economic development is still slow. In order to ignite economic activity, the whole project area is badly in need of new and innovative project ideas, programmes and initiatives. This project entails all the required elements. Although most of the expected positive effects of the project will be concentrated around the Senj – Karlobag coastal strip, there is no doubt that they will influence economic development of the whole county as well.

### ***2.2 Problems and needs***

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient skills to effectively manage the development of the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists and prolong their stay in the region. The combination of the above stated issues directly affects the final beneficiaries daily: business

climate in general is perceived as unfriendly, business optimism is low, and the number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues. Further, the project would open up the region to increased international exposure, with various direct and indirect benefits associated.

### 2.3 *Target groups and final beneficiaries*

The target group consists of the Lika-Senj Development Agency –(applicant), Lika-senj County (partner), HGK Otočac (partner), town of Senj and town of Karlobag tourism boards (partners), as well as the local entrepreneurial center Senj (partner). All of them are expected to have direct and indirect benefits, not just from the preparation of a strategic plan for the development of small accommodation establishments along the Senj – Karlobag coastal road, but from the organisational, management, training and marketing support to the public sector employees which the project will focus on as well.

Final beneficiaries are the local authorities, individuals that are going to apply for incentive schemes related to development of small, family run, accommodation facilities, and the population at large. Namely, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives. Further, following its implementation, the project should result in a number of new, internationally appealing accommodation facilities. Their successful market commercialisation implies a steady increase in tourist arrivals and average length of tourist stay in the region, as well as an increase in average spent and tourism related receipts in general. This will directly affect the demand for personalised services of other destination management companies – SME businesses to be established (specialised accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the wider area.

### 2.4 *Objectives and expected results*

The general objective is to “improve business-related infrastructure and to contribute to regional development”. This objective is implicitly met by this project proposal. The project is also directly associated with (i) modernisation/extension of existing (tourism related) infrastructure, (ii) SME and private sector development, (iii) job opportunity creation for local population, and (iv) training and technical assistance to both, public and private sector stakeholders so as to maximise the economic effects incorporated in the project itself.

Expected results, in terms of external (new) jobs, new SMEs established, increase in tourist receipts (and GDP/capita) are at this stage difficult to predict. However, there is great potential, especially if coupled with other projects aiming to increase and/or diversify existing tourism experiences in the project area. Nevertheless, the expected economic effects will not be immediate and will be directly correlated with the speed of project implementation.

A special feature of the project is its environmental dimension, which is expected to preserve the region from possible spatial misuses in the future.

### 2.5 *Added value of the action*

No other similar intervention in this field has so far been made public, so the added value may be estimated as close to 100%. Men and women should equally benefit from the project, especially younger and more entrepreneurial representatives of both genders. The project will help the County to make up for its lagging position and help it get closer to national averages in the field of GDP, employment and wealth in general.



### **3. Methodology and Sustainability**

#### *3.1 Main project activities*

The project contains five activity components. These are listed in the table below in a way to show the logical connection between the project's objectives and the planned activities.

<b>Specific activities</b>	<b>Project component</b>
1. Identification of best suited locations for small accommodation development along the Senj – Karlobag coastal road (including the assessment of their carrying capacity)	1. Undertake a survey to identify most suitable locations for small accommodation clusters
2. Specification of additional infrastructure needs and requirements	2. Undertake a survey to identify the need for additional infrastructure
3. Assessment of economic viability for each of the identified locations for small accommodation clusters	3. Analyse various business models to ensure best economic viability
4. National and international awareness building (pre-marketing, information materials, road shows...)	4. Provide awareness and distribution channels for market commercialisation of new product
5. Develop incentive schemes (packages) for local private sector investors	5. Attract local private sector investors

#### *3.2 Main implementing partners*

The entire set-up of the project has been designed so as to make sure that each partner can actively contribute his specific know-how, expertise and ideas as relevant input to the commissioned team of consultants. Activities have been defined in such a way that each partner has the opportunity to assist in providing information and creative input to the team of consultants during their work on the project. The very idea is to establish a dedicated group of stakeholders aiming towards a common goal: more prosperity for the project area through the diversification in the accommodation supply, resulting in a greater variety of tourism experiences. All partners on the project have known each other for many years, and have developed good working relationships.

#### *3.3 Sustainability*

With the implementation of the project and realisation of all necessary activities, the conditions for sustainability of the project will have been created. The applicant, the Lika-Senj Development Agency and its project partners will ensure: (i) the small accommodation facilities' development process strictly follows the recommendations outlined in the Strategic plan, (ii) utilisation of a specially designed incentive package for the private sector investors, (iii) effective use of the county, town and municipal promotional budgets.

Cooperation between the Lika-Senj County and the towns of Senj and Karlobag, as well as between other stakeholders involved in the project will be continued in the years following completion and subsequent implementation of this project. During the implementation, relevant institutions will arrange and re-arrange the relations between themselves in order to assure the best exploitation of the new tourism product. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability after the implementation of the project.

#### *3.4 Multiplier effects*

The strategic plan for the development of small accommodation establishments along the Senj – Karlobag coastal road will provide a necessary regulatory framework and ensure a long-term sustainable tourism development in the project area. Once implemented, it will result in much needed diversification in the existing accommodation supply of the whole project area, and will result in increased tourist visitation and tourism related receipts. Also, it is expected that the increase in tourist visitation and receipts associated with the new and internationally appealing

accommodation facilities, will gradually spill over across the County, the North Velebit National Park and the Velebit Nature Park in particular. The whole process should be characterised by dynamic SME business development that will spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

The human resources related investment component (training of staff in local self-government units) will ensure high quality destination and spatial management and thus create necessary conditions for long-term sustainable development.

Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

#### **4. Expertise and operational capacity:**

##### *4.1 Project management experience*

Lika-Senj County has already been involved in various development projects in recent years, some of which have dealt with EU donor agencies as well (e.g. the preparation of a Tourism Master Plan). Working on these development projects, the County has developed excessive expertise and project management skills required to successfully embark upon, manage and finalise even very sophisticated and complex projects. It is in this regard that we do not anticipate any potential problems with operational capacity to fulfil the objectives of this particular project.

Additionally, the County maintains a long-established cooperation with the Croatian Chamber of Economy, the Croatian Chamber of Trade and County economic departments. As a self-government unit, the County also continuously and closely cooperates with the Ministry of Economy, Labour and Entrepreneurship, the Ministry of Finance, the Ministry of Culture and other ministries and government funds (Regional Development Fund, Environmental Protection Fund and Development and Employment Fund) that might prove to be of relevance to the project.

##### *4.2 Technical experience*

Regardless of the fact that all the related partners in the project have a long track record in the sector of tourism, the core technical know-how for the project will be ensured by means of the engagement of experienced tourism planners (national and international), commissioned over a period of not more than 8 months. Providing cooperation with local stakeholders is established during every stage of work on the project, there should be no problems associated with the implementation of this project.

## I.FULL APPLICATION FORM

## 1. DESCRIPTION

## 1.1 Title

**Preparation of a strategic plan for the development of small accommodation establishments along the Senj – Karlobag coastal road**

## 1.2 Location(s)

Republic of Croatia, Lika-Senj County, coastal strip between Senj and Karlobag

## 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 182,000	EUR 140,000	% 76.9

## 1.4 Summary

Duration of the action	8 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To develop a strategic framework for the creation of a new tourism product/brand able to attract new market segments and increase tourism receipts in the project area.</p> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>• To preserve the still undeveloped coastal strip from possible degradation and ensure sustainable tourism development</li> <li>• To create a hub for increased tourist visitation to the North Velebit National Park <ul style="list-style-type: none"> <li>▪ To preserve and/or revitalise national heritage</li> <li>▪ To increase the share of tourism in the GDP of the project area</li> </ul> </li> </ul>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Lika-Senj County.</li> <li>▪ Lika-Senj tourism board</li> <li>▪ Croatian Chamber of Economy –Lika-Senj County Chamber</li> <li>▪ Tourism boards of Senj and Karlobag</li> <li>▪ Entrepreneurial centre Senj</li> </ul>

Target group(s)	Lika-Senj Development Agency <ul style="list-style-type: none"> <li>▪ Lika-Senj County.</li> <li>▪ Lika-Senj tourism board</li> <li>▪ Croatian Chamber of Economy –Lika-Senj County Chamber (Otočac)</li> <li>▪ Tourism boards of Senj and Karlobag</li> <li>▪ Entrepreneurial centre Senj</li> </ul>
Final beneficiaries	Local population of Lika-Senj County All stakeholders of the tourism industry in the area of intervention Tourists and visitors
Estimated results	At the end of the project the locations best suited for development small, family owned and operated accommodation facilities in the project area will be identified, their carrying capacity determined and investment in additional infrastructure assessed. Alternative business models will be checked in order to achieve best economic viability for each location.  Based on outlined marketing activities in the concept development stage, distribution channels most suitable for effective product commercialisation will be defined and market awareness created.  A specific incentive scheme will be designed in order to ensure maximum investment interest, and attract local individuals to become private sector investors.
Main activities	<ul style="list-style-type: none"> <li>▪ A detailed survey for best suited small accommodation locations will be undertaken and their carrying capacity assessed</li> <li>▪ Additional infrastructure required will be specified</li> <li>▪ Economic viability for each of the selected locations will be checked</li> <li>▪ Distribution channels for new product will be defined and market awareness created</li> <li>▪ An investment incentive package will be developed and proposed</li> </ul>

## 1.5 Objectives

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The **overall objective** of the project is to “develop a strategic framework for the creation of a new tourism product/brand able to attract new market segments and increase tourism receipts in the project area”.

With an area of 5,350 km<sup>2</sup>, Lika-Senj County is the largest county in Croatia covering almost 10% of Croatia. The Lika-Senj County has been heavily affected by the Homeland War and is still categorized as Area of Special State Concern. Even before the recent war, Lika-Senj County has consistently lagged behind the rest of Croatia in terms of economic development and social well-being. According to the Regional Operation Programme (ROP) for the County, the per capita GDP and unemployment level are below Croatian average. Gross domestic product of the County in year 2004 (last available figure) amounted to 3.2 billion kn, some 1.5% of the Croatian GDP.

The County is mostly mountainous (about 80%) with a small coastal area between Senj and Karlobag, and the north-western part of the island of Pag. According to the 2001 census, Lika-Senj had a population of about 53,700 constituting only 1.2% of Croatia’s population. With an average population density of some 10 inhabitants per km<sup>2</sup>, it is the most sparsely populated county in Croatia. Further, for a long time period the County has been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in continuous depopulation. In order to gradually reverse the unfavourable demographic trends, it is necessary to create

foundations for sustainable growth of the economy in the coming years. In this regard, tourism has been recognised as one of the key development engines. Namely the existing ROP for Lika-Senj County has defined key tourism policies, strategies and development priorities in the short and medium term. Out of these, most important tourism development priorities that directly relate to this project are as follows: a) development of selective tourism offers and basic infrastructure for the development of new tourism models / new products; b) preservation of natural, cultural and traditional heritage; c) activating national parks as regional development engines; e) upgrading of the public infrastructure.

The **coastal strip** underneath the Velebit Mountain massif stretching along the Senj – Karlobag coastal road is characterized by ragged terrain and numerous gorges cut into the mountain slopes forming shallow coves with pebbly beaches. Although some of these gorges have traditionally been used as natural seaports, the tourism development potential of this area has, so far, been almost totally neglected by the tourism planners and local authorities. Based on the scenic beauty and immediate presence of both: the Adriatic to the south, and the Velebit mountain range to the north, the whole strip offers a multitude of tourist experiences, ranging from passive sun, sea and beach holidaymaking, to various physical and adrenalin rush related activities. However, in order to induce tourist demand and increase tourist visitation, an increase in the number and variety of accommodation facilities in this area is necessary. The existing fishermen's villages in many secluded coves at the base of the Velebit mountain range present an ideal setting for such a development. However, in order to ensure environmental sustainability and long-term market attractiveness, the whole development concept needs to be carefully planned. In this regard, the aim of the project is to prepare a strategic framework for the development of small, family owned, traditionally built accommodation establishments, organized in the form of accommodation clusters. Such a development would not only represent a vital starting point for opening up of the Velebit mountain massif to increased and repeated tourist visitation, but would also encourage preservation and/or revitalization of national heritage. Finally, the project would offer great new opportunities for new self-employment and SME development in the area of private accommodation facilities.

On the other hand, **specific objectives** of the project are as follows:

1. To preserve the still undeveloped coastal strip from possible degradation and ensure sustainable tourism development
2. To create a hub for increased tourist visitation to the North Velebit National Park
3. To preserve and/or revitalise national heritage
4. To increase the share of tourism in the GDP of the project area.

*1. To preserve the still undeveloped coastal strip from possible degradation and ensure sustainable tourism development*

The tourism potential of the narrow coastal strip underneath the Velebit mountain range, stretching from Senj to Karlobag, has so far been underestimated. As a result of this, at present there are only a few commercially run accommodation facilities in the area. These facilities are of a rather mediocre quality, offer no room for a more significant product improvement, and target market segments of low purchasing power. At the same time, a dynamic growth of private accommodation outlets (apartments to rent) in the area which, in many cases seriously degrade the nature, and threat to eat up most of the still available tourism development space, indicate a growing market demand for almost any type of accommodation. Apart from its negative and irreversible environmental impact, such a development considerably undermines both: (i) the unique resource base and tourism experience potential (the contact of the Adriatic sea and the Velebit mountain range), as well as (ii) the overall economic performance of the tourism sector. In order to ensure a sustainable tourism development and more tourism related receipts over the long run, the project needs to (i) identify most suitable locations (sites) for the development of small accommodation clusters, (ii) assess the maximum carrying capacity of each of the clusters, (iii) specify additional infrastructure needs, (iv) check for economic viability, (v) define marketing activities to be embarked

upon to create national and international awareness of the new product, and (vi) propose product specific incentive schemes to attract the private sector's interest.

*2. To create a hub for increased tourist visitation to the North Velebit National Park*

The existing tourism demand for the whole project area is, at present, clustered around two dominant brand identities: the "sun and sea" of the island of Pag) and the Plitvice Lakes National Park. As a result, tourist demand for other parts of the project area is, at present, rather negligent, regardless of the abundant resource base and great potential for diversified tourist experiences. In order to induce greater tourist awareness of the region and, more specifically, to open up the North Velebit National Park, as well as the whole Velebit mountain massif to increased and extended tourist visitation, additional accommodation facilities at its base need to be established. These accommodation establishments, in terms of style and atmosphere, need to appeal to especially to the nature loving special interest groups and market niches.

*3. To preserve and/or revitalise national heritage*

The narrow coastal strip underneath the Velebit mountain range with numerous gorges cut into the mountain slopes has traditionally been used as natural seaports and inhabited by fishermen. These fishermen's villages represent a great natural setting for the development of a new, internationally appealing, type of tourist accommodation, based on preservation of national heritage and tradition. Additionally, the southern slopes of the Velebit mountain range also offer a similar opportunity. Namely, these slopes have also traditionally been inhabited by shepherds who moved their sheep up the mountain during the summer season and built their summer dwellings as seasonal homes. Today, most are abandoned and in ruins. However, there are a substantial number of relatively well-preserved dwellings in the Senj hinterland that could be restored into themed accommodation as well.

*4. To increase the share of tourism in the GDP of the project area.*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, the provision of a strategic concept intended to boost the development of new and/or revitalisation of existing small accommodation facilities deserves to be treated with special attention. Subsequent project implementation (product development and market commercialisation) will further induce the awareness building process on international markets and gradually increase the interest for the project area among various market segments. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

## **1.6 Justification**

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### **1.6.1. Relevance of the action to the objectives and priorities of the programme**

The Lika-Senj County is still one of the less developed regions of Croatia as regards economic and social resources. The strategy for economic development of the County is defined by its Regional Operational Programme (ROP). According to this document, development of tourism is emphasised as one of the priorities of economic development of the whole Region. The emphasis on tourism development is logical: the whole project area is ecologically unspoilt (Plitvice Lakes, North Velebit, and Paklenica National Parks, Velebit Nature Park), rich in tourism resources and with very low population density. Additionally, the County is easily accessible (new motorway) to both, tourists and entrepreneurs. Finally, and taking into consideration possible environmental impact of

alternative tourism development strategies, it should be clear that the exclusivity of the project area should be strictly controlled and maintained over the long run. In order to achieve this goal, the County should promote and encourage the development of tourism superstructure well blended with the nature and in line with traditional architectural heritage. At the same time, the region should predominantly cater to the needs of specific, environment friendly and/or nature loving, market niches. In this regard, the strategic plan for the development of small, family owned and operated, traditionally build accommodation facilities represents a necessary initial step and a crucial precondition in order to ensure long-run sustainable and market appealing tourism infra and superstructure throughout the project area.

To sum up, the proposed project will have a direct impact on:

- ➔ Provision of a well thought out development of the Senj – Karlobag coastal strip;
  - ➔ Increase in the overall quality and diversity of the tourist accommodation offer in the project area;
  - ➔ Targeted market (re)positioning of the project area
  - ➔ Improved conditions for SME start-ups, new jobs creation and increase in tourism related receipts
  - ➔ Greater awareness of local population and stakeholders in the County of the importance to preserve traditional architecture and revitalise distinctive forms of national heritage (sustainable development principles);
  - ➔ Increased recognition in Croatia, Lika-Senj County and the coastal strip from Senj to Karlobag as unique, internationally well known, tourism destinations offering a multitude of tourist experiences, ranging from passive sun, sea and beach holidaymaking, to various physical and adrenalin rush related activities.

Following project completion, successful implementation of the project implies an increase in demand for state-aided investment packages. This increase in the investment activity of the local private investors should shortly be visible in a considerable amount of newly built/reconstructed small accommodation facilities, increasing number of visitors and related tourism receipts, the number of persons employed or self-employed in tourism, etc. Additionally, the proposed project is directly related with the following development criteria:

#### *1. Structured Development of Tourist Infrastructure*

The proposed project aims to create a necessary strategic framework needed for the long-term sustainable development of tourism associated infra and superstructure. More specifically, this project predominantly intends to create an investment friendly setting which will, in effect, enrich the existing offer and diversity of market appealing accommodation establishments in the unique setting of nature preserved environment of National and nature parks of the Lika-Senj County. Once the project is completed, the local governments will dispose of an essential development tool, consisting of a set of concrete actions that need to be implemented (according to priorities) and organised in the format of an strategic development manual. By following the outlined strategic guidelines throughout the product development stage, local authorities will not only develop new, up to date tourism related infra and superstructure, but will at the same time ensure adequate usage of space, maximum protection of the environment, and minimum risk of poor investment decisions.

#### *2. SME and private sector development*

The implementation of the project will result in an increased number of successful new SME start-ups associated with the revitalisation and/or reconstruction of the tired individual properties within the existing fishermen's villages. Apart from the fact that the increase in investment demand will spill over to other sectors of local economy (construction business, wholesale trade, crafts etc.), the very existence of a variety of small, market appealing accommodation establishments will add to increased attractiveness of the project area and contribute to increased tourism receipts that will gradually induce new tourism related SME start-ups (multiplication effect), resulting in the formation of a tourism value chain.

### 3. Job opportunity creation for local population

Increased SME start-up activity in the Region naturally implies more job opportunities offered. Although these job opportunities will mostly be concentrated in the services sector, the increase in the overall economic activity should spill over to other economic sectors as well, construction and agriculture in particular.

### 4. Market (re)positioning

Through completion of the project, the project area and the County will create preconditions for a new market positioning, based on preservation of architectural heritage, environmental sustainability and niche product development. Such new positioning will help the County to focus on market segments that they would otherwise have neglected. A focused marketing and promotion strategy, on the other hand, implies more effective use of scarce funds, resulting, at the same time, with superior outcomes.

### 5. Training and skills enhancement

Training and skill enhancement refers predominantly to the dedicated staff at the level of partnering public institutions and relates to the areas of project management, product development, and marketing.

#### 1.6.2. Perceived needs and constraints

In general, the Lika-Senj County has all the necessary natural preconditions to become a thriving area for tourism and leisure related activities. Yet, tourism development is still very slow and sporadic. This is caused by a combination of factors such as:

- lack of documentation necessary for structured tourism development (master plans, marketing plans)
- lack of public sources to fund tourism development
- lack of private sector investors with vision
- unfavourable demographic structure (old age groups prevail)
- outward migration of the young and educated
- insufficient funds to maintain and allow for improvement in infrastructure necessary for new investment in tourism
- lack of (tourism) infrastructure
- inadequate usage of state-aided financial schemes.

#### 1.6.3. Target groups and final beneficiaries

The project directly targets the staff of the applicant (Lika-Senj Development Agency), as well as a selected part of the staff in applicant's partner institutions - Lika-Senj County, Chamber of Economy Otočac, town of Senj and town of Karlobag tourism boards, as well as the Entrepreneurial centre in Senj. All of these institutions are expected to have manifold direct and indirect benefits, not just from the elaboration of a well thought out strategic plan for the development of small, family owned and operated accommodation establishments, but especially from the organisational, management, training and marketing component that will be incorporated in the project as well.

- Lika-Senj Development Agency: 2 - 4 persons will be directly involved in the project activities, and respectively affected by the project. The main direct effect is that these persons will learn



and gain experience on how to efficiently and professionally manage development projects, especially those associated with EU funding schemes

- ➔ Tourism boards of Lika-senj County, the town of Senj and Karlobag: all employees are in need of further training in project preparation, project management, fund raising and marketing.
- ➔ The Croatian Chamber of Economy regional unit in Otočac: 2 - 4 persons will in particular benefit from activities foreseen under this project. The staff of the HGK will participate in workshops, provide input and assist in various concrete activities in the preparation of the final strategic document.
- ➔ Entrepreneurial centre Senj: - 2 persons are expected to benefit from the activities foreseen under this project. They will be included in all project phases, participate in various workshops, and, as Working group members, provide input to the team of consultants.

Final beneficiaries are:

Local authorities: Through implementation of this project the Lika-Senj County officials and the County Development Agency will dispose of a strategic framework for the development of small accommodation facilities. This document will provide them with all necessary steps that need to be taken in order to enrich and diversify the existing accommodation offer in the project area (as a major precondition for increased tourist visitation). Further, on the basis of accomplished pre-marketing and awareness building activities, the Lika-Senj Tourism Board and the Tourism Boards of Senj and Karlobag, respectively, will dispose of all the necessary tools for immediate product commercialisation as soon as the critical amount of new accommodation offer becomes market ready.

Private investors in small accommodation establishments (and other tourism related superstructure): Following its implementation, the project should result in a steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for other services of different destination management companies – SME businesses (accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the project area and wider region.

The wider population of Lika-Senj County: The increased tourism revenues in the privately held accommodation establishments will, by means of increased tax proceeds, gradually spill over to the community at large, improving the level of public services (medical care, education, day-care, culture etc.) and the standard of living in general.

Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

## 1.7 Detailed description of activities

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### ***Component 1: Best locations for potential development are identified (in accordance with existing spatial plans) and their carrying capacity determined***

This component contains a set of activities aiming to identify best suited locations for the development of small accommodation facilities' clusters in the project area. It is foreseen that the survey of the area will be done by consulting experts in spatial planning and site development.

#### **1.1. Undertake a survey of potential locations best suited for development of clusters of small accommodation establishments**

The narrow strip along the Senj – Karlobag coastal road is abundant in locations which offer great potential for the development of small accommodation establishment and their clustering. However,

at this point in time, there have been no considerable attempts made to make use of these locations in terms of more structured tourism development. This directly affects the number of overnights and tourism related receipts. Therefore, in order to attract more (international) guests to the project area and offer them a memorable stay, enlargement and diversification of existing accommodation capacity is a must. However, taking into account spatial, environmental and/or infrastructural constraints, identification of most suitable locations for the development of small accommodation establishments and their clustering is pivotal. Alongside with identification of locations, the carrying capacity assessments will be made for each identified site in order to ensure both, exclusivity and environmental sustainability.

### **1.2. Create a map of the area highlighting the selected locations and their total carrying capacity**

As a result of the survey, after the best suited locations/sites for small accommodation clusters have been determined, a detailed map of the area needs to be prepared, highlighting the locations and providing information on infra and superstructure facilities, amenities and services available.

### ***Component 2: Assess the infrastructure needs at the identified locations (access roads, water supply, sewage, electricity, etc.)***

Development of clusters of small accommodation establishments is, without doubt, associated with substantial investment in infrastructure as well. Based on the number of identified locations and their development, detailed specification of additional infrastructure is required, as well as an assessment of associated investment cost. It is foreseen that this particular assignment will be accomplished by consulting experts in infrastructure planning.

#### **2.1. Assess infrastructure needs and estimate their development costs**

Detailed survey of identified locations suitable for small accommodation clusters needs to be undertaken and additional infrastructure specified and cost.

### ***Component 3: Assess economic viability for each of the selected locations***

This component contains a set of activities aiming to determine economic viability of proposed development for each of the identified locations. For each of the small accommodation clusters identified, best use concepts will be proposed, total investment needs estimated, and adequate business model suggested. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism economics and business development.

#### **3.1. Assess the potential market demand for each selected location**

Based on detailed market analysis, and focusing especially on special interest market niche demand, market potential for each location selected for the development of small, family owned and operated accommodation facilities will be determined, catchment area specified and market segments to cater to identified.

#### **3.2. Determine the best use concept for each selected location**

Based on the assessment of maximum carrying capacity and market potential, for each location a best use concept needs to be prepared, indicating the most efficient set up and spatial organisation of proposed new accommodation facilities, as well as their interrelation with the already existing infra and/or superstructure.

#### **3.3. Assess the economic viability for each of the identified locations (based on forecasted future performance)**

Following the development of the best use concept for each of the selected locations, total investment cost will be estimated (including possible funding sources), future economic performance forecasted (sales revenues, operational costs and expenses, profits, cash flow) and economic viability determined (IRR, net present value).

**Component 4: Create national and international awareness of the new Senj-Karlobag product through preparation of information materials and premarketing road shows**

This component comprises a series of pre-marketing activities designed to facilitate efficient market commercialisation, once the project gets to the implementation phase. In order to ensure smooth implementation, these activities should be initiated at once. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism marketing and promotion.

**4.1. Recommend on a short to medium term marketing strategy**

Effective market commercialisation of a new tourist product, especially in its preparatory, creating market awareness stage, implies the existence of a well thought out marketing strategy. Apart from the evaluation of current marketing efforts and effectiveness of tourism promotion in the project area as a starting point, a short-medium term marketing action plan will be developed, resulting in the specification of concrete activities that, at affordable cost, need to be implemented in order to achieve maximum results in terms of increased interest for the new product in preparation. All the actions recommended will take consideration of the limited promotional budgets of the Lika-Senj County. Finally, in order to create international awareness of the product and the set of experiences offered in the region, several sales missions will be necessary.

**4.2. Develop preliminary information and promotional material**

Finally, in order to create international awareness of the product and the set of experiences offered in the region, preliminary information/promotional material will need to be prepared and several sales missions will be undertaken

**Component 5: Design an effective investment incentive scheme for local private sector investors**

This component comprises of a set of activities needed to ensure maximum interest of the local private sector investors. In order to achieve this goal, an investment promotion programme and an investment incentive scheme need to be operational before the project reaches its implementation phase. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism marketing and tourism business development.

**5.1. Recommend on an investment promotion programme to attract private sector accommodation providers**

The interest of local private sector investors to get involved in the development and/or revitalisation of small, family owned and operated accommodation facilities in the project area is likely to be strongly positively correlated with the level of their understanding of the economic potential of the endeavour. In this regard, to be effective, the investment promotion programme needs to underline especially the fact that there is a growing international demand for this type of accommodation, especially among the special interest market niches that are going to represent the most significant market segment not only in the project area, but for whole Lika-Senj County.

**5.2. Recommend on an investment incentive package for SME development**

Taking into consideration the rather low level of economic activity in the project area, as well as the uneven distribution of wealth, in order to involve the local private sector as investors, there is much need for the introduction of specially designed state aided investment scheme. Such a scheme will be based on the analysis of already existing state aids to the areas of special state concern, and the assessment of their suitability for this particular project.

## 1.8 Methodology

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### 1.8.1. Methods of implementation and reasons for the proposed methodology

To ensure effective project management and subsequent implementation, a structure has been devised that ensures (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with the above, a rather detailed description of the individual activities has been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. As a result of this, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, a Project Steering Committee will be established that will supervise the entire project. The Steering Committee will receive regular (at least monthly) progress reports from the commissioned consulting teams, which will enable it to quickly react to any requirement for decision-making.

The project is divided in five separate components. The establishment of two Working Groups (WG) is foreseen, each covering at least two of the topics of these components. The division is logically based on types of activities: first WG will deal with all aspects of assessment and identification of suitable locations for the development of small accommodation facilities, including the assessment of additional infrastructure and economic viability; second will deal with all aspects of market awareness creation and attracting local private investors. The working groups will be staffed by at least 1 dedicated employee from each of the institutions representing partners on the project.

### 1.8.2. Relations with previous actions

The strategy for economic development of the Lika-Senj County has been elaborated in the Regional Operational Programme (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROP as one of the strategic economic sectors to develop in the years to come, the TB of Lika-Senj County in association with the TB of Karlovac County, has been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified and recommended for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. In this regard, this particular project will achieve best results if implemented with the rest of the projects identified by the Tourism Master Plan.

#### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Measurable indicators of achievement<sup>11</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>12</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a regular basis by the Project Manager. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will make decisions on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The Project Manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the two working groups.

The Project Management Units of Karlovac and Lika-Senj County, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs will use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

#### 1.8.5. Roles and participation of the various actors

The Lika-Senj Development Agency, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Lika-Senj Development Agency, together with its counterpart - the Karlovac County Development Agency, are the institutions in charge of the implementation of the Tourism Master Plan for Karlovac and Lika-Senj Counties, and are the only appropriate institutions to initiate and implement the project like this.

The Lika-Senj County is the partner and an essential part of the project for obvious reason – the project is related to economic development of its territory and it should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

The County Tourism Board (TB), as well as the TBs of Senj and Karlobag are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. The TBs are represented on the Steering Committee. The TBs are an essential part of the

<sup>11</sup> See Logical Framework

<sup>12</sup> See chapter 1.9

project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities set out by the marketing action plan.

The Croatian Chamber of Economy in Otočac is partner in the project. The Chamber offices in Otočac are active in promoting business development in the wider Lika-Senj region, and have a special interest in the project. The regional Chamber will have a seat on the Steering Committee.

The Entrepreneurial Centre in Senj is also a partner in the project since its major role is to provide assistance to the private sector, especially in their start-up phase. However, unlike other partners, the Entrepreneurial centre will not be represented on the Steering Committee, but will contribute in the working groups.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), the tourism related business sector in the wider Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

#### **1.8.6. Team proposed for implementation of the action**

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- Development of small accommodation units
- Assessment of market potential for small accommodation units
- Market projections
- Marketing and promotion of special interest (niche market) tourism,
- Small accommodation and other tourism SME development
- Tourism business economics
- Local infrastructure development

The Project Manager: The Director of the applicant, the Lika-Senj Development Agency, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The working group members are expected to help the commissioned consultants in performing their work tasks.

### 1.8.7. Main means for implementation

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, the Lika-Senj Development Agency (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

### 1.9. Duration and action plan

The envisaged duration of the project will be 8 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:



## 2. EXPECTED RESULTS

### 2.1 Expected impact on target groups/beneficiaries

The development of small, family owned and operated accommodation establishments, located in several clusters along the Senj – Karlobag coastal road as the border line between the Adriatic and the Velebit mountain range is intended to serve predominantly the needs of various special interest market niches that should represent the prime market segments for the whole Lika-Senj County. These market niches include, among other special interest groups, hikers, cyclists (various sub-niches), wildlife watchers etc.

In Europe, 'walking or hiking' is the most popular 'soft' adventure travel activity, attracting all age groups and social classes, although the ABC1 group is the most prominent in this segment. AB social groups are classified by marketers as the 'Professional and Higher Managerial' class and the C1 group as the 'Middle Management and Supervisory' class. Most of the walking and hiking demand emanates from Germany, the UK and the Netherlands and in the summer months there are many hikers from France, Czech Republic and Slovenia. According to the TOMAS Summer survey,

about 38% of tourists staying in Lika-Senj County participated in hiking while holidaying. In addition, hiking is a well organised activity in Croatia with almost every Croatian city having one or several hiking societies associated with the Croatian Hiking Federation, although the total number of hikers is not known. Besides the physical challenge and self-initiated drives, hikers search for peaceful enjoyment of the nature and the feeling of health and well being. Providing that the hiking experience is well organised, there are good growth prospects for this market.

On the other hand, cycling is the most popular activity after walking taken up by adventure travellers throughout Europe. It is especially popular in France. It is estimated that the proportion of Europeans using cycling as the primary means of travel will rise by 6 to 13% over the next ten years. There is also a significant market of those for whom cycling is an important additional activity. Cyclists are primarily motivated by health reasons and the desire to be in a nature/countryside environment, and to relax and escape from the daily routine. Passionate cyclists are either very young (20 to 25 years of age) or middle aged (40 to 55), travelling in small groups with the bicycle as the main transport means. Recreational cyclists plan their routes while at a destination and need good information and maps. Their main motivation is to enjoy the scenery and explore natural and cultural attractions along the way. According to the TOMAS Summer survey, 55% of visitors to Lika-Senj County cycle while on holidays in the area.

The UNWTO estimates that the wildlife watching market amounts to 7% of the total international travel and is predicted to grow dynamically in the future. It is estimated that in UK there are about two million birdwatchers, 18 million in USA and about 2.2 million in Canada. Wildlife watchers, apart from enjoying the watching of wildlife in its natural environment, also appreciate beautiful scenery, the guide's knowledge and approach and like the opportunity of interacting with locals. They are usually high income earners and educated, in the middle or upper age brackets, demanding quality wildlife watching experiences and preferring friendly and good quality accommodation in B&B and small family hotels. For the occasional wildlife watchers, viewing animals and nature is part of the holiday trip. Being less knowledgeable about wildlife, the information and interpretation that they receive at the site is critical.

Using the already existing market potential of these three special interest groups, the project aims to provide necessary accommodation and related infrastructure required, while ensuring environmental protection, and revitalisation of national heritage. The project should create the much needed strategic development framework that should prevent any major spatial mismanagement in the very sensitive natural environment. Finally, the development of small accommodation facilities according to the project recommendations, will ensure a significant increase in tourist visitation to the project area, with positive macroeconomic and social effects.

The increasing number of tourists in the project area will considerably increase the demand for related services, resulting in the acceleration in the small and medium-size businesses start-up rate, not only in the services sector. The new SME start-up activity will inevitably further improve the existing tourist offer of the whole region and will affect its economic growth. This growth should be evenly spread across the whole territory of the wider project area.

Further, due to the expected increase in the number of SMEs, as well as gradual rejuvenation in the overall economic activity, the project will lead to creation of additional employment opportunities in a fast growing services sector. This will considerably reduce the high unemployment rate and spur business optimism across the entire project area. This should considerably slow down the outflow of active workforce from this region in the mid-term period, and lead to a gradual return of educated and skilled workers (younger age brackets). Such an outcome will in the long-run reflect itself positively in the demographic sphere as well by means of a positive natural population growth.

During work on project, the applicant and its partners will obtain new knowledge and skills required for the implementation of similar projects in the near future. These skills will help them to initiate other activities related not only to additional diversification of the tourism product in the project area,



but that will positively affect the local economy. This, in turn, implies an increase in the standard of living of the local population.

The project will also help in improvement of existing and creation of new tourism infrastructure, which will not only be serving the needs of the tourism related market demand, but which will cater to the needs of the local population as well.

Finally, the project offers considerable enhancement in skills of dedicated personnel in the public sector. It is expected that these individuals pass on their knowledge to their colleges, employees and/or other stakeholders in the region. In other words, the individuals involved in the skills enhancement program related to this particular project will be able to act as trainers (coaches) to the community at large.

To sum up, direct expected results of the project are as follows:

- ➔ Identification of at least 3 locations suitable for development
- ➔ Sustainable use of development space and minimum risk of spatial mismanagement
- ➔ An investment promotion programme suited to attract local investors
- ➔ An investment incentive programme suited to the needs of local investors
- ➔ Increase of skills and know how in project preparation, implementation and management
- ➔ An increase in visitation and tourism receipts in the North Velebit National Park and the project area related to the special interest market niches
- ➔ An increase in visitor satisfaction, resulting in repeated visitation and image enhancement (word of mouth)

Taking into consideration the above stated, it is pretty obvious that the major beneficiaries of this project, apart from the project partners, will be the vast majority of population. However, the individuals that will get involved in the development of small accommodation are expected to be more exposed to the benefits of the project than those that will not take an active part in it. Nevertheless, by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into 5 components. The following list does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

### ***Component 1: Identify best locations for small accommodation development along the Senj – Karlobag coastal road and determine their carrying capacity***

- 1.1. An inventory of suitable locations in the project area
- 1.2. Detailed map of selected locations, offering information on available facilities and amenities

### ***Component 2: Assess the infrastructure needs at the identified locations (access roads, water supply, sewage, electricity, etc.)***

- 2.1. Specification of additional infrastructure needed and an estimation of associated investment cost

### ***Component 3: Assess the economic viability for each of the selected locations***

- 3.1. Projection of potential market demand
- 3.2. Proposal of a best use concept for each location
- 3.3. Economic viability assessment for each location (based on expected future performance)

### ***Component 4: Create national and international market awareness of the new product***

- 4.1. Short to medium term marketing strategy
- 4.2. Preliminary information and promotion material

**Component 5: Design an effective investment promotion and investment incentive scheme for local private investors**

- 5.1. Proposal of an investment promotion programme to attract local private sector investors
- 5.2. Proposal of an investment incentive package intended to improve the SME development

## 2.3 Multiplier effects

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The tourism industry is constantly in search of new destinations and attractive natural resources. Croatia has, so far, been known for its coastal tourism, with its continental part being still practically undiscovered, especially by the international tourism demand. With its unique natural resources and low population density Lika-Senj County offer great potential for tourism development, especially in the area of green-field investment. This is especially the case for special interest tourism products targeting nature loving niche markets. The structured development framework and subsequent development of small accommodation clusters along the Senj – Karlobag coastal road will considerably increase international awareness of the tourism potential of the Lika-Senj and, by means of cross-selling, increasingly open up the Region for tourist visitation. In order to protect the sensitive environmental balance over the long run, the principles of sustainable development should be strictly adhered to. Moreover, the project shall preserve the environment and ensure the project area will be equally interesting for organised groups and individuals seeking for a hideaway.

The Lika-Senj County is currently facing high unemployment rates. Therefore, all possibilities for creating new jobs are of utmost importance. The project itself, once it comes to its implementation phase, will generate a considerable amount of directly and indirectly induced jobs and self-employment opportunities.

Finally, one should not overlook the fact that increased interest for the Region implies additional awareness and promotion for Croatia as a tourism destination, with all accompanying positive effects on job creation, GDP/capita and infrastructure development.

## 2.4 Sustainability

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### 2.4.1 Financial sustainability

With the completion of the project and realisation of all mentioned activities, the conditions for sustainable development of small, family owned and operated accommodation facilities in the project area will have been created. The applicant, the Lika-Senj Development Agency and its project partners will ensure additional funds for the development of required public infrastructure, whereas accommodation capacity will be provided for by means of a tendering process specially crafted for individual private sector investors. The tender will be accompanied by a specially designed state-aided investment package.

### 2.4.2. Institutional sustainability

Cooperation between the Lika-Senj County on one side and the towns of Senj and Karlobag on the other, as well as between the Lika-Senj Development Agency (the applicant) and other partners in the project will be continued after the completion of this project. Following project completion, all involved institutions will arrange and re-arrange the relations between themselves in order to assure best and most effective project implementation and market commercialisation of the new, internationally competitive product. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability in the implementation stage of the project

### 2.4.3. Policy issues

The project partners are aware of the need to strengthen their day to day cooperation. Successful project completion and subsequent implementation heavily relies on the awareness that such partnerships are much needed in various activities concerning mutual local and regional objectives.

## 2.5 Logical framework

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Please see Annex A

## 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of EUR 140,000, and can be decomposed as follows:

### 3.1 Consultancy fees

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The required provision of international and local consulting services is estimated at 9 person-months. The time input is estimated to be split approximately equally between international and local consultants at an average consulting fee at EUR 10,000 per month. Consequently, the consultancy fees are estimated at **EUR 90,000.00**.

### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been estimated at 70 at EUR 200 per day, resulting in total per diems in amount of **EUR 14,000.00**

### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (5), and an estimated cost of 1,000.0 EUR per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 5,000.00**.

### 3.4 International travel (including sales missions) / field trips

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The total travel cost including both, international travel and local transport, has been estimated as a lump sum of **EUR 8,000.00**.

### 3.5 Design and print of promotional material

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The total cost of production of needed promotional material has been estimated as a lump sum of **EUR 10,000.00**.

### 3.6 Contingency

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Contingency has been budgeted in amount of **EUR 13,000.00** (or about 10% of EUR 127,000, the sum of all previously specified costs.)

#### 4. EXPECTED SOURCES OF FUNDING

Lika-Senj Development Agency, in association with the Lika-Senj County's administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.

The rent of venues for meetings and workshops is estimated at EUR 2,000.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 35,000.

The total contribution of the beneficiary amounts, thus, to **EUR 42,000.00**

## Annex 1: Logical Framework Matrix

Project Title: <i>Preparation of a strategic plan for the development of small accommodation establishments along the Senj – Karlobag coastal road</i>	Programme number:		Priority project number: 6
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 182,000	EU budget: EUR 140,000	
<b>Overall Objective</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	
<ul style="list-style-type: none"> <li>• <i>Create a new tourism product/brand able to attract new market segments and increase tourism receipts in the project area, at the same time ensuring sustainable tourism development along the still undeveloped coastal strip</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Increased tourist demand for the project area</i></li> <li>• <i>Increased number of tourist nights spent in the region</i></li> <li>• <i>Increased tourism receipts in the region in general and in the Senj-Karlobag region in particular</i></li> <li>• <i>Increased tourism related employment</i></li> <li>• <i>Increased contribution from tourism to the regional GDP</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>County statistical reports (Central Bureau of Statistics)</i></li> <li>• <i>Tax administration reports</i></li> <li>• <i>Croatian Employment Office reports</i></li> <li>• <i>Business registration reports</i></li> </ul>	
<b>Specific Objectives</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>• <i>To develop several clusters of small, family owned accommodation units respecting the rules of traditional local architecture</i></li> <li>• <i>To create a hub for increased tourist visitation to the North Velebit NP</i></li> <li>• <i>To preserve and revitalize national heritage</i></li> <li>• <i>To increase the share of tourism in the GDP of the region through the diversification and enrichment of the accommodation supply</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Increased number of visitors to the region in general and to Senj-Karlobag in particular</i></li> <li>• <i>Increased number of tourist nights spent in the Senj-Karlobag area</i></li> <li>• <i>Increased number of registered SMEs in the Senj-Karlobag region</i></li> <li>• <i>Increased tourist receipts in the said region</i></li> <li>• <i>Number of visitors to the North Velebit National Park increased</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Entrepreneurship register</i></li> <li>• <i>Business register of the Chambers of Economy and Chamber of Small Trade and Crafts</i></li> <li>• <i>Annual reports of the Ministry of Tourism and local tourism boards</i></li> <li>• <i>Construction permits issued</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Perception of Croatia as an attractive tourism destination</i></li> <li>• <i>Political backing to tourism sector development is forthcoming</i></li> <li>• <i>Economic conditions in potential feeder markets do not suffer major setbacks</i></li> </ul>
<b>Results</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
1. <i>Best locations for potential small</i>	<ul style="list-style-type: none"> <li>• <i>At least 3 zones suitable for development of</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Project documentation and independent</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Spatial plans exist and allow for</i></li> </ul>

<p><i>accommodation development along the Senj-Karlobag coastal road identified and their carrying capacities determined</i></p> <p><b>2.</b> <i>Infrastructure needs for these locations best identified (access roads, water supply, sewage, electricity, etc.)</i></p> <p><b>3.</b> <i>The economic viability for model accommodation facilities at the selected locations assessed</i></p> <p><b>4.</b> <i>Awareness of the new product created both nationally and internationally (pre-marketing information materials, road shows...)</i></p> <p><b>5.</b> <i>Incentive schemes for local private investors developed</i></p>	<p><i>the new product identified</i></p> <ul style="list-style-type: none"> <li>• <i>An investment promotion programme suited to attract investors created</i></li> <li>•</li> <li>• <i>Local private investors incentive packages proposed</i></li> </ul>	<p><i>evaluation reports</i></p> <ul style="list-style-type: none"> <li>• <i>Promotion programmes</i></li> <li>• <i>Newspaper articles</i></li> <li>• <i>Minutes from workshops and stakeholder meetings</i></li> </ul>	<p><i>development in selected locations</i></p> <ul style="list-style-type: none"> <li>• <i>Incentives to encourage SME development provided by the relevant authorities</i></li> </ul>
Activities	Means	Costs	Assumptions
<p><b>1.</b> <i>Identify the best locations for potential development of small accommodation facilities along the Senj-Karlobag coastal road in accordance with existing spatial plans</i></p> <p><b>a.</b> <i>Undertake a survey of potential locations best suited for accommodation development according to priority and carrying capacity</i></p> <p><b>b.</b> <i>Create a map of the area highlighting the selected locations and their estimated carrying capacity</i></p> <p><b>2.</b> <i>Assess the infrastructure needs at the identified locations (access roads, water supply, sewage, electricity, etc.)</i></p> <p><b>a.</b> <i>Assess essential infrastructure needs and estimate their development costs</i></p> <p><b>3.</b> <i>Assess the economic viability for each of the selected locations according to model accommodation developments</i></p> <p><b>a.</b> <i>Assess the potential market demand for each selected</i></p>	<p><i>Provision of eleven person-months of international and local consul (11) ting services covering the following areas of expertise (a consultant may cover several areas of expertise):</i></p> <ul style="list-style-type: none"> <li>• <i>General tourism planning and product development</i></li> <li>• <i>Development of small accommodation facilities</i></li> <li>• <i>Spatial and land use planning</i></li> <li>• <i>Architectural and engineering design</i></li> <li>• <i>General infrastructure development</i></li> <li>• <i>Tourism economics and business development</i></li> <li>• <i>Assessment of market potential and market projections</i></li> <li>• <i>Marketing and promotion</i></li> </ul>	<p><b>Estimated project costs:</b></p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• <i>Time input split approximately equally between international and local consultants at average consulting fee at £UR 10,000</i></li> <li>• <i>£C per diem rate of £UR 200 for Croatia is applied</i></li> <li>• <i>Number of per diem days set at one fourth of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</i></li> <li>• <i>Travel costs set at £UR 8,000 covering both international air travel and field travel in Croatia</i></li> <li>• <i>Workshops and stakeholder meetings estimated at £UR 1,000</i></li> <li>• <i>Contingency of about 10% of costs</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Supporting environment for entrepreneurship on the national and regional level</i></li> <li>• <i>Dedicated support from local administrations</i></li> </ul>

<p><i>location</i></p> <p>b. <i>Determine the best use concept for each selected location</i></p> <p>c. <i>Assess the economic viability based on forecasted future performance and model accommodation developments</i></p> <p>4. <i>Create national and international awareness of the new Senj-Karlobag product through preparation of information materials and pre-marketing road shows</i></p> <p>a. <i>Recommend on a short- to medium-term marketing strategy</i></p> <p>b. <i>Develop preliminary information and promotional material</i></p> <p>5. <i>Design an effective investment incentive schemes for local private sector investors</i></p> <p>a. <i>Recommend on an investment promotion programme to attract private sector accommodation providers</i></p> <p>b. <i>Recommend on an investment incentive package for SME development</i></p>		<p><b>Consulting fee:</b>  <i>9 person-months x EUR 10,000 = EUR 90,000</i></p> <p><b>Per diem:</b>  <i>70 consulting days x EUR 200 = EUR 14,000</i></p> <p><b>International travel / field trips:</b>  <i>Estimated cost: EUR 8,000</i></p> <p><b>Workshops/stakeholder meetings:</b>  <i>5 events x EUR 1,000 = EUR 5,000</i></p> <p><b>Design/printing of information materials:</b>  <i>Estimated cost: EUR 10,000</i>  <b>Sub-total: EUR 127,000</b></p> <p><b>Contingency: EUR 13,000</b></p> <p><b>TOTAL FINANCIAL INPUTS: EUR 140,000</b></p>	
			<p><b>Preconditions</b></p>

# **Project No. 7: Strategic Plan for Sports Fishing Tourism**

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## CONCEPT NOTE

### 1. Summary of the action

#### 1.1 *Brief description of the proposed action*

The **overall objective** of the project is “to increase tourism receipts and job creation in the project area by offering exciting new tourist visitation motives and experiences”. This should be done in a way that would guarantee highest standards of environmental protection, resulting in long-term sustainable socio-economic development.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. Further, the whole project area is among the least populated regions of Croatia and has over a long time period been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends still represent a major threat to the long term economic and social development of the project area. In order to gradually reverse the present situation and build sustainable foundations for future economic growth, making at the same time use of the area's natural resources (abundance of environmentally preserved river flows in the natural Karst landscape), the main idea of the project is to develop a niche market tourism product that would act as one of initial generators of nature-based, environmentally aware, international demand to the region. Coupled with other niche market tourism products that could easily be developed as well (wildlife watching, hiking & biking, tourism in rural environment), this would result in gradual increase in tourism receipts and job creation throughout the project area. The whole project should be closely related to the revitalization of the Trout Centre and trout fishing potential of the Gacka River and coordinated with the forthcoming EU support for improving the breeding of trout here.

On the other hand, **specific objectives** of the project are as follows:

1. *To create a comprehensive framework for the development of long-term sustainable and competitive regional sport fishing tourism.*  
Although sport fishing in the Gacka river valley used to be quite developed before the War, the sport fishing potential of the wider area has, so far, been overseen and, therefore, neglected. Therefore, apart from reinstating the Gacka river valley as one of the leading trout fishing destinations in Europe, sport fishing tourism throughout the project area should be developed as one of its leading product/trademarks. In order to achieve this goal in most effective way, minimizing the risk of “wild” construction and environmental damages, the first and vital step is to produce a comprehensive development framework that would (i) identify most potent fishing locations to be developed, (ii) specify tourism infra and/or superstructure to be built, (iii) determine support services and/or facilities to be established, and (iv) define marketing activities to be embarked upon.
2. *To diversify the existing tourist offer in the project area*  
With the exception of the Plitvice Lakes NP, the existing tourism product of the whole project area is still rather weak and undeveloped despite the evident natural beauties of the region (Plitvice Lakes NP, North Velebit NP, Paklenica NP, Velebit Nature Park, etc.). As a result, tourist demand for the project area is at present rather weak as well. In order to induce greater tourist visitation to the region, existing tourist offer needs to be improved and diversified i.e. new tourism products appealing to various market segments need to be developed and promoted nationally and internationally.
3. *To increase the share of tourism related SMEs in the GDP of the project area.*  
Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to:

(i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, tourism development should be targeted especially towards development of niche products intended for market segments that appreciate nature and nature based activities. Sport fishing is one of such products. Successful product development and subsequent market commercialisation of sport fishing will induce the awareness building process on international markets and gradually increase the interest for the project area among other market segments as well. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

### **Justification**

The importance of tourism development, in which this project acts as one of the frontrunners, lies in the fact that there are no better alternatives to induce economic development and reverse long-term negative demographic trends in the region. Namely, the implementation of the project implies increased tourist visitation and increased tourism receipts in the region. As a result of this, additional awareness of the project area will be created, resulting in new product development and more receipts. Hence, the economy of the whole region will gain momentum, the emphasis being on the services sector and the SME business. The gradual increase in economic activity driven by the successful SME operators will create more investor optimism as well as a more business friendly environment. This, in turn, should induce more SME business start-ups to the region. Increasing economic activity and rising tax proceeds would enable the local communities to ensure proper functioning of the (largely deceased) public services as well. The whole process should eventually reverse the unfavourable demographic trends.

An important component of the project is the improvement of skills and know-how in the field of project development, project management, and operational marketing. Also the project will enhance private sector's operational management skills and provide support services to various types of destination management companies that are expected to be established. In addition, the project will incorporate a mid-term marketing and promotion strategy, as well as the development of appropriate marketing tools and instruments that would enable its successful market commercialisation, both nationally and internationally.

## **2. Relevance:**

### ***2.1 Needs and constraints of the target area***

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its reputation for sea-side tourism, the country has formulated a strategy to develop the continental tourism as well. These strategic notions are also strongly emphasised in the ROP for both, Karlovac and Lika-Senj Counties, in which the SWOT analysis points out the "pristine natural environment" as a major strength, and the "inadequate use of natural resources" and "small and underdeveloped business sector" as the most obvious weaknesses. In case of the Lika-Senj County, these findings have lead to the explicit formulation of the following strategic development objective - "*the promotion of the tourism sector as a key driver of development in the County*". Economic development in both counties is slow, especially in Lika-Senj. The whole project area is badly in need of new project ideas, programmes and initiatives, especially related to the tourism sector development. This project offers an answer to this need. The project refers to the territory of both counties, including the already well known trout fishing in the Gacka river valley. Therefore, most of the expected positive effects of the project will be dispersed throughout the project area.

## 2.2 *Problems and needs*

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient organisational, management and marketing capacities in the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists. The combination of these issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, and number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues. Further, it would open up the region to increased international exposure, with various direct and indirect benefits associated.

## 2.3 *Target groups and final beneficiaries*

The target group consists of the Karlovac and Lika-Senj Development Agencies (applicant), Karlovac and Lika-Senj Counties (partners), HGK Karlovac and HGK Otočac (partners), as well as Karlovac and Lika-Senj tourism boards (partners). All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive sport fishing tourism development strategy, but especially from the organisational, management, training and marketing support the project will focus on.

Apart from tourists, end users of the sport fishing product, final beneficiaries are the population at large, and the SME start-ups that are going to exploit the opportunity to establish themselves offering a range of various services to the increasing number of sport fishing tourists. Namely, following its implementation, the project should result in steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for personalised services of various destination management companies – SME businesses (accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the whole project area - the region of special state concern. Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

## 2.4 *Objectives and expected results*

The general objective is to “improve business-related infrastructure and to contribute to regional development”. This objective is implicitly and explicitly met by this project proposal. The project is also directly associated with (i) modernisation/extension of existing (tourism related) infrastructure, (ii) SME and private sector development, (iii) job opportunity creation for local population, and (iv) training and technical assistance to final beneficiaries in order to maximise the effects incorporated in the project itself.

Expected results, in terms of external (new) jobs, new SMEs established, increase in tourist receipts (and GDP/capita) are at this stage difficult to predict. However, there is great potential, especially if coupled with other projects aiming to increase and/or diversify existing tourism experiences in the project area. Nevertheless, the expected economic effects will not be immediate. Only some of the new expected private initiatives will be launched immediately following project implementation (accommodation facilities, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.), while others will be spread out over the years to come as a reaction to the gradually increasing inflow of new tourists affected by the project in its initial stages.

A special feature of the project is its environmental dimension, which is expected to preserve the region from possible spatial misuses in the future.

### 2.5 *Added value of the action*

No other similar intervention in this field has so far been made public, so the added value may be estimated as close to 100%. Men and women should equally benefit from the project, especially younger and more entrepreneurial representatives of both genders. The project will help both Counties to make up for their lagging position and help them get closer to national averages in the field of GDP, employment and wealth in general.

## **3. Methodology and Sustainability**

### 3.1 *Main project activities*

The project contains six activity components. These are listed in the table below in a way to show the logical connection between the project's objectives and the planned activities.

<b>Specific activities</b>	<b>Project component</b>
1. Sport fishing locations are identified	1. Undertake a survey to identify best sport fishing locations
2. Existing accommodation capacity is assessed and locations for new accommodation facilities determined	2. Identify the need for new accommodation, estimate cost and suggest optimal locations
3. Infrastructure needs are identified	3. Specify (and cost) the need for additional infrastructure
4. Support services are defined	4. Specify required destination management related services to be developed
5. Specialised tour operators are identified	5. Provide distribution channels for new product
6. Awareness of the product is created (nationally and internationally)	6. Develop an operational marketing action plan

### 3.2 *Main implementing partners*

The entire set-up of the project has been designed so as to make sure that each partner can actively contribute his specific know-how, expertise and ideas as relevant input to the commissioned team of consultants. Activities have been defined in such a way that each partner has the opportunity to assist and provide information and creative input to the team of consultants during their work on the project. The very idea is to establish a dedicated group of stakeholders aiming towards a common goal: more prosperity for the project area through diversification of tourism experiences. All partners on the project have known each other for many years, and have developed good working relationships.

### 3.3 *Sustainability*

With the implementation of the project and realisation of all necessary activities, the conditions for sustainability of the project will have been created. The applicant, the Karlovac and Lika-Senj Development Agencies and their project partners will ensure the development, maintenance and upgrading of the sport fishing product tourism infra and superstructure, as recommended by the Strategic development plan, through various existing state aided, private sector development schemes, as well as by the use of county, town and municipal budgets.

Cooperation between the Karlovac and Lika-Senj Counties, as well as between other stakeholders involved in the project will be continued in the years following completion and subsequent implementation of this project. During the implementation, relevant institutions will arrange and re-arrange the relations between themselves in order to assure the best exploitation of the new tourism product. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability after the implementation of the project. Joint development of the project idea of the two local self-government units and involvement of other local and regional institutions is a new approach even at the level of preparation of this project.

The joint project partners emphasise the strengthening of their real cooperation, rather than just a formal one.

#### *3.4 Multiplier effects*

The strategic plan for the development of sport fishing tourism will provide a necessary regulatory framework and ensure a long-term sustainable tourism development in the project area. Once implemented, it will result in an enlarged and more diversified tourist offer in the whole project area. Also, it is expected that the initial increase in tourist visitation associated with the development of sport fishing will gradually spill over to other tourism market niches for which the project area offers great experience opportunities as well (wildlife watching, hiking, biking, tourism in rural environment etc.). The whole process should be characterised by dynamic SME business development that will spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

The human resources related investment component (training of various tourism related services providers and local self-government units) will ensure high quality destination and spatial management and thus create necessary conditions for long-term sustainable development.

Additionally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on utilisation of idle and/or insufficiently used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

### 4. Expertise and operational capacity:

#### *4.1 Project management experience*

Karlovac and Lika-Senj Counties have both been involved in various development projects in recent years), some of which have dealt with EU donor agencies as well (e.g. the preparation of a joint Tourism Master Plan). Working on these development projects, both Counties have developed excessive expertise and project management skills required to successfully embark upon, manage and finalise even very sophisticated and complex projects. It is in this regard that we do not anticipate any potential problems with operational capacity to fulfil the objectives of this particular project.

Additionally, both Counties maintain a long-established cooperation with the Croatian Chamber of Economy, the Croatian Chamber of Trade and County economic departments. As self-government units, both Counties also have a continuous close cooperation with the Ministry of Economy, Labour and Entrepreneurship, the Ministry of Finance, the Ministry of Culture and other ministries and government funds (Regional Development Fund, Environmental Protection Fund and Development and Employment Fund) that might prove to be of relevance to the project.

#### *4.2 Technical experience*

Regardless of the fact that all the related partners in the project have a long track record in the sector of tourism, the core technical know-how for the project will be ensured by means of the engagement of experienced tourism planners (national and international), commissioned over a period of not more than 10 months. Providing cooperation with local stakeholders is established during every stage of work on the project, there should be no problems associated with the implementation of this project.

## I. FULL APPLICATION FORM

## 1. DESCRIPTION

## 1.1 Title

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**Strategic plan for the development of sport fishing**

## 1.2 Location(s)

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 Republic of Croatia, Karlovac and Lika-Senj Counties

## 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 172,500	EUR 135,000	% 78,3

## 1.4 Summary

Duration of the action	10 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To increase tourism receipts and job creation in the project area by offering exciting new tourist visitation motives and experiences.</p> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>• To create a comprehensive framework for the development of long-term sustainable and competitive regional sport fishing tourism</li> <li>• To diversify existing tourist offer in the project area</li> <li>• To increase the share of tourism related SMEs in the GDP of the project area</li> </ul>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>
Target group(s)	<p>Karlovac and Lika-Senj Development Agencies</p> <ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>
Final beneficiaries	<p>Local population of Karlovac and Lika-Senj Counties</p> <p>All stakeholders of the tourism industry in the area of intervention</p> <p>Tourists and visitors</p>

Estimated results	<p>At the end of the project the locations best suited for sport fishing in the project area will be identified, their carrying capacity determined and recommendations for the development of each location made. This includes number, size and type of new accommodation facilities, F&amp;B and retail outlets, as well as various destination management services and additional sport fishing and tourism related infrastructure to be built. Each location will be mapped, indicating the varieties of fish to be caught.</p> <p>Distribution channels most suitable for effective product commercialisation will be defined.</p> <p>Training programs for new market entrants (destination management services, specialised tour-operating agencies) will be developed, and training programmes for skills enhancement offered.</p> <p>An operational marketing and promotion action plan will be elaborated and made available for immediate implementation.</p>
Main activities	<ul style="list-style-type: none"> <li>▪ A detailed survey of potential sport fishing locations will be undertaken</li> <li>▪ The need for new accommodation will be identified with cost estimates and optimal locations suggested</li> <li>▪ The need for additional infrastructure will be identified and cost estimates provided</li> <li>▪ Destination management related services to be developed will be specified and training programmes designed</li> <li>▪ Distribution channels for new product will be defined and provided for</li> <li>▪ An operational marketing action plan will be developed</li> </ul>

## 1.5 Objectives

The **overall objective** of the project is “to increase tourism receipts and job creation in the project area by offering exciting new tourist visitation motives and experiences”. This should be done in a way that would guarantee highest standards of environmental protection, resulting in long-term sustainable socio-economic development.

The Karlovac and Lika-Senj Counties have both been heavily affected by the recent Homeland War and are, therefore, categorized as Areas of Special State Concern. Further, the whole project area is among the least populated areas of Croatia that has for a longer time period been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends represent a major threat to the long term economic and social development of the project area. In order to gradually reverse the present situation and build sustainable foundations for future economic growth, making at the same time use of the area’s natural resources (abundance of environmentally preserved river flows in the natural Karst landscape), the main idea of the project is to develop a niche market tourism product that would act as one of initial generators of nature-based, environmentally aware, international demand to the region. Coupled with other niche market tourism products that could easily be developed as well (wildlife watching, hiking & biking, tourism in rural environment), this would result in gradual increase in tourism receipts and job creation throughout the project area. The whole project idea should be closely related to the revitalization of the Trout Centre and trout fishing potential of the Gacka river.

This project is entirely in line with Karlovac and Lika-Senj Counties’ development strategy, in which tourism is defined as one of the major strategic development objectives.

On the other hand, **specific objectives** of the project are as follows:

1. To develop a comprehensive framework for long-term sustainable and competitive regional sport fishing tourism.
2. To diversify the existing tourist offer in the project area
3. To increase the share of tourism related SMEs in the GDP of the project area.

1. *To develop a comprehensive framework for long-term sustainable and competitive regional sport fishing tourism.*

Although sport fishing in the Gacka river valley used to be quite developed before the War, the sport fishing potential of the wider area has, so far, been overseen and, therefore, neglected. Therefore, apart from reinstating the Gacka river valley as one of the leading trout fishing destinations in Europe, sport fishing tourism throughout the project area should be developed as one of its leading product/trademarks. In order to achieve this goal in most effective way, minimizing the risk of "wild" construction and environmental damages, the first and vital step is to produce a comprehensive development framework that would (i) identify most potent fishing locations to be developed, (ii) specify tourism infra and/or superstructure to be built, (iii) determine support services and/or facilities to be established, and (iv) define marketing activities to be embarked upon.

2. *To diversify the existing tourist offer in the project area*

With the exception of the Plitvice Lakes National Park, the existing tourism product of the whole project area is still rather weak and undeveloped despite the evident natural beauties of the region (Plitvice Lakes, North Velebit, and Paklenica National Parks, Velebit Nature Park, etc.). As a result, tourist demand for the project area is at present rather weak as well. In order to induce greater tourist visitation to the region, existing tourist offer needs to be improved and diversified i.e. new tourism products appealing to various market segments need to be developed and promoted nationally and internationally.

3. *To increase the share of tourism related SMEs in the GDP of the project area.*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, tourism development should be targeted especially towards development of niche products intended for market segments that appreciate nature and nature based activities. Sport fishing is one of such products. Successful product development and subsequent market commercialisation of sport fishing will induce the awareness building process on international markets and gradually increase the interest for the project area among other market segments as well. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

## 1.6 Justification

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### 1.6.1. Relevance of the action to the objectives and priorities of the programme

The Karlovac and Lika-Senj Counties are still among the less developed regions of Croatia as regards economic and social resources. The strategy for economic development of both Counties is defined by their respective Regional Operational Programmes (ROP). According to these documents, development of tourism is emphasised as one of the priorities of economic development of the whole Region. The emphasis on tourism development is logical: the whole project area is



ecologically unspoilt, rich in resources and with low population density. Additionally, it is easily accessible (new motorway) to both, tourists and entrepreneurs. Finally, and taking into consideration possible environmental impact of alternative tourism development strategies, it should be clear that the exclusivity of the project area should be strictly controlled and maintained over the long run. In order to achieve this goal, most of the territory of the two Counties should cater to the needs of specific, environment friendly and/or nature loving, market niches. In this regard, development of sport fishing tourism product should be one of a few selected nature based experiences that the project area should focus on in the long run.

To sum up, the proposed project will have direct impact on:

- Provision of a well thought out sport fishing product;
  - Increase in the overall quality and diversity of the tourist offer in the project area;
  - Targeted market (re)positioning of the project area
  - Improved conditions for SME start-ups, new jobs creation and increase in tourism related receipts
  - Enhancement of skills and training in the areas of project management, product development, marketing, finance and operational management
  - Greater awareness of local population and stakeholders in the two Counties of the importance to preserve a clean environment (sustainable development principles);
  - Increased recognition in Croatia, Karlovac and Lika-Senj Counties and specific locations as world famous destinations for sport fishing and nature based tourism activities.

Successful implementation of the project will shortly be visible in: the number of new investments in tourist facilities, the number of newly created forms of tourist offer, the number of visitors and receipts, the number of persons employed or self-employed in tourism, increased interest for other tourism products of the Region (cross selling) etc. The proposed project is directly related with the following development criteria:

### *1. Structured Development of Tourist Infrastructure*

The proposed project aims to create all the necessary conditions and requirements needed to establish a rich and diversified tourist offer by means of a planned and guided development of sport fishing tourism on the unique Karst rivers of the Karlovac and Lika-Senj Counties, with the Gacka river, famous for its brown trout, representing a focal point of such development. Once the project is completed, the local governments will dispose of an essential development tool, consisting of a set of concrete actions that need to be implemented (according to priorities) and organised in the format of an operational development manual. By following this strategic product development framework in the implementation stage, local authorities will not only develop new, up to date tourism related infra and superstructure, but will at the same time ensure adequate usage of space, maximum protection of the environment, and minimum risk of poor investment decisions.

### *2. SME and private sector development*

The implementation of the project on the level of both Counties will result in a series of successful new SME start-ups (accommodation facilities, F&B and retail outlets, tourist agencies, equipment rental and repair shops, attractions managing companies etc), forming a sport fishing tourism value chain. The very existence of such a value chain will add to increased attractiveness of the project area and contribute to increased tourism receipts that will be evenly spread out across the region and that will spill over to other sectors of the economy as well (multiplication effect).

### *3. Job opportunity creation for local population*

Increased SME start-up activity in the Region naturally implies more job opportunities offered. Although these job opportunities will mostly be concentrated in the services sector, the increase in the overall economic activity should spill over to other economic sectors as well, agriculture in particular.

#### 4. Market (re)positioning

Through completion of the project, both Counties will create preconditions for a new market positioning, based on preservation of nature, sustainability and niche product development. Such new positioning will help the Counties to focus on market segments that they would otherwise have neglected. A focused marketing and promotion strategy, on the other hand, implies more effective use of scarce funds, resulting, at the same time, with superior outcomes.

#### 5. Training and skills enhancement

Apart from skills enhancement on the level of partnering public institutions (project management, product development, and marketing), an entire component of the project is dedicated to the improvement of skills and know-how of the new private sector investors/entrepreneurs associated with sport fishing development. Special emphasis will be given to provision of training programs in the field of operational management, marketing and financial planning.

#### 1.6.2. Perceived needs and constraints

In general, the Karlovac and Lika-Senj Counties have all the necessary natural preconditions to become a thriving area for tourism and leisure related activities. Yet, tourism development is still very slow and sporadic. This is caused by a combination of factors such as:

- lack of documentation necessary for structured tourism development (master plans, marketing plans)
- lack of public sources to fund tourism development
- lack of private sector investors with vision
- unfavourable demographic structure (old age groups prevail)
- outward migration of the young and educated
- insufficient funds to maintain and allow for improvement in infrastructure necessary for new investment in tourism
- lack of (tourism) infrastructure
- inadequate usage of state-aided financial schemes.

#### 1.6.3. Target groups and final beneficiaries

The project directly targets the staff of the applicant (Karlovac and Lika-Senj Development Agencies), as well as a selected part of the staff in applicant's partner institutions - Karlovac and Lika-Senj Counties, HGK Karlovac and HGK Otočac, and Karlovac and Lika-Senj tourism boards. All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive sport fishing tourism development strategy, but especially from the organisational, management, training and marketing support the project will focus on.

- Karlovac and Lika-Senj Development Agencies: 2 - 4 persons will be directly involved in the project activities, and respectively affected by the project. The main direct effect is that these persons will learn and gain experience on how to efficiently and professionally manage development projects, especially those associated with EU funding schemes
- Karlovac and Lika-senj Counties' tourism boards: all employees are in need of further training in project preparation, project management, fund raising and marketing.
- The Croatian Chamber of Economy regional units in Karlovac and Otočac: 2 – 4 persons will in particular benefit from activities foreseen under this project. The staff of the HGK will participate

in workshops, provide input and assist in various concrete activities in the preparation of the final strategic document.

Final beneficiaries are:

Local and foreign tourists (sport fishing fans): Through implementation of this project the Karlovac and Lika-senj counties will enrich and diversify their existing tourist offer and create the necessary preconditions to allow local and foreign visitors a unique sport fishing (and nature) experience in a clean, healthy and protected environment.

Apart from tourists, end users of the sport fishing product, final beneficiaries are the population at large and the SME start-ups that are going to exploit the opportunity to establish themselves offering a range of various services to the increasing number of sport fishing tourists.

Private investors in tourist infra and superstructure: Following its implementation, the project should result in a steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the demand for various services of all sorts of destination management companies – SME businesses (accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the region - the area of special state concern.

The wider population of Karlovac and Lika-Senj Counties: The increased tourism revenues in the privately held establishments will, by means of increased tax proceeds, gradually spill over to the community at large, improving the level of public services (medical care, education, day-care, etc.) and the standard of living in general.

Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

## 1.7 Detailed description of activities

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### **Component 1: Identify best sport fishing locations**

This component contains a set of activities aiming to identify best suited locations for sport fishing. It is foreseen that the survey of the area will be done by consulting experts in sport fishing site development.

#### **1.1. Undertake a survey of sport fishing locations on rivers and lakes in the Region**

Karlovac County and Lika-Senj Counties are abundant in rivers, lakes and ponds which offer great potential for the development of sport fishing. However, at this point in time, the only exception being the river Gacka, there have been no attempts made to identify the most suitable spots (locations) that can be, most effectively, turned into locations for organised sport fishing. In order to locate the best spots/zones for development, a detailed survey needs to be undertaken by proven experts in sport fishing site/product development.

#### **1.2. Carry out an analysis of various types of fish that are available in the Region**

Alongside with identification of best suited locations, an analysis of existing fish stock needs to be carried out in order to determine not only which types of fish reside in each of the surveyed rivers/lakes and/or ponds, but its quantity and quality, as well as the need for possible stocking.

#### **1.3. Create a map of the area highlighting the locations and different type of fish**

Once the best suited locations/zones for sport fishing have been determined and the analysis of existing fish stock carried out, a detailed map of fishing locations needs to be prepared, indicating the potential of each location, types of fish that can be caught, as well as available sport fishing tourism infra and superstructure and services in the vicinity.

**Component 2: Identify the need for new accommodation, estimate cost and suggest optimal construction locations**

This component contains a set of activities aiming to identify the need for additional accommodation facilities in the vicinity of previously identified sport fishing locations. Unlike the sport fishing locations that will be scattered along the riverbeds, the accommodation facilities should be grouped in order to form clusters. For each of these clustered accommodation facilities best suited construction locations need to be specified and cost estimated. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism market demand analysis and tourism business economics.

**2.1. Forecast the capacity needed over the next ten year**

Based on detailed analysis of the sport fishing market demand and its characteristics, projections of future market evolvement (trends and volume) will be made, catchment area determined and potential demand for the region estimated. On the basis of these projections, total need for accommodation capacity to cater the sport fishing market demand in the region will be assessed.

**2.2. Undertake a survey of accommodation suitable for sport fishing and assess the possibility for expansion/improvement**

Based on the assessment of accommodation needs for the ten year period, a survey of already existing accommodation facilities in the region will be undertaken in order to determine whether these establishments, in terms of quality and quantity, can adhere to the needs of the sport fishing fans. This analysis will also provide crucial input whether some of the existing accommodation facilities can be expanded (more units) and/or improved to satisfy market demand requirements.

**2.3. Assess the potential of developing accommodation at existing homes such as home stays and B&B**

Sport fishing market represents a special interest market niche. One of its characteristics is the fact that sometimes, depending on the quality on fishing locations, sport fishing fans prefer to stay as close to the fishing ground as possible. In other words, such fishermen might not want to use more distant commercial accommodation, but would prefer to be accommodated in private homes on a bed and breakfast basis. In this regard, one should also assess the possibility if there is interest among the local population to offer this type of service.

**2.4. Identify the potential for additional accommodation facilities (by capacity and type)**

Following all the previously addressed assessments and analyses, and taking into consideration the projected sport fishing market demand for the region, the need for additional accommodation facilities will be determined (type and capacity).

**2.5. Develop an investment promotion program for private sector accommodation providers**

In most cases, the providers of accommodation services to the sport fishing market will be recruited from local entrepreneurial individuals who would recognise the potential of the sport fishing demand. However, in order to reach those individuals and attract them to the idea, an investment promotion program targeting potential private sector investors – existing and/or future SME operators is envisaged. The program will focus on explaining the project idea to potential investors – sport fishing product development, existing market demand, expected number of visitors and their spending habits.

**2.6. Recommend an incentive package for SME development**

In order to ensure more private sector interest to become providers of accommodation services to the sport fishing market demand, and having in mind the existing socio-economic situation in the region, a special incentive package should be developed for those willing to participate in the endeavour.

**Component 3: Specify (and cost) the need for additional infrastructure**

Development of a sport fishing product is, without doubt, associated with substantial investment in infrastructure as well. Based on the number of identified sport fishing locations and their development, detailed specification of additional infrastructure is required, as well as an assessment of associated investment cost. It is foreseen that this particular assignment will be accomplished by a consultant expert in infrastructure planning.

**3.1. Assess infrastructure needs to establish viable sport fishing locations and cost these**

Detailed survey of identified sport fishing locations and locations for construction of additional accommodation needs to be undertaken and additional infrastructure specified and cost.

**Component 4: Specify required destination management related services to be developed**

Development of a sport fishing value chain is associated with development of various other services that need to be available to the tourist. It is, therefore, necessary to assess which services should be offered, do these services need to be available from day one (or is gradual development an option) and, in particular, the best location for their operation. It is foreseen that this particular assignment will be accomplished by a tourism business economics expert.

**4.1. Assess existing support facilities**

A survey of already existing support facilities (F&B and retail outlets, travel agents, event organisers, equipment rentals and repair shops etc.) in the region will be undertaken in order to determine whether these services, in terms of quality and quantity, can adhere to the needs of the sport fishing market demand.

**4.2. Identify the need for additional facilities**

Following the previously addressed assessment and availability analysis, and taking into consideration the projected sport fishing market demand in the region during the next ten years, the need for additional supporting service facilities will be determined (type and capacity).

**4.3. Identify suitable locations for clustering of supporting facilities**

As is the case with accommodation facilities to be built, supporting service facilities will also be clustered. It is therefore vital that suitable locations are identified. These can be either close to the accommodation, close to the fishing grounds, or along the roads connecting the accommodation facilities with fishing grounds.

**4.4. Provide training programs for new entrants to the market**

Most of the future providers of support services to the sport fishing market are expected to be new in this line of business. For most of them, this might be the first experience in the services sector as well. In order to ensure an expected service quality, adequate training and/or skills enhancement programs will be needed and provided.

**Component 5: Provide distribution channels for new sport fishing product**

This component comprises a series of activities designed to facilitate efficient market commercialisation, once the project gets to the implementation phase. In order to ensure smooth implementation, these activities should be initiated at once. It is foreseen that this particular assignment will be accomplished by a tourism marketing and promotion expert.

**5.1. Identify the number of existing tour-operators currently offering the sport fishing product**

Effective market commercialisation of a new tourist product, especially in its preparatory, creating market awareness stage, implies the assistance of specialised tour-operators willing to package the product and offer it to the market. Therefore, at this stage of the project, a survey of existing tour-

operators needs to be carried out so as to determine if some of them are already dealing with the product and are they doing a good job out of it.

### **5.2. Identify potential for new market entry**

Based on the findings of the previous activity, potential tour-operators' interest to include the fishing market product in their product portfolios will be identified. Also the potential for the establishment of new tour-operating businesses focusing on sport fishing will be determined.

### **5.3. Provide training programs for new entrants**

Similarly as in the case of supporting services providers, a large number of tour-operators willing to deal with the sport fishing product is expected to be new in this line of business. For most of them, this might be the first experience in any type of niche market products. In order to ensure an expected service quality, adequate training and/or skills enhancement programs will be needed and provided.

### **5.4. Advice on how to attract new tour-operators and other related tourism businesses to serve the sport fishing market**

The sport fishing product related receipts in the project area will be directly and positively correlated with the quality and diversity of services that form the value chain of the fishing market. It is, therefore, pivotal to ensure the value chain is diverse and that the guests (sport fishing fans and accompanying persons) are satisfied with the quality of services provided by various individual SMEs. In order to ensure the above, advice will be given on how to attract as many individual operators – services providers to participate in the overall tourism offer targeting the sport fishing market niche.

## ***Component 6: Develop an operational marketing action plan***

This component comprises a series of activities designed to generate effective day to day operational marketing, once the project reaches its implementation phase. However, as is the case with distribution channels, in order to ensure smooth market launch of the product, these activities should be initiated at once. It is foreseen that this particular assignment will be accomplished consulting experts in tourism marketing and promotion.

### **6.1. Evaluate current marketing efforts to promote sport fishing in the Region**

A detailed analysis of existing marketing activities dedicated to promote the sport fishing tourism in the region will be undertaken. The analysis will, among other, include (i) assessment of existing promotional material, (ii) functionality of the existing Internet portal, (iii) existing market positioning of the region, (iv) communication links with travel agents and tour-operators, (v) reservation system, (vi) commercialisation system, (vii) availability of information on the sport fishing potential of the region (and their quality).

### **6.2. Develop a mid-term marketing action plan**

Preparation of a mid-term marketing action plan will result in specification of those concrete activities that, at affordable cost, need to be implemented in order to achieve maximum results in terms of increased tourist sport fishing related visitation and receipts generated in the project area. All the actions recommended will take consideration of the limited promotional budgets of the Karlovac and Lika-Senj Counties.

## 1.8 Methodology

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### 1.8.1. Methods of implementation and reasons for the proposed methodology

For the proper implementation of the project, a structure has been devised that ensures (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with this, rather detailed descriptions of the individual activities have been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. This way, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, a Project Steering Committee will be installed that will supervise the entire project. The Steering Committee will receive regular (at least monthly) progress reports from the commissioned consulting teams, which will enable it to quickly react to any requirement for decision-making.

The project is divided in six separate components and we foresee the establishment of three Working Groups (WG), each covering two of the topics of these components. The division is logically based on types of activities: first WG will deal with all aspects of identification of sport fishing locations; second will deal with all aspects of market potential assessment, accommodation facilities, infrastructure requirements and supporting facilities assessment; third will deal with all aspects of project commercialisation and promotion. The working groups will be staffed by 2 dedicated employees from each of the institutions representing partners on the project.

### 1.8.2. Relations with previous actions

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. Hence, the best tourism development scenario for the project area implies that all of them get funded and implemented.

### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)

→ Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Measurable indicators of achievement<sup>13</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>14</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a regular basis by the Project Manager. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will advise on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The project manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the three working groups.

The Project Management Units of Karlovac and Lika-Senj Counties, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs will use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

#### **1.8.5. Roles and participation of the various actors**

The Karlovac and Lika-Senj Development Agencies, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Karlovac and Lika-Senj Development Agencies are the major institutions in charge of the implementation of the Tourism Master Plan for Karlovac and Lika-Senj Counties, and are the only appropriate institutions to initiate and implement the project like this.

The Counties of Karlovac and Lika-Senj are partners and an essential part of the project for obvious reason – the project is related to economic development of their territory and they should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

The County Tourism Boards (TBs) of Karlovac and Lika-Senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs are represented on the Steering Committee. The TBs are an essential part of the project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities set out by the marketing action plan.

The Croatian Chamber of Economy in Karlovac and Otočac are partners in the project. The Chamber offices in Karlovac and Otočac are active in promoting business development in the wider Karlovac and Lika-Senj region, and have a special interest in the project. The regional Chambers will each have a seat on the Steering Committee.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), private tourism related business

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<sup>13</sup> See Logical Framework

<sup>14</sup> See chapter 1.9



sector in the wider Karlovac and Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

#### **1.8.6. Team proposed for implementation of the action**

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- Development of sport fishing
- Assessment of market potential for different fish species
- Market projections
- Marketing and promotion of special interest (niche market) tourism, notably sport fishing
- Small accommodation and other tourism SME development
- Tourism business economics
- Local infrastructure development

The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The working group members are expected to help the commissioned consultants in performing their work tasks.

#### **1.8.7. Main means for implementation**

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, Karlovac and Lika-Senj Development Agencies (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

1.9. Duration and action plan

The envisage duration of the project will be 10 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:

Activity	Component - Identifier
D. D. Survey for sport	
2. EXPECTED RESULTS	
2.1 Expected impact on target groups/beneficiaries	
<p>The waters of the mountainous area of Croatia represent an important potential for development of various special interest tourism products. This is especially the case with the Gacka River. The Gacka River and its tributaries represent an optimal natural habitat for the development of the brown trout, an indigenous fish species that is especially attractive for sport fishing. The sport fishing tradition on the Gacka River reaches back to 1977, the starting year for organised sport-fishing tourism on that river. In 1970, the Gacka Hotel was built and, with it organised sport fishing tourism of the river began. This resulted in the arrival of wealthier clients; the stays of anglers became longer (the tourist season lasted from April 1 to September 30, and the hotel with only 104 beds, in normal years, sold 16,000 overnights, with an average of 4,000 fishing tickets issued). The higher number of guests brought about the need to broaden the tourist offer to agro tourism and hunting tourism, and build a better infrastructure (swimming pools, tennis courts etc.) Prior to the 1990-ies and the break up of the Homeland War, the Gacka River was among the top European and world fishing waters and was listed in many books, manuals and fishing guides describing the most</p>	
2. D. Forecast accomm	

famous and the best waters worldwide. However, in recent years the population of brown trout has somewhat diminished. The primary reasons for its diminished population are environmental changes, pollution and stocking of Karlovac and Lika-senj watercourses with Californian trout (*Oncorhynchus mykiss*), since such stocking severely jeopardises the genetic diversity of the natural populations. In this regard, the whole project idea should be closely related to the revitalization of the Trout Centre in Otočac whose primary goal would be to restock the Karlovac and Lika-Senj Counties waters with brown trout.

Sport fishing is one of the most popular leisure activities. For the year 2003, it was estimated that there were about 23 million anglers in Western and Central European countries. Of those, over four million reside in the UK and France, about 3.5 million in Germany, and close to one million in Italy. This market tends to be 40+ years of age, mostly males and financially well off. Dedicated anglers searching for 'the big catch', require good accommodation close to the fishing grounds and are ready to pay for supporting services (platforms or boat rental, F&B and supply delivery). They have little interest in other attractions of a destination. Recreational anglers use fishing as an excuse for being outdoors, are less concerned about the supporting infrastructure and services and spend just a few hours fishing each day. These markets represent good prospects for the project area and fishing is already highly popular among the tourists staying in Lika-Senj County with more than half (55%) enjoying fishing while on holidays.

Using the Gacka river valley as a symbol for sport fishing experience in the Region, the project aims not only to re-establish Gacka as a hub for sport fishing in the Karlovac and Lika-Senj counties. Namely, in parallel to revitalization, reconstruction, extension and/or modernisation of the sport fishing facilities and amenities alongside the Gacka river, the idea is to create overall market awareness, extend the sport fishing demand to other identified prime fishing locations within the Karlovac and Lika-Senj Counties, provide necessary infra and superstructure, and prepare the launching of an internationally competitive sport fishing product. The project should, therefore, ensure a significant increase in tourist visitation to the Region, with positive macroeconomic and social effects.

The increasing number of sport fishing tourists will result in an increased demand for related services. An increased demand for such services is bound to directly affect the growth of small and medium-size businesses, not only in the services sector. The new SME start-up activity will inevitably considerably improve the existing tourist offer of this region and will directly influence its economic growth. This growth should not be concentrated only in the major cities of the region. On the contrary, it would be evenly spread across the whole territory of the project area.

One of the expected impacts of the project will be the creating new and exciting employment opportunities in a fast growing services sector. This will be the result of a start-up of significant number of new small and medium-sized companies (accommodation providers, F&B and retail outlets, tour-operating agencies, tourism supporting services, etc.) and will, thus, considerably improve the employment situation in the region. Another important expected outcome of the project will be related not only to the slowing down of the active workforce outflow from this region, but the gradual return of educated and skilled workers.

Finally, during the realisation of the project the applicant and its partners will obtain, as well, new knowledge and skills required for the implementation of similar projects in the near future. These skills will help them to gradually spark up the economy, improve social satisfaction and reverse unfavourable demographic trends. The project will also help in creation of a new tourism infrastructure, which has no future without trained and skilled personnel. Namely, the whole project area consists of a valuable resource base and it is necessary to invest into human resources in order to enable them to successfully serve the visitors of the Region. The envisaged training will include all new entrants into the tourism business and, by that, affect their management and business capacities.

To sum up, direct expected results of the project are as follows:

- ➔ An increase in the number of fishing permits issued to tourist anglers by at least 20% in the first year following project completion
- ➔ An increase in sport fishing related number of overnights in the Region by at least 10% in each of the first five years following project completion
- ➔ Twofold increase in tourism receipts from sport fishing over 5 years following project completion
- ➔ At least 10 fishing sites are identified and available species at each site specified
- ➔ At least 3 sites for sport fishing accommodation and supporting services identified
- ➔ Contact with at least 10 tour-operators in made and awareness of sport fishing opportunities in the region created
- ➔ Contact is made with at least 5 destination management companies active in the project area
- ➔ The establishment of at least 10 new specialised service operators during first five years following project completion that would predominantly cater to the sport fishing market needs
- ➔ An increase in visitor satisfaction
- ➔ Increase of skills and know how in project preparation, implementation and management

From the above mentioned, one may draw a conclusion that the major beneficiaries of this project will not be the project partners, but the vast majority of population. Obviously, those engaged in providing services to the sport fishing demand are expected to be more exposed to the benefits of the project than those that will not take an active part in it. Nevertheless, by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into 6 components. The below list does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

### ***Component 1: Identify best sport fishing locations***

- 1.1. Assessment of spatial potential to develop competitive sport fishing locations/zones
- 1.2. A register of fish species in the waterbeds of Karlovac and Lika-Senj Counties
- 1.3. Detailed map of sport fishing locations in the Karlovac and Lika-Senj Counties with description of available facilities and amenities, services offered and stock of fish

### ***Component 2: Identify the need for new accommodation, estimate cost and suggest optimal construction locations***

- 2.1. Projection of sport fishing market demand for the Karlovac and Lika-Senj Counties
- 2.2. Analysis of existing accommodation potential
- 2.3. Projection of required accommodation facilities to serve the market demand
- 2.4. Proposal of spatial distribution of required accommodation facilities (clustering)
- 2.5. Investment promotion plan for attracting the private sector investors
- 2.6. A proposal of the state-aided investment scheme (incentive package)

### ***Component 3: Specify (and cost) the need for additional infrastructure***

- 3.1. Assessment of existing infrastructure
- 3.2. Specification of additional infrastructure required (and investment costs estimated)

### ***Component 4: Specify required destination management related services to be developed***

- 4.1. Assessment of existing support services/facilities
- 4.2. Proposal for additional support services/facilities

- 4.3. Proposal of spatial distribution of required additional support services/facilities
- 4.4. Training programs for providers of support services/facilities

**Component 5: Provide distribution channels for new sport fishing product**

- 5.1. Assessment of existing tour-operators
- 5.2. Proposal for additional tour-operating services
- 5.3. Training programs for providers of support services/facilities

**Component 6: Develop an operational marketing action plan**

- 6.1. Assessment of existing marketing activities to promote sport fishing
- 6.2. Mid-term operational marketing action plan

## 2.3 Multiplier effects

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The tourism industry is constantly in search of new destinations and attractive natural resources. Croatia has, so far, been known for its coastal tourism, with its continental part being still practically undiscovered, especially by the international tourism demand. With their abundant natural resources and low population densities Karlovac and Lika-Senj Counties represent probably the most attractive Croatian continental destinations in terms of prospective tourist visitation. This is especially the case for nature lovers and various special interest groups (market niches). The structured development and subsequent market commercialisation of a sport fishing tourism product in the Region will increase international awareness of the tourism potential of the Karlovac and Lika-Senj and, by means of cross-selling, increasingly open up the Region for other nature loving special interest groups (market niches) such as wildlife watchers, hikers, bikers, rural tourism fans etc. In order to protect the sensitive environmental balance, both Counties should make sure they follow the principles of sustainable development and commercialise their tourism products in a structured and pre-planned way, thus minimising the risk of over-construction. Moreover, the project shall preserve the environment and ensure the Region will be equally interesting for organised day excursions and individuals over the long run.

Karlovac and Lika-Senj Counties are both currently facing high unemployment rates. Therefore, all possibilities for creating new jobs are of the utmost importance. The project itself, once it comes to its implementation phase, will generate a considerable amount of directly and indirectly induced jobs and self-employment opportunities.

Finally, one should not overlook the fact that increased interest for the Region implies additional awareness and promotion for Croatia as a tourism destination, with all accompanying positive effects on job creation, GDP/capita and infrastructure development.

## 2.4 Sustainability

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### 2.4.1 Financial sustainability

With the completion of the project and realisation of all mentioned activities, the conditions for sustainable development of sport fishing tourism in the Region will have been created. The applicant, the Karlovac and Lika-Senj Development Agencies and their project partners will ensure additional funds for the development of required public infrastructure, whereas sport fishing related superstructure will be provided for by means of a tendering process specially crafted for individual private sector investors. The tender will be accompanied by a specially designed state-aided investment package.

#### 2.4.2. Institutional sustainability

Cooperation between the Karlovac and Lika-Senj Counties, as well as between their respective Development Agencies (the applicant) and other partners in the project will be continued after the completion of this project. Following project completion, all involved institutions will arrange and re-arrange the relations between themselves in order to assure best and most effective project implementation and market commercialisation of the new sport fishing tourism product. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability in the implementation stage of the project

#### 2.4.3. Policy issues

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

### 2.5 Logical framework

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Please see Annex A

## 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of **EUR 135,000.00** and can be decomposed as follows:

#### 3.1 Consultancy fees

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The required provision of international and local consulting services is estimated at 9 person-months. The time input is estimated to be split approximately equally between international and local consultants at an average consulting fee at EUR 10,000 per month. Consequently, the consultancy fees are estimated at **EUR 90,000.00**.

#### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been estimated at 90 at EUR 200 per day, resulting in total per diems in amount of **EUR 18,000.00**.

#### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (6), and an estimated cost of EUR 1,000.0 per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 6,000.00**

#### 3.4 International travel / field trips

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The total travel cost including both, international travel and local transport, has been estimated as a lump sum of **EUR 9,000.00**

#### 3.5 Contingency

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Contingency has been budgeted in amount of **EUR 12,000.00** (or about 10% of EUR 123,000, the sum of all previously specified costs.)

#### **4. EXPECTED SOURCES OF FUNDING**

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.

The rent of venues for meetings and workshops is estimated at EUR 2,500.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 30,000.

The total contribution of the beneficiary amounts, thus, to **EUR 37,500.00**

## Annex 1: Logical Framework Matrix

Project Title: <i>Preparation of a strategic plan for the development of sports fishing</i>	Programme number:		Priority project number: 7
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 172,500	EU budget: EUR 123,000	
Overall Objective	Objectively Verifiable Indicators	Sources of Verification	
<ul style="list-style-type: none"> <li>Increase international awareness, tourism receipts and job creation in the project area by offering exciting new tourist visitation motives and experiences.</li> </ul>	<ul style="list-style-type: none"> <li>Increase employment in the sports fishing tourism sector in the region by 50% over 5 years</li> <li>Increased number of registered SMEs by 10%</li> <li>Presence of the region in 5 brochures of international specialized fishing operators</li> </ul>	<ul style="list-style-type: none"> <li>County statistical reports (Central Bureau of Statistics)</li> <li>Tax administration reports</li> <li>Croatian Employment Office reports</li> <li>Business registration reports</li> </ul>	
Specific Objectives	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> <li>To develop a comprehensive framework for long-term sustainable and competitive regional sport fishing tourism</li> <li>Increase the share of tourism in the GDP of the project area</li> <li>Diversify existing tourist offer</li> </ul>	<ul style="list-style-type: none"> <li>Number of fishing permits issued increased by at least 20% in first year following project completion</li> <li>Increase in sports fishing overnights by at least 10% in each of the first 5 years following project implementation</li> <li>Double tourism receipts from sports fishing over 5 years following project completion</li> <li>Three specialized new tourism accommodation facilities established during the first 5 years following project completion</li> <li>10 new specialized service operators registered during the first 5 years following project completion</li> </ul>	<ul style="list-style-type: none"> <li>Entrepreneurship register</li> <li>Business register of the Chambers of Economy and Chamber of Small Trade and Craft</li> <li>Annual reports of local tourism boards</li> <li>Construction permits issued</li> </ul>	<ul style="list-style-type: none"> <li>Perception of Croatia as an attractive tourism destination continues</li> <li>Political backing to allow the sector to grow</li> <li>Economic conditions in potential markets do not suffer major setback</li> </ul>



Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ol style="list-style-type: none"> <li>1. Sports fishing locations are identified and varieties of fish that can be caught are recorded by location</li> <li>2. Assess the capacity of trout fishing at Gacka River</li> <li>3. Accommodation capacity is assessed for each location and size of additional accommodation capacity is recommended</li> <li>4. Infrastructure needs are identified (access roads, clearing of banks, etc.)</li> <li>5. Necessary additional support services are identified (retail outlets, equipment for sale and rental, guiding services, licensing, etc.)</li> <li>6. Professional tour operations providing sports fishing services are identified in the region</li> <li>7. Awareness of the sports fishing opportunities in the region is created both nationally and internationally</li> </ol>	<ul style="list-style-type: none"> <li>• At least 10 fishing sites are identified with a detailed survey of available fish species at the selected locations</li> <li>• Identification of at least 3 sites for sports fishing accommodation and services (including capacity, types and locations, infrastructure needs per location and support services)</li> <li>• Contact with at least 10 tour operators is made and awareness about the opportunities created resulting in adding the project area in their tour portfolio</li> <li>• Contact is made with at least 5 Croatian-based tour operators and other relevant tourism businesses active in the project area</li> </ul>	<ul style="list-style-type: none"> <li>• Project documentation and independent evaluation reports</li> <li>• Track record of contacts with tour operators</li> <li>• Project team reports</li> <li>• Newspaper articles</li> <li>• Minutes from workshops and stakeholder meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Spatial plans exist and allow development of sports fishing infrastructure</li> <li>• Incentives to encourage SME development provided by the relevant authorities</li> <li>• Sports fishing continues to be actively promoted by the national tourism organisation</li> </ul>
Activities	Means	Costs	Assumptions
<ol style="list-style-type: none"> <li>1. Identification of Sports fishing locations and varieties of fish that can be caught at each location                         <ol style="list-style-type: none"> <li>a. Survey of sports fishing potential of rivers and lakes in the project region</li> <li>b. Analysis of fish species available at each location</li> <li>c. Create a map highlighting the locations and the different fish species available</li> </ol> </li> <li>2. Assess the existing accommodation capacity at each fishing site and recommend type and size of additional accommodation required</li> </ol>	<p>Provision of nine person-months of international and local consulting services covering the following areas of expertise (a consultant may cover several areas of expertise):</p> <ul style="list-style-type: none"> <li>• Development of sports fishing</li> <li>• Assessment of market potential for different fish species</li> <li>• Market projections</li> <li>• Marketing and promotion of special interest (niche market) tourism, notably sports fishing</li> <li>• Small accommodation and other tourism SME development</li> </ul>	<p><b>Estimated project costs:</b></p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Time input split approximately equally between international and local consultants at average consulting fee at EUR 10,000</li> <li>• EUR per diem rate of EUR 200 for Croatia is applied</li> <li>• Number of per diem days set at one third of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient fish stock available for sports fishing</li> <li>• Cooperation with institutions and associations in charge of sports fishing is established</li> <li>• Support for sports fishing development by relevant authorities is established</li> </ul>

<p>a. Forecast the accommodation capacity needed over the next 10 years based on estimated numbers of sports fishermen that can be attracted to the area</p> <p>b. Assess the existing accommodation suitable for sports fishing and the possibilities for expansion and/or improvements</p> <p>c. Assess the potential of developing accommodation at existing homes such as home stays and bed &amp; breakfast</p> <p>d. Identify the need for additional accommodation facilities, by capacity and type</p> <p>e. Develop an investment promotion program for private sector accommodation providers</p> <p>f. Recommend on an incentive package for SME development</p> <p>3. Assess the existing infrastructure at each identified fishing site and recommend on the need for new or upgraded infrastructure (access roads, clearing of banks, etc.)</p> <p>4. Assess the existing and recommend on improvements and development of new support services (retail outlets, equipment for sale and rental, guiding services, licensing, etc.)</p> <p>a. Assess existing support facilities</p> <p>b. Identify the need for additional facilities</p> <p>c. Identify suitable locations for clustering of these facilities</p> <p>d. Recommend on training programs for local tour guides</p> <p>5. Identify professional tour operators providing sports</p>	<ul style="list-style-type: none"> <li>• Tourism business economics</li> <li>• Local infrastructure development</li> </ul>	<ul style="list-style-type: none"> <li>• Travel costs set at EUR 9,000 covering both international air travel and field travel in Croatia</li> <li>• Workshops and stakeholder meetings estimated at EUR 1,000</li> <li>• Contingency of about 10% of costs</li> </ul> <p><b>Consulting fee:</b> 9 person-months x EUR 10,000 = EUR 90,000</p> <p><b>Per diem:</b> 1/3 x 9 person-month x EUR 200 = EUR 18,000</p> <p><b>International travel / field trips:</b> Estimated cost: EUR 9,000</p> <p><b>Workshops/stakeholder meetings:</b> 6 events x EUR 1,000 = EUR 6,000</p> <p>Sub-total: EUR 123,000</p> <p>Contingency: EUR 12,000</p> <p><b>TOTAL FINANCIAL INPUT: EUR 135,000</b></p>	
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<p><i>fishing services in the region</i></p> <ul style="list-style-type: none"> <li>a. <i>Identify existing tour operators offering t sports fishing</i></li> <li>b. <i>Identify potential for new market entries</i></li> <li>c. <i>Advise on training programs for new entrants</i></li> <li>d. <i>Advise on how to attract new tour operators and other related tourism businesses to serve the sports fishing market</i></li> </ul> <p>6. <i>Develop an awareness programme for sports fishing opportunities for the national and international markets</i></p> <ul style="list-style-type: none"> <li>a. <i>Assess current marketing efforts to promote sports fishing in the region</i></li> <li>b. <i>Recommend on a mid-term marketing strategy</i></li> </ul>			
			<p><i>Preconditions</i></p> <ul style="list-style-type: none"> <li>•</li> </ul>

# **Project No. 8: Rural Tourism**

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## CONCEPT NOTE

### 1. Summary of the action

#### 1.1 *Brief description of the proposed action*

The **overall objective** of the project is to “increase the welfare of local population by creating a new tourism product/brand based on family owned and operated accommodation units located in authentic rural environment of the project area”.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. According to the 2001 census, the Lika-Senj County had a population of about 53,700 constituting only 1.2% of Croatia’s population, whereas the population of the Karlovac County amounted to 141,800 inhabitants, corresponding to 3.2% of the total population of Croatia . With an average population density of some 10 inhabitants per km<sup>2</sup> in the case of Lika-Senj County, and less than 40 inhabitants per km<sup>2</sup> in case of Karlovac County, the whole project area is one of the least populated areas in Croatia. Further, over a long time period, both Counties have been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends at this point in time represent probably the most significant threat to the long term economic and social development of the project area. Mostly as a result of unfavourable demographic situation, and according to the last available data (2004), the Karlovac and Lika-Senj Counties contributed only 2,3%, and 1,5% respectively to the national GDP.

In order to gradually reverse the unfavourable socio-economic situation and create foundations for more dynamic and sustainable growth of the economy of the project area in the coming years, ROPs of both counties have recognised tourism as one of the most prosperous economic sectors to focus on. In this regard, the main idea of the project is to develop a competitive niche market tourism product that would: (i) be attractive and appealing to both, national and international market, (ii) be able to disperse the tourism demand and accompanying receipts evenly throughout the project area, (iii) be appealing to the market not only during the summer season, but throughout the whole year, (iv) be strongly positively correlated with the process of self-employment and SME start-ups, (v) encourage preservation, revitalization and/or promotion of national heritage and (vi) not be damaging to the environment, but would preserve it for the generations to come. In this regard rural tourism, or, more explicitly, tourism in rural environment must be seen as one of most important tourism demand generators in the project area. Coupled with other complementing niche market tourism products (sport fishing, wildlife watching, hiking and biking), the development of a competitive tourism in rural environment product will result in gradual increase in tourism receipts and job creation throughout the project area.

On the other hand, **specific objectives** of the project are as follows:

1. *To ensure sustainable rural tourism development by means of identification of several clusters of family owned and operated agricultural properties (estates)*

The tourism potential of the whole project area has so far been largely underestimated. The existing tourism demand for the whole project area is, at present, clustered around two dominant brand identities: the “sun and sea” of the island of Pag) and the Plitvice Lakes NP. As a result, tourist demand for other parts of the project area is, at present, rather negligent, regardless of the abundant resource base (4 unspoilt rivers of the Karlovac County, North Velebit NP, mountain ranges of Velebit, Bjelolasica and Klek) and great potential for diversified tourist experiences. Tourism in rural setting is probably one of the most obvious choices. However, in order to ensure a sustainable development of rural tourism and more associated receipts over the long run, the project needs to (i) identify most suitable locations (sites) for the development of rural tourism

clusters, (ii) assess the maximum carrying capacity of each of the clusters, (iii) specify additional infrastructure needs, (iv) check for economic viability, (v) define marketing activities to be embarked upon to create national and international awareness of the new product, and (vi) propose product specific incentive schemes to attract the private sector's interest.

2. *To enrich the existing tourist offer through the preservation and/or revitalization of rural estates*  
 Apart from the Plitvice Lakes National Park and the island of Pag, tourist demand for most parts of the project area is, at present, rather negligent, regardless of the easy accessibility, abundant resource base and great potential for diversified tourist experiences. As a result of weak tourist demand, the existing offer of accommodation facilities in the area is both, undeveloped and undiversified. Therefore, in order to create necessary preconditions for increased and extended tourist visitation throughout the project area, a diversified offer of additional accommodation facilities need to be established. However, due to: (i) specific demographic conditions, (ii) diversified and dispersed resource base of the project area, (iii) strict regime of environmental protection in place, and (iv) growing market interest for niche market products, these accommodation establishments, in terms of style and atmosphere, need to appeal especially to the nature loving special interest groups and market niches. In this regard, the existing villages, scattered throughout the project area, represent a great natural setting for the development of a new, internationally appealing, type of tourist accommodation, based on preservation of traditional rural estates.

3. *To induce self-employment*

Apart from its demographic and socio-economic characteristics, one of the additional developmental constraints in the project area refers to lack of and/or insufficiency of existing infrastructure (water supply, sewage, gas, solid waste removal etc.) to support larger industrial projects that could account for considerable reduction in unemployment. In such circumstances, the best option for job creation lies in the sphere of SME start-ups and self-employment. Therefore, any project resulting in expected increase in self-employment has to be treated with due respect. In this regard, and taking into consideration not only the development constraints, but the development potential of the area as well, the project focusing on the development of tourism in rural areas has to be considered as one of the most logical and most cost efficient sources of self employment. Namely, the development of rural tourism implies not so much the establishment of new households/SMEs specialising in rural tourism, but much more the increased interest and market entry of already existing rural households which would expose themselves to additional sources of income.

4. *To increase the share of tourism in the GDP of the project area.*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, the provision of a strategic concept intended to boost the development of new and/or revitalisation of existing family owned rural estates deserves to be treated with special attention. Subsequent project implementation (product development and market commercialisation) will further induce the awareness building process on international markets and gradually increase the interest for the project area among various market segments. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

### **Justification**

The importance of tourism development, in which this project acts as one of the frontrunners, lies in the fact that there are no better alternatives to induce economic development and reverse long-term negative demographic trends in the region. Namely, the project implies a tourism development concept along the lines of sustainable development principles, protection/preservation and/or

revitalisation of traditional rural heritage, and a great opportunity for the acceleration of self-employment activity in the project area at very little additional cost. Further, subsequent implementation of the project according to the outlined strategy, implies a gradual increase in tourist visitation, resulting in increased tourism receipts in the region. As a result of this, additional awareness of the project area will be created, resulting in additional product development, further product diversification and tourism value chain formation. This will bring in even more tourism related receipts.

Increasing economic activity and rising tax proceeds will enable the local communities to ensure proper functioning of the (largely deceased) public services as well. The whole process should eventually reverse the unfavourable demographic trends.

An important component of the project is the improvement skills and know-how of the public sector employees in the field of project development, project management, and operational marketing.

In addition, the project incorporates an investment incentive scheme that will enable its successful implementation.

## **2. Relevance:**

### ***2.1 Needs and constraints of the target area***

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its reputation for sea-side tourism, the country has recently formulated a strategy that focuses more on the development of tourism in the continental part of the country as well. The orientation on tourism as a strategic development vehicle is also strongly emphasised in the ROP for both, Karlovac and Lika-Senj Counties. Namely, the SWOT analysis, carried out for the purpose of the respective ROPs, points out the “pristine natural environment” as a major strength, and the “inadequate use of natural resources” and “small and underdeveloped business sector” as the most obvious weaknesses of the project area in general. In case of the Lika-Senj County alone, these findings have led to the explicit formulation of the following strategic development objective - “*the promotion of the tourism sector as a key driver of development in the County*”. For the time being, economic development in both counties is still slow, especially in Lika-Senj. So is the case in employment. In order to ignite economic activity, the whole project area is badly in need of new and innovative project ideas, programmes and initiatives, especially if they do not require substantial investment. This project entails all the required elements and refers to the territory of both counties. Therefore, most of the expected positive effects of the project will be dispersed throughout the project area.

### ***2.2 Problems and needs***

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient skills to effectively manage the development of the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists and prolong their stay in the region. The combination of the above stated issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, the number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues. Further, the project would open up the region to increased international exposure, with various direct and indirect benefits associated.

### ***2.3 Target groups and final beneficiaries***

The target group consists of the Karlovac and Lika-Senj Development Agencies (applicant), Karlovac and Lika-Senj Counties (partners), HGK Karlovac and HGK Otočac (partners), as well as

Karlovac and Lika-Senj tourism boards (partners). All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive study of the potential for rural tourism development, but especially from the organisational, management, training and marketing support the project will focus on.

Final beneficiaries are the local authorities, individuals that are going to apply for incentive schemes related to development of small, family run, rural accommodation facilities, and the population at large. Namely, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives. Further, following its implementation, the project should result in a number of new, internationally appealing accommodation facilities. Their successful market commercialisation implies a steady increase in tourist arrivals and average length of tourist stay in the region, as well as an increase in average spent and tourism related receipts in general. This will directly affect the demand for personalised services of other destination management companies – SME businesses to be established (specialised accommodation providers, F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the wider area.

#### *2.4 Objectives and expected results*

The general objective is to “improve business-related infrastructure and to contribute to regional development”. This objective is implicitly met by this project proposal. The project is also directly associated with (i) modernisation/extension of existing (tourism related) infrastructure, (ii) SME and private sector development, (iii) job opportunity creation for local population, and (iv) training and technical assistance to both, public and private sector stakeholders so as to maximise the economic effects incorporated in the project itself.

Expected results, in terms of external (new) jobs, new SMEs established, increase in tourist receipts (and GDP/capita) are at this stage difficult to predict. However, there is great potential, especially if coupled with other projects aiming to increase and/or diversify existing tourism experiences in the project area. Nevertheless, the expected economic effects will not be immediate and will be directly correlated with the speed of project implementation.

A special feature of the project is its environmental dimension, which is expected to preserve the region from possible spatial misuses in the future.

#### *2.5 Added value of the action*

No other similar intervention in this field has so far been made public, so the added value may be estimated as close to 100%. Men and women should equally benefit from the project, especially younger and more entrepreneurial representatives of both genders. The project will help the Counties to make up for its lagging position and help it get closer to national averages in the field of GDP, employment and wealth in general.

### **3. Methodology and Sustainability**

#### *3.1 Main project activities*

The project contains four activity components. These are listed in the table below in a way to show the logical connection between the project’s objectives and the planned activities.



**Specific activities**

1. Identification of best locations for development of rural tourism clusters and determination of their carrying capacity
2. Assessment of additional infrastructure needs for identified locations (access roads, water supply, electricity, sewage...)
3. Assessment of economic viability of the whole project and its relationships with other development projects of special interest tourism products
4. Recommendations of an investment incentive scheme for local private investors

**Project component**

1. Undertake a survey to identify most suitable locations for rural tourism clusters
2. Undertake a survey to identify the need for additional infrastructure
3. Analyse various business models to ensure best economic viability
4. Attract local private sector investors

**3.2 Main implementing partners**

The entire set-up of the project has been designed so as to make sure that each partner can actively contribute his specific know-how, expertise and ideas as relevant input to the commissioned team of consultants. Activities have been defined in such a way that each partner has the opportunity to assist in providing information and creative input to the team of consultants during their work on the project. The very idea is to establish a dedicated group of stakeholders aiming towards a common goal: more prosperity for the project area through the diversification in the accommodation supply, resulting in a greater variety of tourism experiences. All partners on the project have known each other for many years, and have developed good working relationships.

**3.3 Sustainability**

With the implementation of the project and realisation of all necessary activities, the conditions for sustainability of the project will have been created. The applicant, Karlovac and Lika-Senj Development Agencies and their project partners will ensure: (i) the rural tourism clusters development process strictly follows the recommendations outlined in the Study, (ii) utilisation of a specially designed incentive package for the private sector investors, (iii) effective use of the county, town and municipal land.

Cooperation between the Karlovac and Lika-Senj Counties, as well as between other stakeholders involved in the project will be continued in the years following completion and subsequent implementation of this project. During the implementation, relevant institutions will arrange and re-arrange the relations between themselves in order to assure the best exploitation of the new tourism product. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability after the implementation of the project. Joint development of the project idea of the two local self-government units and involvement of other local and regional institutions is a new approach even at the level of preparation of this project. The joint project partners emphasise the strengthening of their real cooperation, rather than just a formal one.

**3.4 Multiplier effects**

The Study of the potential for development of rural tourism in Karlovac and Lika-Senj project area will provide a necessary regulatory framework and ensure a long-term sustainable rural tourism development in the project area. Once implemented, it will result in much needed diversification in the existing accommodation supply of the whole project area, and will result in increased tourist visitation and tourism related receipts. The whole process should be characterised by increasing rate of self-employment and SME business development that will spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

The human resources related investment component (training of various tourism related staff in local self-government units) will ensure high quality destination and spatial management and thus create necessary conditions for long-term sustainable development.

Additionally, the project should help the creation a more systematic approach to various regional tourism development issues.

Finally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on utilisation of idle and/or insufficiently used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

#### **4. Expertise and operational capacity:**

##### *4.1 Project management experience*

Karlovac and Lika-Senj Counties have both been involved in various development projects in recent years, some of which have dealt with EU donor agencies as well (e.g. the preparation of a joint Tourism Master Plan). During work on these development projects, both Counties have developed excessive expertise and project management skills required to successfully embark upon, manage and finalise even very sophisticated and complex projects. It is in this regard that we do not anticipate any potential problems with operational capacity to fulfil the objectives of this particular project.

Additionally, both Counties maintain a long-established cooperation with the Croatian Chamber of Economy, the Croatian Chamber of Trade and County economic departments. As self-government units, both Counties also have a continuous close cooperation with the Ministry of Economy, Labour and Entrepreneurship, the Ministry of Finance, the Ministry of Culture and other ministries and government funds (Regional Development Fund, Environmental Protection Fund and Development and Employment Fund) that might prove to be of relevance to the project.

##### *4.2 Technical experience*

Regardless of the fact that all the related partners in the project have a long track record in the sector of tourism, the core technical know-how for the project will be ensured by means of the engagement of experienced tourism planners (national and international), commissioned over a period of not more than 7 months. Providing cooperation with local stakeholders is established during every stage of work on the project, there should be no problems associated with the implementation of this project.

## I. FULL APPLICATION FORM

## 1. DESCRIPTION

## 1.1 Title

**Study of the potential for development of rural tourism in Karlovac and Lika-Senj project area**

## 1.2 Location(s)

Republic of Croatia, Karlovac and Lika-Senj Counties

## 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 151,000	EUR 116,000	% 76.8

## 1.4 Summary

Duration of the action	7 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To increase the welfare of local population by creating a new tourism product/brand based of family owned and operated accommodation units located in authentic rural environment of the project area.</p> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>▪ To ensure sustainable rural tourism development by means of identification of several clusters of family owned and operated agricultural properties (estates) <ul style="list-style-type: none"> <li>▪ To enrich the existing tourist offer through the preservation and/or revitalization of rural estates</li> <li>▪ To induce self-employment</li> </ul> </li> </ul> <p>To increase the share of tourism in the GDP of the project area</p>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>

Target group(s)	Karlovac and Lika-Senj Development Agencies <ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj tourism boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> </ul>
Final beneficiaries	Local population of Karlovac and Lika-Senj Counties All stakeholders of the tourism industry in the area of intervention Tourists and visitors
Estimated results	At the end of the project the locations best suited for rural tourism development in the project area will be identified, their carrying capacity determined and investment in additional infrastructure assessed. Alternative business models will be checked in order to achieve best economic viability.  A specific incentive scheme will be designed in order to ensure maximum investment interest, and attract local individuals to become private sector investors.
Main activities	<ul style="list-style-type: none"> <li>▪ A detailed survey for best suited locations for rural tourism development will be undertaken and their carrying capacity assessed</li> <li>▪ Additional infrastructure required will be specified</li> <li>▪ Economic viability for the whole project will be assessed</li> <li>▪ An investment incentive package will be developed and proposed</li> </ul>

## 1.5 Objectives

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The **overall objective** of the project is to “increase the welfare of local population by creating a new tourism product/brand based on family owned and operated accommodation units located in authentic rural environment of the project area”.

The Karlovac and Lika-Senj Counties have both been heavily affected by the Homeland War and were therefore categorized as Areas of Special State Concern. According to the 2001 census, the Lika-Senj County had a population of about 53,700 constituting only 1.2% of Croatia’s population, whereas the population of the Karlovac County amounted to 141,800 inhabitants, corresponding to 3.2% of the total population of Croatia . With an average population density of some 10 inhabitants per km<sup>2</sup> in the case of Lika-Senj County, and less than 40 inhabitants per km<sup>2</sup> in case of Karlovac County, the whole project area is one of the least populated areas in Croatia. Further, over a long time period, both Counties have been confronted with negative demographic trends (aging population, mortality rate in excess of birth rate), resulting in gradual depopulation. Unfavourable demographic trends at this point in time represent probably the most significant threat to the long term economic and social development of the project area. Mostly as a result of unfavourable demographic situation, and according to the last available data (2004), the Karlovac and Lika-Senj Counties contributed only 2,3%, and 1,5% respectively to the national GDP.

In order to gradually reverse the unfavourable socio-economic situation and create foundations for more dynamic and sustainable growth of the economy of the project area in the coming years, ROPs of both counties have recognised tourism as one of the most prosperous economic sectors to focus on. In this regard, the main idea of the project is to develop a competitive niche market tourism product that would: (i) be attractive and appealing to both, national and international market, (ii) be able to disperse the tourism demand and accompanying receipts evenly throughout the project area, (iii) be appealing to the market not only during the summer season, but throughout the

whole year, (iv) be strongly positively correlated with the process of self-employment and SME start-ups, (v) encourage preservation, revitalization and/or promotion of national heritage and (vi) not be damaging to the environment, but would preserve it for the generations to come. In this regard rural tourism, or, more explicitly, tourism in rural environment must be seen as one of most important tourism demand generators in the project area. Coupled with other complementing niche market tourism products (sport fishing, wildlife watching, hiking and biking), the development of a competitive tourism in rural environment product will result in gradual increase in tourism receipts and job creation throughout the project area.

On the other hand, **specific objectives** of the project are as follows:

*1. To ensure sustainable rural tourism development by means of identification of several clusters of family owned and operated agricultural properties (estates)*

The tourism potential of the whole project area has so far been largely underestimated. The existing tourism demand for the whole project area is, at present, clustered around two dominant brand identities: the "sun and sea" of the island of Pag) and the Plitvice Lakes National Park. As a result, tourist demand for other parts of the project area is, at present, rather negligent, regardless of the abundant resource base (4 unspoilt rivers of the Karlovac County, North Velebit National Park, mountain ranges of Velebit, Bjelolasica and Klek) and great potential for diversified tourist experiences. Tourism in rural setting is probably one of the most obvious choices. However, in order to ensure a sustainable development of rural tourism and more associated receipts over the long run, the project needs to (i) identify most suitable locations (sites) for the development of rural tourism clusters, (ii) assess the maximum carrying capacity of each of the clusters, (iii) specify additional infrastructure needs, (iv) check for economic viability, (v) define marketing activities to be embarked upon to create national and international awareness of the new product, and (vi) propose product specific incentive schemes to attract the private sector's interest.

*2. To enrich the existing tourist offer through the preservation and/or revitalization of rural estates*

Apart from the Plitvice Lakes National Park and the island of Pag, tourist demand for most parts of the project area is, at present, rather negligent, regardless of the easy accessibility, abundant resource base and great potential for diversified tourist experiences. As a result of weak tourist demand, the existing offer of accommodation facilities in the area is both, undeveloped and undiversified. Therefore, in order to create necessary preconditions for increased and extended tourist visitation throughout the project area, a diversified offer of additional accommodation facilities need to be established. However, due to: (i) specific demographic conditions, (ii) diversified and dispersed resource base of the project area, (iii) strict regime of environmental protection in place, and (iv) growing market interest for niche market products, these accommodation establishments, in terms of style and atmosphere, need to appeal especially to the nature loving special interest groups and market niches. In this regard, the existing villages, scattered throughout the project area, represent a great natural setting for the development of a new, internationally appealing, type of tourist accommodation, based on preservation of traditional rural estates.

*3. To induce self-employment*

Apart from its demographic and socio-economic characteristics, one of the additional developmental constraints in the project area refers to lack of and/or insufficiency of existing infrastructure (water supply, sewage, gas, solid waste removal etc.) to support larger industrial projects that could account for considerable reduction in unemployment. In such circumstances, the best option for job creation lies in the sphere of SME start-ups and self-employment. Therefore, any project resulting in expected increase in self-employment has to be treated with due respect. In this regard, and taking into consideration not only the development constraints, but the development potential of the area as well, the project focusing on the development of tourism in rural areas has to be considered as one of the most logical and most cost efficient sources of self employment. Namely, the development of rural tourism implies not so much the establishment of new households/SMEs specialising in rural tourism, but much more the increased interest and market entry of already existing rural households which would expose themselves to additional sources of income.

#### 4. *To increase the share of tourism in the GDP of the project area.*

Regardless of the present low share of tourism in the GDP of the project area, there is no doubt that tourism represents the most logical development option for the whole region due predominantly to: (i) great potential of the resource & attractions base, (ii) no other evident resources (comparative advantages) to build on, mostly due to (iii) extremely low population density with only a few larger urban centres. Hence, scarce local and regional public funds should be concentrated and utilised in a way to pave the way for the development of the competitive tourism industry. In this regard, and taking into consideration the need for long-term preservation of the unique resource base and sustainability, the provision of a strategic concept intended to boost the development of new and/or revitalisation of existing family owned rural estates deserves to be treated with special attention. Subsequent project implementation (product development and market commercialisation) will further induce the awareness building process on international markets and gradually increase the interest for the project area among various market segments. This, in turn, will result in a steady income stream to the region, new job opportunities, and increased welfare of the local population.

## 1.6 Justification

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### 1.6.1. Relevance of the action to the objectives and priorities of the programme

The Karlovac and Lika-Senj Counties are still among the less developed regions of Croatia as regards economic and social resources. The strategy for economic development of both Counties is defined by their respective Regional Operational Programmes (ROP). According to these documents, development of tourism is emphasised as one of the priorities of economic development of the whole Region. The emphasis on tourism development is logical: the whole project area is ecologically unspoilt (Plitvice lakes, North Velebit, and Paklenica National Parks, Nature Park Velebit), rich in tourism resources and with very low population density. Additionally, it is easily accessible (new motorway) to both, tourists and entrepreneurs. Finally, and taking into consideration possible environmental impact of alternative tourism development strategies, it should be clear that the exclusivity of the project area should be strictly controlled and maintained over the long run. In order to achieve this goal, the County should promote and encourage the development of tourism infra and superstructure well blended with the nature and in line with traditional architectural heritage. At the same time, the region should predominantly cater to the needs of specific, environment friendly and/or nature loving, market niches. In this regard, development of a rural tourism clusters should be one of a few selected nature based experiences that the project area should focus on in the long run.

To sum up, the proposed project will have a direct impact on:

- ➔ Provision of a well thought out strategy for the development of rural tourism in the project area;
  - ➔ Increase in the overall quality and diversity of the tourist accommodation offer in the project area;
  - ➔ Targeted market (re)positioning of the project area
  - ➔ Improved conditions for SME start-ups, new jobs creation and increase in tourism related receipts
  - ➔ Greater awareness of local population and stakeholders in the County of the importance to preserve traditional architecture and revitalise distinctive forms of national heritage (sustainable development principles);
  - ➔ Increased recognition of Karlovac and Lika-Senj Counties as internationally well known, competitive tourism destinations offering a multitude of tourist experiences in a preserved rural environment and pristine nature.

Following project completion, successful implementation of the project implies an increase in demand for state-aided investment packages. This increase in the investment activity of the local private investors should shortly be visible in a considerable amount of newly built/reconstructed

and/or revitalized rural households and/or estates, increasing number of visitors and related tourism receipts, the number of persons employed or self-employed in tourism, etc. Additionally, the proposed project is directly related with the following development criteria:

#### *1. Structured Development of Tourist Infrastructure*

The proposed project aims to create a necessary strategic framework needed for the long-term sustainable development of tourism associated infra and superstructure. More specifically, this project predominantly intends to create an investment friendly setting which will, in effect, enrich the existing tourism offer and diversity of market appealing accommodation establishments in the unique setting of preserved environment and traditional rural heritage. Once the project is completed, the local governments will dispose of an essential rural tourism development tool, consisting of a set of locations to be developed, concrete actions that need to be implemented (according to priorities) and organised in the format of an development guideline. By following the outlined development guidelines throughout the product development stage, local authorities will not only develop new, up to date tourism related infra and superstructure, but will at the same time ensure adequate usage of space, maximum protection of the environment, and minimum risk of poor investment decisions.

#### *2. SME and private sector development*

The implementation of the project will result in an increased number of successful new SME start-ups associated with the revitalisation and/or reconstruction of a relatively large number of tired/depressed rural properties/estates within the already existing villages throughout the project area. Apart from the fact that the increase in investment demand will spill over to other sectors of local economy (construction business, wholesale trade, crafts etc.), the very existence of a variety of market ready rural accommodation outlets will add to increased attractiveness of the project area and contribute to increased tourism receipts that will gradually induce new tourism related SME start-ups (multiplication effect), resulting in the formation of a well shaped tourism value chain.

#### *3. Job opportunity creation for local population*

Increased SME start-up activity in the Region naturally implies more job opportunities offered, although most of these will refer to family members. Although these job opportunities will initially be attributed to the rural tourism experience providers, the increase in tourism related receipts will gradually spur the overall economic activity in the region and spill over to other economic sectors as well, construction and agriculture in particular.

#### *4. Market (re)positioning*

Successful completion of the project will represent a starting point for new product development and the enlargement of tourist experiences offered in the project area. In this regard, the project area and the two Counties will be able to improve and/or redefine their present market positioning, emphasizing preserved environment, piece and quite, variety of accommodation facilities preserving traditional architectural style and heritage, and niche product development. Such new positioning will help the Counties to attract considerably more visitors i.e. focus on market segments that they would otherwise have neglected. A focused marketing and promotion strategy, on the other hand, implies more effective use of scarce funds, resulting, at the same time, with superior outcomes.

#### *5. Training and skills enhancement*

Training and skill enhancement refers predominantly to the dedicated staff at the level of partnering public institutions and relates to the areas of project management, product development, and marketing.

### 1.6.2. Perceived needs and constraints

In general, the Karlovac and Lika-Senj Counties have all the necessary natural preconditions to become a thriving area for tourism and leisure related activities. Yet, tourism development is still very slow and sporadic. This is caused by a combination of factors such as:

- lack of documentation necessary for structured tourism development (master plans, marketing plans)
- lack of public sources to fund tourism development
- lack of private sector investors with vision
- unfavourable demographic structure (old age groups prevail)
- outward migration of the young and educated
- insufficient funds to maintain and allow for improvement in infrastructure necessary for new investment in tourism
- lack of (tourism) infrastructure
- inadequate usage of state-aided financial schemes.

### 1.6.3. Target groups and final beneficiaries

The project directly targets the staff of the applicant (Karlovac and Lika-Senj Development Agencies), as well as a selected part of the staff in applicant's partner institutions - Karlovac and Lika-Senj Counties, HGK Karlovac and HGK Otočac, and Karlovac and Lika-Senj tourism boards. All of these institutions are expected to have manifold direct and indirect benefits, not just from the assessment of potential for the development of rural tourism, but especially from the organisational, management, and training component that will be incorporated in the project as well.

- Karlovac and Lika-Senj Development Agencies: 2 - 4 persons will be directly involved in the project activities, and respectively affected by the project. The main direct effect is that these persons will learn and gain experience on how to efficiently and professionally manage development projects, especially those associated with EU funding schemes
- Karlovac and Lika-senj Counties' tourism boards: all employees are in need of further training in project preparation, project management, fund raising and marketing.
- The Croatian Chamber of Economy regional units in Karlovac and Otočac: 2 – 4 persons will in particular benefit from activities foreseen under this project. The staff of the HGK will participate in workshops, provide input and assist in various concrete activities in the preparation of the final strategic document.

Final beneficiaries are:

Local authorities: Through implementation of this project the Karlovac and Lika-Senj County officials and the respective Development Agencies will dispose of a valuable strategic assessment of the project area's potential to develop rural tourism. This study will provide them with the assessment of best locations for rural tourism clusters, including their carrying capacity determination, as well as the assessment of additional infrastructure that needs to be provided in order to make rural tourism a competitive product. Further, on the basis of expected economic performance, economic viability of the whole project will be checked and investment incentive packages proposed so as to attract as much private sector interest as possible.



Owners of existing rural households, private investors in new and/or revitalized rural tourism related accommodation facilities/estates, other tourism related SME owners/operators: Following its implementation, the project should result in a steady increase in tourism demand, average length of tourist stay in the region, as well as average spent and tourism related receipts in general. This will directly affect the owners of existing accommodation and other tourism related businesses of different destination management companies – SME businesses (F&B outlets, retail outlets, travel agents, equipment rentals, attractions managers etc.) and thus an increase of employment and the overall standard of living in the project area and wider region.

The wider population of Karlovac and Lika-Senj Counties: The increased tourism revenues will, by means of increased tax proceeds, gradually spill over to the community at large, improving the level of public services (medical care, education, day-care, culture etc.) and the standard of living in general.

Finally, and most importantly, if implemented correctly and objectively, the project should ensure a long-term sustainable utilization of available development space, minimizing the threat of potential environmental damage related to “wild” and not properly guided/monitored development initiatives.

## **1.7 Detailed description of activities**

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### ***Component 1: Best locations for potential rural clusters are identified (in accordance with existing spatial plans) and their carrying capacity determined***

This component contains a set of activities aiming to identify best suited locations for the development of rural tourism clusters in the project area. It is foreseen that the survey of the area will be done by consulting experts in spatial planning and site development.

#### **1.1. Undertake a survey of potential locations best suited for development of rural tourism clusters**

The whole project area is abundant in locations which offer great potential for the development of rural tourism experiences. However, at this point in time, there have been no considerable attempts made to develop rural tourism as a market appealing niche product. This has directly affected the number of overnights and tourism related receipts in the whole project area. Therefore, in order to attract more (international) guests to the project area and offer them a memorable stay, development of rural tourism experiences, resulting in product diversification, enlargement and diversification of existing accommodation capacity is a logical step in responding to the market needs. However, taking into account spatial, environmental and/or infrastructural constraints, identification of suitable locations for the development of rural tourism clusters is pivotal. Alongside with identification of locations, the carrying capacity assessments will be made for each identified site in order to ensure both, exclusivity and environmental sustainability.

#### **1.2. Create a map of the area highlighting the selected locations and their total carrying capacity**

As a result of the survey, and after the locations/sites most suitable for rural tourism clusters have been identified, a detailed map of the area needs to be prepared, highlighting the locations and providing information on infra and superstructure facilities, amenities and services available.

### ***Component 2: Specify the infrastructure needs at the identified locations (access roads, water supply, sewage, electricity, etc.)***

Development of rural tourism clusters is, without doubt, associated with considerable investment in infrastructure as well. Based on the number of identified locations and their development, detailed specification of additional infrastructure is required, as well as an assessment of associated investment cost. It is foreseen that this particular assignment will be accomplished by consulting experts in infrastructure planning.

### **2.1. Assess infrastructure needs to establish viable rural tourism clusters and cost these**

Detailed survey of identified locations best suited for rural tourism development needs to be undertaken and additional infrastructure specified and cost.

### **Component 3: Assess economic viability for the whole project**

This component contains a set of activities aiming to determine economic viability of proposed rural tourism development including all identified locations. Total investment needs will be estimated, and expected economic performance projected. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism economics and business development.

#### **3.1. Assess potential market demand for each selected location**

Based on detailed market analysis, and focusing especially on special interest market niche demand, market potential for the development of rural tourism will be determined, catchment area specified and market segments to cater to identified.

#### **3.2. Conduct a survey of existing and propose new accommodation facilities in respect of rural tourism development**

Based on the assessment of market demand, a survey of already existing rural households/estates in the region will be undertaken in order to determine whether these establishments, in terms of quality and quantity, can adhere to the needs of the potential demand. This analysis will also provide crucial input whether some of the existing establishments can be expanded and/or improved to satisfy market demand requirements.

#### **3.3. Assess the economic viability of rural tourism development (based on forecasted future performance)**

Following the identification of locations best suited for rural tourism development, and the estimate of potential number of households that will be providing rural tourism experiences, total investment cost will be estimated (including possible funding sources), future economic performance forecasted (sales revenues, operational costs and expenses, profits, cash flow) and economic viability determined (IRR, net present value).

### **Component 4: Design an investment promotion programme including an investment incentive scheme for local private investors**

This component comprises of a set of activities needed to ensure maximum interest of the local private sector investors. In order to achieve this goal, an investment promotion programme and an investment incentive scheme need to be operational before the project reaches its implementation phase. It is foreseen that this particular assignment will be accomplished by consulting experts in tourism marketing and tourism business development.

#### **4.1. Recommend on an investment promotion programme to attract private sector accommodation providers**

The interest of local private sector investors to get involved in the development and/or revitalisation rural tourism households/estates in the project area is likely to be strongly positively correlated with the level of their understanding of the economic potential of the endeavour. In this regard, to be effective, the investment promotion programme needs to underline especially the fact that there is a growing international demand for this type of accommodation, especially among the special interest market niches that are going to represent the most significant market segment for the whole Karlovac and Lika-Senj project area.

#### **4.2. Recommend on an investment incentive package for SME development**

Taking into consideration the rather low level of economic activity in the project area, as well as the uneven distribution of wealth, in order to involve the local private sector as investors, there is much need for the introduction of specially designed state aided investment scheme. Such a scheme will

be based on the analysis of already existing state aids to the areas of special state concern, and the assessment of their suitability for this particular project.

## 1.8 Methodology

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### 1.8.1. Methods of implementation and reasons for the proposed methodology

To ensure effective project management and subsequent implementation, a structure has been devised that ensures (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with the above, a rather detailed description of the individual activities has been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. As a result of this, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, a Project Steering Committee will be installed that will supervise the entire project. The Steering Committee will receive regular (at least monthly) progress reports from the commissioned consulting teams, which will enable it to quickly react to any requirement for decision-making.

The project is divided in four separate components. The establishment of three Working Groups (WG) is foreseen. The division is logically based on types of activities: first WG will deal with all aspects of assessment and identification of suitable locations for the development of rural tourism clusters, including the assessment of additional infrastructure; second will deal with all aspects of economic viability assessment; third will deal with an investment promotion programme and investment incentive scheme to attract local private investors. The working groups will be staffed by at least 2 dedicated employees from each of the institutions representing partners on the project.

### 1.8.2. Relations with previous actions

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified and recommended for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. In this regard, this particular project will achieve best results if implemented with the rest of the projects identified by the Tourism Master Plan.

### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Measurable indicators of achievement<sup>15</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>16</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a regular basis by the Project Manager. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will advise on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The project manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the two working groups.

The Project Management Units of Karlovac and Lika-Senj County, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs will use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

#### **1.8.5. Roles and participation of the various actors**

The Karlovac and Lika-Senj Development Agencies, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Karlovac and Lika-Senj Development Agencies are the major institutions in charge of the implementation of the Tourism Master Plan for Karlovac and Lika-Senj Counties, and are the only appropriate institutions to initiate and implement the project like this.

The Counties of Karlovac and Lika-Senj are partners and an essential part of the project for obvious reason – the project is related to economic development of their territory and they should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

The County Tourism Boards (TBs) of Karlovac and Lika-Senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs are represented on the Steering Committee. The TBs are an essential part of the project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities set out by the marketing action plan.

The Croatian Chamber of Economy in Karlovac and Otočac are partners in the project. The Chamber offices in Karlovac and Otočac are active in promoting business development in the wider Karlovac and Lika-Senj region, and have a special interest in the project. The regional Chambers will each have a seat on the Steering Committee.

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<sup>15</sup> See Logical Framework

<sup>16</sup> See chapter 1.9

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), private tourism related business sector in the wider Karlovac and Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

#### **1.8.6. Team proposed for implementation of the action**

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- Development of rural tourism clusters
- Assessment of market potential for rural tourism
- Market projections
- Marketing and promotion of special interest (niche market) tourism, notably rural tourism
- Rural tourism related accommodation
- Rural tourism business economics
- Local infrastructure development

The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The working group members are expected to help the commissioned consultants in performing their work tasks.

#### **1.8.7. Main means for implementation**

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, Karlovac and Lika-Senj Development Agencies (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

## 1.9. Duration and action plan

The envisaged duration of the project will be 7 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:

# Activity

## 2.1 Expected impact on target groups/beneficiaries

The development of competitive rural tourism products is intended to serve predominantly the needs of various special interest market niches that should represent the prime market segments for the whole Karlovac and Lika-Senj project area.

Rural tourism typically represents second or third vacation in a year, lasts up to 10 days, and incorporates a set of activities and experiences organised by rural population on family owned households/estates in order to attract tourists and creation of additional income stream. Most common activities and/or forms of rural tourism are:

- ➔ *Agrotourism* – tourists observe and/or take part in traditional agricultural activities,
- ➔ *Nature based activities* – recreation and recuperation (horseback riding, cycling, hiking, wildlife watching, fishing, etc),
- ➔ *Eco-tourism* – activities related to the preservation of environment.

In the last 20 years Europe has established itself as the world leader in rural tourism (98% of all registered rural tourism related accommodation outlets) and is expected to remain so in the next 5 – 10 year period. The most recognisable rural tourism brands are those of France (Gites de France), Austria (Urlaub am Bauernhof) and Italy (Agroturismo). European rural tourism offer consists of some 190 thousand accommodation outlets containing 7 million beds<sup>17</sup>. Annual occupancy figures amount to some 25% on the average, whereas the prices in most prominent rural tourism destination range from 30 EUR per person daily. The largest demand generating countries for rural tourism experiences are France, Germany, Austria, Italy and Great Britain, representing over 75% of the total European rural tourism demand.

<sup>17</sup> *Hotel, Rural Tourism – Special Length Focus – Europe, August 2002.*

Using the existing and still rising market potential for rural tourism experiences, the project aims to create a framework for the development of a competitive rural tourism product that would in a structured and efficient way, in the shortest time provide necessary infra and superstructure necessary to cater to this attractive market niche. Additionally, the project establishes a framework for long term preservation of environmental sustainability, revitalisation of traditional rural households (national heritage) and creation of cost efficient self-employment opportunities. Finally, the development of rural tourism in the project area according to the project recommendations, will ensure a significant increase in tourist visitation to the Karlovac and Lika-Senj Counties, with numerous positive economic and social effects.

The increasing number of tourists in the project area will considerably increase the demand for related services, resulting in the acceleration in the overall small and medium-size businesses start-up rate, not only in the services sector. The new SME start-up activity will inevitably further improve the existing tourist offer of the whole region and will affect its economic growth. This growth should be evenly spread across the whole territory of the wider project area.

Further, due to the expected increase in the number of SMEs, as well as gradual rejuvenation in the overall economic activity, the project will lead to creation of additional employment opportunities. This will considerably reduce the high unemployment rate and spur business optimism across the entire project area. This should considerably slow down the outflow of active workforce from this region in the mid-term period, and lead to a gradual return of educated and skilled workers (younger age brackets). Such an outcome will in the long-run reflect itself positively in the demographic sphere as well by means of a positive natural population growth.

During work on project, the applicant and its partners will obtain new knowledge and skills required for the implementation of similar projects in the near future. These skills will help them to initiate other activities related not only to additional diversification of the tourism product in the project area, but that will positively affect the local economy. This, in turn, implies an increase in the standard of living of the local population.

The project will also help in improvement of existing and creation of new tourism infrastructure, which will not only be serving the needs of the tourism related market demand, but which will cater to the needs of the local population as well.

Finally, the project offers considerable enhancement in skills of dedicated personnel in the public sector. It is expected that these individuals pass on their knowledge to their colleges, employees and/or other stakeholders in the region. In other words, the individuals involved in the skills enhancement program related to this particular project will be able to act as trainers (coaches) to the community at large.

To sum up, direct expected results of the project are as follows:

- ➔ Identification of at least 3 locations suitable for rural tourism development
- ➔ Sustainable use of development space and minimum risk of spatial mismanagement
- ➔ An investment promotion programme suited to attract local investors
- ➔ An investment incentive programme suited to the needs of local investors
- ➔ Increase of skills and know how in project preparation, implementation and management
- ➔ An increase in visitor satisfaction, resulting in repeated visitation and image enhancement (word of mouth)

Taking into consideration the above stated, it is pretty obvious that the major beneficiaries of this project, apart from the project partners, will be the vast majority of population. However, the individuals that will get involved in the development of rural tourism product expected to be more exposed to the benefits of the project than those that will not take an active part in it. Nevertheless,

by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into 4 components. The list below does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

### **Component 1: Identify best locations for rural tourism clusters and determine their carrying capacity**

- 1.1. An inventory of suitable locations in the project area
- 1.2. Estimation of maximum carrying capacity of each identified location
- 1.3. Detailed map of selected locations, offering information on available facilities and amenities

### **Component 2: Assess the infrastructure needs at the identified locations (access roads, water supply, sewage, electricity, etc.)**

- 2.1. Specification of additional infrastructure needed and an estimation of associated investment cost

### **Component 3: Assess the economic viability for each of the selected locations**

- 4.1. Projection of potential market demand
- 4.2. Assessment of validity of existing households/estates and the assessment of new rural tourism related accommodation needs
- 4.3. Economic viability assessment of the propose rural tourism development concept (based on expected future performance)

### **Component 4: Design an effective investment incentive scheme for local private investors**

- 4.1. Proposal of an investment promotion programme to attract local private sector investors
- 4.2. Proposal of an investment incentive package intended to improve the SME development

## 2.3 Multiplier effects

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The tourism industry is constantly in search of new destinations and attractive natural resources. Croatia has, so far, been known for its coastal tourism, with its continental part being still practically undiscovered, especially by the international tourism demand. With its unique natural resources and low population density, Karlovac and Lika-Senj Counties offer great potential for tourism development, especially in the area of green-field investment. This is especially the case for special interest tourism products targeting nature loving niche markets. The structured development framework and subsequent development of rural tourism clusters at best suited locations throughout the project area will considerably increase international awareness of the tourism potential of the Karlovac and Lika-Senj Counties and, by means of cross-selling, additionally open up the Region for increased tourist visitation. In order to protect the sensitive environmental balance over the long run, the principles of sustainable development should be strictly adhered to. Moreover, the project shall preserve the environment and ensure the project area will be equally interesting for organised groups and individuals seeking for a hideaway.

The Karlovac and Lika-Senj Counties are currently facing high unemployment rates. Therefore, all possibilities for creating new jobs are of utmost importance. The project itself, once it comes to its implementation phase, will generate a considerable amount of directly and indirectly induced jobs and self-employment opportunities.



Finally, one should not overlook the fact that increased interest for the Region implies additional awareness and promotion for Croatia as a tourism destination, with all accompanying positive effects on job creation, GDP/capita and infrastructure development.

## 2.4 Sustainability

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### 2.4.1. Financial sustainability

With the completion of the project and realisation of all mentioned activities, the conditions for sustainable development of several rural tourism clusters in the project area will have been created. The applicant, Karlovac and Lika-Senj Development Agencies and their project partners will ensure additional funds for the development of required public infrastructure, whereas accommodation capacity will be provided for by means of a tendering process specially crafted for individual private sector investors. The tender will be accompanied by a specially designed state-aided investment package.

### 2.4.2. Institutional sustainability

Cooperation between the Karlovac and Lika-Senj Counties, as well as between their respective Development Agencies (the applicant) and other partners in the project will be continued after the completion of this project. Following project completion, all involved institutions will arrange and re-arrange the relations between themselves in order to assure best and most effective project implementation. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability in the implementation stage of the project

### 2.4.3. Policy issues

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

## 2.5 Logical framework

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Please see Annex A

## 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of **EUR 116,000.00** and can be decomposed as follows:

### 3.1 Consultancy fees

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The required provision of international and local consulting services is estimated at 8 person-months. The time input is estimated to be split approximately equally between international and local consultants at an average consulting fee at EUR 10,000 per month. Consequently, the consultancy fees are estimated at **EUR 80,000.00**.

### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been estimated at 80 at EUR 200 per day, resulting in total per diems in amount of **EUR 16,000.00**.

### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (5), and a estimated cost of 1,000.0 EUR per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 5,000.00**.

### 3.4 International travel / field trips

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Based on available information on similar projects, total travel cost has been estimated on a lump sum of **5,000.00 EUR**.

### 3.5 Contingency

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Contingency has been budgeted in amount of **EUR 10,000.00** (or about 10% of EUR 106,000, the sum of all previously specified costs.)

## 4. EXPECTED SOURCES OF FUNDING

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.

The rent of venues for meetings and workshops is estimated at EUR 2,000.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 28,000.

The total contribution of the beneficiary amounts, thus, to **EUR 35,000.00**

## Annex 1: Logical Framework Matrix

Project Title: <i>Study of the potential for development of rural tourism in Karlovac and Lika-Senj project area</i>	Programme number:		Priority project number: 8
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 151,000	EU budget: EUR 116,000	
<b>Overall Objective</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	
<ul style="list-style-type: none"> <li><i>Increase the welfare of local population by creating a new tourism product/brand based on family owned accommodation units located in authentic rural environment and preserved rural heritage of the project area</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Increased tourist demand for the project area</i></li> <li><i>Increased number of tourist nights spent in the region</i></li> <li><i>Increased tourism receipts and increased contribution from tourism to the regional GDP</i></li> <li><i>Increased number of registered tourism related SMEs</i></li> </ul>	<ul style="list-style-type: none"> <li><i>County statistical reports (Central Bureau of Statistics)</i></li> <li><i>Tax administration reports</i></li> <li><i>Croatian Employment Office reports</i></li> <li><i>Business registration reports</i></li> <li></li> </ul>	
<b>Specific objectives</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li><i>To identify and prepare documentation for the establishment of several clusters of privately owned and managed agricultural properties (estates) suitable for agro tourism</i></li> <li><i>To induce SME development (coupled with self employment)</i></li> <li><i>To enrich the existing tourist offer through the preservation and/or revitalization of rural estates</i></li> <li><i>To increase the tourism share in the GDP of the project area</i></li> </ul>	<ul style="list-style-type: none"> <li><i>At least 10 locations suitable for agro tourism clusters will be identified during work on the project</i></li> <li><i>Improved visitor satisfaction of tourists to the region</i></li> <li><i>Increase in agro tourism overnight stays in the region</i></li> <li><i>Increased tourism receipts stemming from agro tourism</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Entrepreneurship register</i></li> <li><i>Business register of the Chambers of Economy and Chamber of Small Trade and Crafts</i></li> <li><i>Annual NOMS visitor surveys conducted by the Institute for Tourism</i></li> <li><i>Annual reports of the Ministry of Tourism and local tourism boards</i></li> <li><i>Promotional material</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Perception of Croatia as an attractive tourism destination</i></li> <li><i>Political backing to agro tourism development is forthcoming</i></li> <li><i>Economic conditions in potential feeder markets do not suffer major setbacks</i></li> </ul>
<b>Results</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ol style="list-style-type: none"> <li><i>Identification of best locations for the development of rural tourism clusters (in accordance with existing spatial plans) and their carrying capacity determined</i></li> </ol>	<ul style="list-style-type: none"> <li><i>At least 3 agro tourism clusters identified within the project area for potential development</i></li> <li><i>Local private investors incentive packages</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Project documentation and independent evaluation reports</i></li> <li><i>Promotion programmes</i></li> <li><i>Track record of contacts with tour operators</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Spatial plans exist and allow for development in selected locations</i></li> <li><i>Incentives to encourage SME development provided by the relevant</i></li> </ul>

<p>2. <i>Assessment of infrastructure needs for identified locations (access roads, water supply, sewage, electricity, etc.)</i></p> <p>3. <i>Assessment of the economic viability of the whole project and its relationships with other development projects of special interest tourism products</i></p> <p>4. <i>Recommendations of an investment incentive scheme for local private investors</i></p>	<p><i>developed</i></p> <ul style="list-style-type: none"> <li>● <i>Contact with at least 5 inbound tour operators is made and the project area is featured in their tour portfolio</i></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Newspaper articles</i></li> <li>● <i>Minutes from workshops and stakeholder meetings</i></li> </ul>	<p><i>authorities</i></p>
Activities	Means	Costs	Assumptions
<p>1. <i>Identification of most suitable locations for potential development of rural clusters (in accordance with existing spatial plans) and determination of their carrying capacity</i></p> <p>a. <i>Undertake a survey of potential locations best suited for development of agro tourism product</i></p> <p>b. <i>Create a map of the area highlighting the selected locations and their estimated carrying capacity</i></p> <p>2. <i>Identification of infrastructure needs at the identified locations (access roads, water supply, sewage, electricity, etc.)</i></p> <p>a. <i>Assess infrastructure needs and estimate their costs</i></p> <p>3. <i>Assess the economic viability of potential developments at the identified locations</i></p> <p>a. <i>Assess the potential market demand for the identified developments</i></p> <p>b. <i>Conduct a survey of existing and proposed new accommodation facilities in respect of agro tourism</i></p> <p>c. <i>Assess the economic viability of existing and proposed new accommodation facilities</i></p> <p>4. <i>Design an investment promotion programme including an incentives scheme for local private investors</i></p>	<p><i>Provision of eight (8) person-months of international and local consulting services covering the following areas of expertise (a consultant may cover several areas of expertise):</i></p> <ul style="list-style-type: none"> <li>● <i>General tourism planning and product development</i></li> <li>● <i>Development of small accommodation facilities</i></li> <li>● <i>Spatial and land use planning</i></li> <li>● <i>General infrastructure development</i></li> <li>● <i>Tourism economics and business development</i></li> <li>● <i>Assessment of market potential and market projections</i></li> <li>● <i>Marketing and promotion</i></li> </ul>	<p><b>Estimated project costs:</b></p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>● <i>Time input split approximately equally between international and local consultants at average consulting fee at €UR 10,000</i></li> <li>● <i>€C per diem rate of €UR 200 for Croatia is applied</i></li> <li>● <i>Number of per diem days set at one third of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</i></li> <li>● <i>Travel costs set at €UR 5,000 covering both international air travel and field travel in Croatia</i></li> <li>● <i>Workshops and stakeholder meetings estimated at €UR 1,000</i></li> <li>● <i>Contingency of about 10% of costs</i></li> </ul> <p><b>Consulting fee:</b>  <i>8 person-months x €UR 10,000 = €UR 80,000</i></p> <p><b>Per diem:</b></p>	<ul style="list-style-type: none"> <li>● <i>Supporting environment for entrepreneurship on the national and regional level</i></li> <li>● <i>Dedicated support from local administration</i></li> </ul>

<p>a. <i>Design an investment promotion programme to attract private accommodation providers</i></p> <p>b. <i>Recommend an investment incentive package for SME development</i></p>		<p><math>1/3 \times 8 \text{ person-month} \times \text{EUR}_{200} = \text{EUR}_{16,000}</math></p> <p><b>International travel / field trips:</b>  <i>Estimated cost: EUR<sub>5,000</sub></i></p> <p><b>Workshops/stakeholder meetings:</b>  <math>5 \text{ events} \times \text{EUR}_{1,000} = \text{EUR}_{5,000}</math></p> <p><i>Sub-total: EUR 106,000</i></p> <p><b>Contingency: EUR<sub>10,000</sub></b></p> <p><b>TOTAL FINANCIAL INPUTS: EUR 116,000</b></p>	
			<p><b>Preconditions</b></p>

# **Project No. 9: Community Awareness**

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## CONCEPT NOTE

### 1. Summary of the action

#### *1.1 Brief description of the proposed action*

The area of Lika-Senj and Karlovac Counties (project area), shows negative demographic and economic trends, especially after the recent war, which affected 70 per cent of the area's territory. The County of Karlovac, whose 70% of territory was affected by the war, lost one fourth of its populations in the period from 1991 to 2001. With 149 thousand inhabitants, of which two fifths live in Karlovac, the area has low population density. Similar is in the Lika-Senj County, whose population is about 53 thousand or 37% less than it was in 1991. Traditionally, population lived of agriculture and manufacturing industry, predominantly timber exploitation and production, both of which are in a steady decline. Consequently, 57% of labour force in Karlovac and 63% in Lika-senj County are unemployed or inactive. Furthermore, the educational structure is also poor – with 24% in Karlovac and 52% in Lika-senj counties having no more than elementary schooling.

However, the region is blessed with the pristine nature (three national parks and one nature park) and unique cultural heritage that the stakeholders of the project region have recognised as a great asset for tourism development. The tourism development has been defined as one of the top development priority in their ROPs and, subsequently, the Tourism Master Plan has been developed (CARDS 2006). However, through the consultation with stakeholders (interviews, workshops) conducted during the development of the Master plan, it transpired that the among the three main obstacles for tourism development one pertains to the human resources available and, in particular, to the lack of the entrepreneurial spirit among local population, coupled with the low awareness of the tourism's potential benefits among both population in general as well as among the community leaders and public-sector employees.

Against this background, the overall objective of the project is to contribute to the development of favourable conditions for long-term sustainable increase in tourism receipts to ensure the social and economic welfare of the region. This should be done in a way that would ensure the long-term sustainable socio-economic development.

More specifically, this will be achieved through: a) improved awareness of tourism's ability to generate employment and economic development among the local population and tourism stakeholders, b) contribution to improved quality service standards in the tourism sector and increased guest satisfaction and c) improved awareness of tourism resources, attraction, activities and experiences available for visitors among local population.

The project will, firstly, ensure that the general public and local entrepreneurs are aware of the tourism potentials to generate business and employment opportunities as well as economic benefits to the region, thus increasing the interest and know-how to set up tourism-related business enterprises. This is important for the project area, as tourism development proposed and adopted by the stakeholders of the project area rests on developing several highly targeted niche tourism products – sport fishing, hiking and cycling, wildlife watching, medieval heritage trails. These products and their quality depends on a mix of its components – accommodations, guides, transport, equipment sales and service, restaurants, local food produces, brochures and maps, interpretation - all of these creating entrepreneurial and job opportunities for local population. As much of these opportunities and their economic and employment potential are not readily apparent or visible to the local population, the first major results achieved by the proposed project will be to create awareness of tourism's ability to generate employment and of specific business opportunities opening up among the resident population.

Secondly, the success of the tourism development approach adopted by the stakeholders – targeting well defined and carefully selected niche markets – rests on the premise that tourists will be highly satisfied and, will, therefore, be turned into regular and loyal visitors. Therefore, the

second result of the project will be to ensure improved service quality delivered by people working with tourists and overall friendly attitudes of locals towards visitors, regardless whether they are involved directly or not with tourism. That this component is recognised as highly important to stakeholders testifies the fact that they have had it inbuilt in their vision statement crafted in the process of Tourism Master Plan development where the three pillars of their tourism development are: diverse tourism resources, friendliness of locals and long-term sustainable development.

Finally, at this initial stage of tourism development the area is faced by the low level of market recognition which can not be improved significantly in the short to medium run, due to the extremely scarce marketing budget. With this project, through ensuring that the residents are aware of the tourism development, products, attractions and experiences available, the project seeks to mobilise them to promote the region through their network of the outside the region contacts. With this, the residents pride in the area will also increase and the project will contribute to building a social cohesion among its residents.

### **Justification**

The importance of tourism development, in which this project acts as one of the frontrunners, lies in the fact that there are no better alternatives to induce economic development and reverse long-term negative demographic trends in the region. Namely, the implementation of the project implies increased tourist visitation and increased tourism receipts in the region. For this to be achieved, locals need to recognise potential investment and (self)employment opportunities created through tourism development which is often difficult, as much of these opportunities are not readily visible and need to be communicated directly to the entrepreneurs and population in general. Equally important, residents of the project area are poorly informed about tourism products and experiences available in the region – they need to be educated on tourism resources and ways to promote tourism in their destinations – this will contribute to both, better tourism promotion on the one hand and increased awareness of investment potentials on the other. Finally, the sustainable tourism development rests, among else, on the ability of stakeholders to achieve high, and consistent service quality.

Apart from the regional development framework, a need for an awareness program is recognised in the Strategic Marketing Plan of Croatian Tourism implemented by the Croatian National Tourism Board (CNTB). Following the recommendations made by the Plan, in 2003, the CNTB launched a campaign under the slogan “Man – key to success in tourism”. The importance of tourism awareness programs aimed at local communities has also been recognised world-wide, culminating in 2006 when the World Tourism Organisation launched campaign “Tourism Enriches” aimed at general public promoting economic benefits of tourism and the fact that money earned from tourism, directly or indirectly, benefits all resident of tourism destinations. The UN-WTO strongly recommended that the regional programmes be drafted and implemented.

An important component of the project is the improvement of skills and know-how in the field of project development, project management, and operational marketing, as stakeholders will be involved in the entire process of community awareness building and will be equipped to continue with these activities beyond the life of the project.

## **2. Relevance:**

### *2.1 Needs and constraints of the target area*

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its reputation for sea-side tourism, the country has formulated a strategy to develop the continental tourism as well. These strategic notions are also strongly emphasised in the ROP for both, Karlovac and Lika-Senj Counties, in which the SWOT analysis points out the “pristine natural environment” as a major strength, and the “inadequate use of natural resources” and “small and underdeveloped business sector” as the most obvious weaknesses. In case of the Lika-Senj county, these findings



have lead to the explicit formulation of the following strategic development objective - *“the promotion of the tourism sector as a key driver of development in the County”*. Economic development in both counties is slow, especially in Lika-Senj. The whole project area is badly in need of new project ideas, programmes and initiatives, especially related to the tourism sector development. A fundamental to this is to make them aware of the tourism development plans for the region and engage them in the process. However, having in mind the scarce internal resources, it would be impossible to realise it without substantial external funding. The project refers to the territory of both counties. Therefore, most of the expected positive effects of the project will be dispersed throughout the project area.

Acting upon the ROP's strategic objective for promotion of the tourism sector, the Tourism Master Plan has been formulated, where ten projects have been defined as a priority for development: five of which relate to the product development and five which relate to the development of supporting tourism services and infrastructure. These ten projects offer a solution to most of the above addressed issues. The project proposed here is among the five supporting tourism services and infrastructure projects and is considered by stakeholders to be a fundamental tourism development building block given the low level of experience with tourism and therefore, poor comprehension of the tourism's potential to offer them with business opportunities, create jobs, induce wider socio-economic benefits through its multiplying effect while, at the same time, ensure preservation of the environment that is one of their uppermost concerns.

## 2.2 *Problems and needs*

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived.

The tourism awareness project is needed to overcome the several major problems identified by the stakeholders through workshops and consultations as the barriers to significant tourism development: a) insufficient organisational, management and marketing capacities in the tourism sector, b) public sector which does not understand the tourism development principles and is, therefore, unable to allocate the funds appropriately or to draft the appropriate support policies and measure and c) lack of entrepreneurial spirit by the local population to spur tourism development. Subsequently, the tourism infra and superstructure is under-developed and there is a lack of products able to attract significant number of visitors and the ample tourism resources are not utilised for economic development. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues by building a strong foundation on which to develop tourism. Further, it would open up the region to increased international exposure, with various indirect benefits associated.

Against this background, the needs are therefore: (i) to increase awareness of the general public and local entrepreneurs of tourism potential to generate business opportunities, employment and economic development (in the areas proposed by the Tourism Master Plan), (ii) to increase interest and know-how of entrepreneurs to set up tourism related businesses, (iii) for the community as a whole to be aware of social and economic benefits related to tourism and to prepare them to contribute to this development process, (iv) to educate community members of products and services available in the region and ways to promote the tourism destinations of the project area and, finally, (v) to increase hospitality of employees in tourism and tourism-related service sectors and to make them aware of the role that they play in the tourism value chain creation.

## 2.3 *Target groups and final beneficiaries*

The target group consists of the Development Agency of the two counties, Karlovac and Lika-Senj Counties - DAs (partners), Chamber of Economy - Karlovac and Chamber of Economy - Otočac (partners), Chamber of Trades and Crafts of the two counties (partners), as well as Karlovac and Lika-Senj County Tourism Boards (partners). All of them are expected to have direct and indirect

benefits, not just from the comprehensively formulated tourism awareness campaign, but especially from the organisational, management, training and marketing support the project will focus on.

The final beneficiaries are:

- Entrepreneurs/SME operators – will benefit by being informed of the tourism development plans and initiatives from where they will get ideas for new products and services that can be offered
- County and municipal governments – through better understanding of tourism development potential they will be able to be of greater assistance to the private sector. Equally important, the project should generate more business activity and increased tax revenue and, therefore, their budget for reinvestment into overall economic and community development projects will be increased
- Two counties tourism boards and municipal tourism boards – by having better informed private sector of the tourism related investment potential and, eventually, more solid tourism infra and superstructure to attract visitors who will stay longer and spend more, by having better informed population of the cultural, leisure and recreation opportunities that will promote the project area through the informal – word of mouth – promotion. Equally important, the legislation pertaining to the tourism boards functioning stipulates that it is one of the TB task to promote the value of tourism to the local communities. With the know how transfer in implementing this project and forecasted improved financial performance of the tourism sector, they will get the necessary know how to continue with the tourism awareness activities in the coming years
- Employees in hospitality sector – by providing them with the skills to improve the service quality and by developing an understanding of their role in the tourism value chain creation, they will achieve greater job satisfaction and become more motivated to improve the quality of service that they deliver
- Residents in general will benefit directly, through more employment opportunities and indirectly through the greater economic activity that will increase the overall quality of life, the improvement in the range of cultural, leisure and recreational opportunities in which they can participate and through the creation of greater civic pride associated with the fact that their area is desirable tourism destination
- Visitors to the area in terms of wider range of products and experiences available in the project area and improved quality of service that they will receive.

#### 2.4 *Objectives and expected results*

The overall objective is to contribute to the development of favourable conditions for long-term sustainable increase in tourism receipts in order to ensure the social and economic welfare of the region. Specific objective of the project is to improve the awareness of tourism's ability to generate employment and economic development among the local population and tourism stakeholders, and contribute to improved quality of service in the tourism sector ensuring, thus, increased guest satisfaction.

In particular, results that are to be expected are: a) increased awareness among the general public and local entrepreneurs of tourism potential to generate business opportunities, employment and economic development; b) increased interest and know-how of entrepreneurs to set up tourism related businesses; c) an awareness of social and economic benefits of tourism development, both direct and indirect, is created in the communities of the project area who, then, more readily support and contribute to the tourism development; d) community members are informed of tourism attractions, products and experiences of the project area and are promoting them actively through the word of mouth promotion; e) increased hospitality of employees in tourism and tourism related services as a results of being made aware of their role in the overall tourism value chain creation

Benefits that the project will bring are: (i) an increased interest in investing and participating in tourism development through mobilising the entrepreneurs of the project area and steering them

towards developments aligned with the Tourism Master Plan, (ii) increase in the variety of new products and services (appropriate accommodation facilities, restaurants, retail especially of local art, craft, food and beverages produces, specialised rental facilities, specialised guides, visitor information centres and similar), resulting in improved visitor satisfaction and, therefore, (iii) creation of loyal and repeat visitors and accompanied increased in tourism receipts in the project area.

The promotion of the region will also be stimulated by motivating the resident population to promote the project area tourism opportunities through the word of mouth. Lastly, but equally important, the quality of life for the local population will be increased – business opportunities and job creation will contribute towards the improvement in the economic conditions, but also the citizens of the project area will gain improved pride by their region being popular among visitors and also wider range of leisure, recreation and cultural opportunities as many products and services that will be developed for tourism will also serve the local residents.

### *2.5 Added value of the action*

No other similar intervention in this field has so far been made public, so the added value may be estimated as close to 100%. Men and women should equally benefit from the project, especially younger and more entrepreneurial representatives of both genders. The project will help both Counties to make up for their lagging position and help them get closer to national averages in the field of GDP, employment and wealth in general.

## **3. Methodology and Sustainability**

### *3.1 Main project activities*

The project contains five activity components:

1. Create awareness among local entrepreneurs about overall tourism development potential of the project area, of the benefits that tourism development created and the business opportunities that this development offers for them
2. Motivate entrepreneurs to invest in tourism-related businesses through workshops and distribution of the appropriate educational packages and inform them of the investment support schemes available
3. Conduct tourism awareness campaign for the community in general to inform them about tourism development plans, inform them on how this development can benefit them both directly and indirectly and ensure their support for tourism development initiatives
4. Increase the awareness of community members of tourism products and services available in the region so that the community members are, actually, tourism ambassadors of the project area, especially important as the funds for tourism promotion, at least initially, are scarce
5. Train the tourism and tourism-related service sector employees in general hospitality and increase their understanding of the role that they have in the tourism value chain

### *3.2 Main implementing partners*

The lead partners are the Development Agency (DAs) of the Karlovac and Lika-Senj counties, set up as a body responsible for the implementation of the Tourism Master Plan. TDAs staff has been sourced from the Project Management Units of the two counties and have a good track record in project management as well as working with donor agencies.

The main partners are: a) tourism boards of two counties – they have experienced in managing the donor funded project, have been project coordinators of the Tourism Master Plan and are in charge of tourism product promotion of their counties; b) the two Chambers of Economy – they bring together private sector enterprises and their association; c) Chambers of Small Trade – they advocate the interest of SMEs and within them a number of profession based associations operate (i.e. restaurant, retail).

The entire set-up of the project has been designed so as to make sure that each partner can actively contribute the specific know-how, expertise and ideas as relevant input to the team of consultants that will be asked to help on the project. Activities have been defined in such a way that each partner has the opportunity to assist and provide information and creative input to the team of consultants during their work on the project. The very idea is to establish a dedicated group of stakeholders aiming towards a common goal: more prosperity for the project area through diversification of tourism experiences. All partners on the project have known each other for many years, and have developed good working relationships.

### 3.3 *Sustainability*

With the implementation of the project and realisation of all necessary activities, the conditions for sustainability of the project will have been created. The applicant, the Development Agencies –DAs and their project partners will ensure the implementation of the tourism awareness campaign and its sustained activities over the long run, once they gain the necessary skills and competence in this area.

Cooperation between the Karlovac and Lika-Senj Counties, as well as between other stakeholders involved in the project will be continued in the years following completion and subsequent implementation of this project. During the implementation, relevant institutions will arrange and re-arrange the relations between themselves in order to assure the best implementation of the Tourism Master Plan and activities defined by the Plan. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability after the implementation of the project. Joint development of the project idea of the two county government units and involvement of other local and regional institutions is a new approach even at the level of preparation of this project. The joint project partners emphasise the strengthening of their real cooperation, rather than just a formal one.

The project will result in a completely defined, actionable tourism awareness campaign. The project will be sustained as it is stipulated by legislation where one of the tasks of the tourism board is to promote the value of tourism to the community at large and, once the stakeholders gain the necessary know how and action plan to continue and expand the activities, it will become one of their routine task to implement the tourism awareness activities.

### 3.4 *Multiplier effects*

The established tourism awareness promotional framework will lead to an enlarged and more diversified tourist offer in the whole project area. Also, it is expected that the initial increase in tourist visitation associated with the accelerated tourism development initiated partly through the campaign spill over to tourism market niches for which the project area offers great experience opportunities as well (wildlife watching, hiking, biking, tourism in rural environment etc.) proposed by the Tourism Master Plan. The whole process should be characterised by dynamic SME business development that will spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

The human resources related investment component (training of various tourism related services providers and local self-government units) will ensure high quality destination and spatial management and thus create necessary conditions for long-term sustainable development.

Additionally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces

in opening new economic development prospects based on utilisation of idle and/or insufficiently used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

#### **4. Expertise and operational capacity:**

##### *4.1 Project management experience*

TDA of Karlovac and Lika-Senj Counties have both been involved in various development projects in recent years, some of which have dealt with EU donor agencies as well. Working on these development projects, both TDAs have developed extensive expertise and project management skills required to successfully embark upon, manage and finalise even very sophisticated and complex projects. It is in this regard that we do not anticipate any potential problems with operational capacity to fulfil the objectives of this particular project.

Karlovac and Lika-Senj Counties implemented and successfully managed several big infrastructure projects (i.e. Business Zone, reconstruction and modernisation of the road network). Additionally, both Counties maintain a long-established cooperation with the Croatian Chamber of Economy, the Croatian Chamber of Trade and County economic development departments, which are partners in most tourism development projects. Tourism Boards are professionally run institutions that coordinate product development and tourism promotion. They have a wealth of experience in tourism development and promotion, as well as project management.

##### *4.2 Technical experience*

Regardless of the fact that all the related partners in the project have a long track record in the sector of tourism, the core technical know-how for the project will be ensured by means of the engagement of experienced tourism community awareness planners (national and international), commissioned over a period of not more than a 11 months. Providing cooperation with local stakeholders is established during every stage of work on the project, there should be no problems associated with the implementation of this project.

## I. FULL APPLICATION FORM

## 1. DESCRIPTION

## 1.1 Title

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**Tourism awareness campaign in Karlovac and Lika-senj counties**

## 1.2 Location(s)

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 Republic of Croatia, Karlovac and Lika-Senj Counties

 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance
 

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Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 235,000	EUR 180,000	% 76.5

## 1.4 Summary

Duration of the action	11 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To contribute to the development of favourable conditions for long-term sustainable increase in tourism receipts to ensure the social and economic welfare of the region</p> <p><b>Specific objective:</b></p> <p>To improve the awareness of tourism's ability to generate employment and economic development among the local population and tourism stakeholders, and contribute to improved quality service standards in the tourism sector and increased guest satisfaction</p>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Development Agency of Lika-Senj County and Development Agency of Karlovac County</li> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj County Tourist Boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> <li>▪ Croatian Chamber of Trades and Crafts - Karlovac and Lika-Senj County Chambers</li> </ul>

Target group(s)	DA s(Development Agencies of the two counties) <ul style="list-style-type: none"> <li>▪ Karlovac and Lika-Senj Counties.</li> <li>▪ Karlovac and Lika-Senj Tourist Boards</li> <li>▪ Croatian Chamber of Economy – Karlovac and Lika-Senj County Chambers</li> <li>▪ Croatian Chamber of Trades and Crafts - Karlovac and Lika-Senj County Chambers</li> </ul>
Final beneficiaries	All stakeholders of the tourism industry in the area of intervention Local population of Karlovac and Lika-Senj Counties Tourists and visitors
Estimated results	Expected results are: a) increased awareness among the general public and local entrepreneurs of tourism potential to generate business opportunities, employment and economic development; b) increased interest and know-how of entrepreneurs to set up tourism related businesses; c) an awareness of social and economic benefits of tourism development, both direct and indirect, is created in the communities of the project area who, then, more readily support and contribute to the tourism development; d) community members are informed of tourism attractions, products and experiences of the project area and are promoting them actively through the word of mouth promotion; e) increased hospitality of employees in tourism and tourism related services as a results of being made aware of their role in the overall tourism value chain creation
Main activities	<ul style="list-style-type: none"> <li>▪ Develop tourism awareness campaign for local entrepreneurs about overall tourism development potential of the project area, of the benefits that tourism development created and the business opportunities that this development offers for them</li> <li>▪ Motivate entrepreneurs to invest in tourism-related businesses through workshops and distribution of the appropriate educational packages and inform them of the investment support schemes available</li> <li>▪ Conduct tourism awareness campaign for the community in general to inform them about tourism development plans, inform them on how this development can benefit them both directly and indirectly and ensure their support for tourism development initiatives</li> <li>▪ Increase the awareness of community members of tourism products and services available in the region so that the community members are, actually, tourism ambassadors of the project area, especially important as the funds for tourism promotion, at least initially, are scarce</li> <li>▪ Train the tourism and tourism-related service sector employees in general hospitality and increase their understanding of the role that they have in the tourism value chain</li> </ul>

## 1.5 Objectives

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The area of Lika-Senj and Karlovac Counties (project area), shows negative demographic and economic trends, especially after the recent war, which affected 70 per cent of the area's territory. The County of Karlovac, whose 70% of territory was affected by the war, lost one fourth of its population in the period from 1991 to 2001. With 149 thousand inhabitants, of which two fifths live in Karlovac, the area has low population density. Similar is in the Lika-Senj County, whose population is about 53 thousand or 37% less than it was in 1991. Traditionally, population lived of agriculture and manufacturing industry, predominantly timber exploitation and production, both of which are in a steady decline. Consequently, 57% of labour force in Karlovac and 63% in Lika-senj County are unemployed or inactive. Furthermore, the educational structure is also poor – with 24% in Karlovac and 52% in Lika-senj counties having no more than elementary schooling.

However, the region is blessed with the pristine nature (three national parks and one nature park) and unique cultural heritage that the stakeholders of the project region have recognised as a great asset for tourism development. The tourism development has been defined as one of the top development priority in their ROPs and, subsequently, the Tourism Master Plan has been developed (CARDS 2006). However, through the consultation with stakeholders (interviews, workshops) conducted during the development of the Master plan, it transpired that the among the three main obstacles for tourism development one pertains to the human resources available and, in particularly, to the lack of the entrepreneurial spirit among local population, coupled with the low awareness of the tourism's potential benefits among both population in general as well as among the community leaders and public-sector employees.

Against this background, the overall objective of the project is to contribute to the development of favourable conditions for long-term sustainable increase in tourism receipts to ensure the social and economic welfare of the region. This should be done in a way that would ensure the long-term sustainable socio-economic development.

More specifically, this will be achieved through: a) improved awareness of tourism's ability to generate employment and economic development among the local population and tourism stakeholders, b) contribution to improved quality service standards in the tourism sector and increased guest satisfaction and c) improved awareness of tourism resources, attraction, activities and experiences available for visitors among local population.

The project will, firstly, ensure that the general public and local entrepreneurs are aware of the tourism potentials to generate business opportunities, employment and economic benefits. This will result in an increased interest and know-how to set up tourism-related business enterprises. This is important for the project area, as tourism development proposed and adopted by the stakeholders of the project area rests on developing several highly targeted niche tourism products – sport fishing, hiking and cycling, wildlife watching, medieval heritage trails. These products and their quality depends on a mix of its components – accommodations, guides, transport, equipment sales and service, restaurants, local food produces, brochures and maps, interpretation - all of these creating entrepreneurial and job opportunities for local population. As much of these opportunities and their economic and employment potential are not readily apparent or visible to the local population, the first major results achieved by the proposed project will be to create awareness of tourism's ability to generate employment and business opportunities among the resident population.

Secondly, the success of the tourism development approach adopted by the stakeholders – targeting well defined and carefully selected niche markets – rests on the premise that tourists will be highly satisfied and, will, therefore, be turned into regular and loyal visitors. Therefore, the second result of the project will be to ensure improved service quality delivered by people working with tourists and overall friendly attitudes of locals towards visitors, regardless whether they are involved directly or not with tourism. That this component is recognised as highly important to



stakeholders testifies the fact that they have had it inbuilt in their vision statement crafted in the process of Tourism Master Plan development where the three pillars of their tourism development are: diverse tourism resources, friendliness of locals and long-term sustainable development.

Finally, at this initial stage of tourism development the area is faced by the low level of market recognition which can not be improve significantly in the short to medium run, due to the extremely scare marketing budget. With this project, though ensuring that the residents are aware of the tourism development, products, attractions and experiences available, the project seeks to mobilise them to promote the region through their network of the outside the region contacts. With this, the residents pride in the area will also increase and the project will contribute to building a social cohesion among its residents.

## 1.6 Justification

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### 1.6.1. Relevance of the action to the objectives and priorities of the programme

The importance of tourism development, in which this project acts as one of the frontrunners, lies in the fact that there are no better alternatives to induce economic development and reverse long-term negative demographic trends in the region. Namely, the implementation of the project implies increased tourist visitation and increased tourism receipts in the region. For this to be achieved locals need to recognise investment and (self)employment opportunities created through tourism development which is often difficult, as much of these opportunities are not readily visible and need to be communicated directly to the entrepreneurs and population in general. Equally important, residents of the project area are poorly informed about tourism products and experiences available in the region – they need to be educated on tourism resources and ways to promote tourism in their destinations – they will contribute to both, better tourism promotion on the one hand and increased awareness of investment potentials on the other. Finally, the sustainable tourism development rests, among else, on the ability of stakeholders to achieve high, and consistent service quality.

Apart from the regional development framework, a need for an awareness program is recognised in the Strategic Marketing Plan of Croatian Tourism implemented by the Croatian National Tourism Board (CNTB). Following the recommendations made by the Plan, in 2003, the CNTB launched a campaign under the slogan “Man – key to success in tourism”. The importance of tourism awareness programs aimed at local communities has also been recognised world-wide, culminating in 2006 when the World Tourism Organisation launched campaign “Tourism Enriches” aimed at general public promoting economic benefits of tourism and the fact that money earned from tourism, directly or indirectly, benefits all resident of tourism destinations. The UN-WTO strongly recommended that the regional programmes be drafted and implemented.

An important component of the project is the improvement of skills and know-how in the field of project development, project management, and operational marketing, as stakeholders will be involved in the entire process of community awareness building and will be equipped to continue with these activities beyond the life of the project.

### 1.6.2. Perceived needs and constraints

Tourism represents one of the major driving forces of Croatian economy and is regarded as one of vital economic sectors for the future long-term development of the country as a whole. Using its reputation for sea-side tourism, the country has formulated a strategy to develop the continental tourism as well. These strategic notions are also strongly emphasised in the ROP for both, Karlovac and Lika-Senj Counties, in which the SWOT analysis points out the “pristine natural environment” as a major strength, and the “inadequate use of natural resources” and “small and underdeveloped business sector” as the most obvious weaknesses. In case of the Lika-Senj county, these findings have lead to the explicit formulation of the following strategic development objective - “*the promotion of the tourism sector as a key driver of development in the County*”. Economic development in both counties is slow, especially in Lika-Senj. So is the case in employment. The

whole project area is badly in need of new project ideas, programmes and initiatives, especially related to the tourism sector development. A fundamental to this is to make them aware of the tourism development plans for the region and engage them in the process. However, having in mind the scarce internal resources, it would be impossible to realise it without substantial external funding. The project refers to the territory of both counties. Therefore, most of the expected positive effects of the project will be dispersed throughout the project area.

Acting upon the ROP's strategic objective for promotion of the tourism sector, the Tourism Master Plan has been formulated, where ten projects have been defined as a priority for development: five of which relate to the product development and five which relate to the development of supporting tourism services and infrastructure. These ten projects offer a solution to most of the above addressed issues. The project proposed here is among the five supporting tourism services and infrastructure projects and is considered by stakeholders to be a fundamental tourism development building block given the low level of experience with tourism and therefore, poor comprehension of the tourism's potential to offer them with business opportunities, create jobs, induce wider socio-economic benefits through its multiplying effect while, at the same time, ensure preservation of the environment that is one of their uppermost concerns.

A detailed problem analysis was jointly made by all involved stakeholders at the start of project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived.

The tourism awareness project is needed to overcome the several major problems identified by the stakeholders through workshops and consultations as the barriers to significant tourism development: a) insufficient organisational, management and marketing capacities in the tourism sector, b) public sector which does not understand the tourism development principles and is, therefore, unable to allocate the funds appropriately or to draft the appropriate support policies and measure and c) lack of entrepreneurial spirit by the local population to spur tourism development. Subsequently, the tourism infra and superstructure is under-developed and there is a lack of products able to attract significant number of visitors and the ample tourism resources are not utilised for economic development. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving. The project offers a solution to most of the addressed issues by building a strong foundation on which to develop tourism. Further, it would open up the region to increased international exposure, with various indirect benefits associated.

Against this background, the needs are, therefore,: (i) to increase awareness of the general public and local entrepreneurs of tourism potential to generate business opportunities, employment and economic development (in the areas proposed by the Tourism Master Plan), (ii) to increase interest and know-how of entrepreneurs to set up tourism related businesses, (iii) for the community as a whole to be aware of social and economic benefits related to tourism and to prepare them to contribute to this development process, (iv) to educate community members of products and services available in the region and ways to promote the tourism destinations of the project area and, finally, (v) to increase hospitality of employees in tourism and tourism-related service sectors and to made them aware of the role that they play in the tourism value chain creation.

### **1.6.3. Target groups and final beneficiaries**

The target group consists of the Development Agency of the two counties, Karlovac and Lika-Senj Counties (partners), Chamber of Economy - Karlovac and Chamber of Economy - Otočac (partners), Chambers of Trades and Crafts – Karlovac and Lika-Senj County Chambers as well as Karlovac and Lika-Senj Tourism Boards (partners). All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive tourism awareness campaign, but especially from the organisational, management, training and marketing support the project will focus on.

The final beneficiaries are:

- Entrepreneurs/SME operators – will benefit by being informed of the tourism development plans and initiatives from where they will get ideas for new products and services that can be offered
- County and municipal governments – through better understanding of tourism development potential they will be able to be of greater assistance to the private sector. Equally important, the project should generate more business activity and increased tax revenue and, therefore, their budget for reinvestment into overall economic and community development projects will be increased
- Two counties tourism boards and municipal tourism boards – by having better informed private sector of the tourism related investment potential and, eventually, more solid tourism infra and superstructure to attract visitors who will stay longer and spend more, by having better informed population of the cultural, leisure and recreation opportunities that will promote the project area through the informal – word of mouth – promotion. Equally important, the legislation pertaining to the tourism boards functioning stipulates that it is one of the TB task to promote the value of tourism to the local communities. With the know how transfer in implementing this project and forecasted improved financial performance of the tourism sector, they will get the necessary know how to continue with the tourism awareness activities in the coming years
- Employees in hospitality sector – by providing them with the skills to improve the service quality and by developing an understanding of their role in the tourism value chain creation, they will achieve greater job satisfaction and become more motivated to improve the quality of service that they deliver
- Residents in general will benefit directly, through more employment opportunities and indirectly through the greater economic activity that will increase the overall quality of life, the improvement in the range of cultural, leisure and recreational opportunities in which they can participate and through the creation of greater civic pride associated with the fact that their area is desirable tourism destination
- Visitors to the area in terms of wider range of products and experiences available in the project area and improved quality of service that they will receive.

## 1.7 Detailed description of activities

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### **Component 1: Create awareness among local entrepreneurs about overall tourism development potential of the project area, of the benefits that tourism development creates and business opportunities that this development offers for them**

This component contains a set of activities aimed at local entrepreneurs to inform them of the overall tourism development potentials of the project area and the tourism development goals and plans set forth by the Tourism Master Plan and the ways the investment opportunities created through this.

#### **1.1. Organise events where entrepreneurs will be informed about tourism development prospects**

Through the workshops and seminars, organised solely for the purpose of presenting the tourism related entrepreneurial opportunities opening up in the project area as well as through joining the other relevant community events with the presentation on tourism development plan and investment opportunities the entrepreneurs in the project area will be specifically targeted. We will monitor the attendance and the response to this component of the campaign and make the necessary adjustment throughout the duration of the project to involve and include in the campaign as many existing and potential entrepreneurs as possible.

### **1.2. Create a map of the area highlighting the locations of different tourism development planned**

As the project area needs to act quickly in starting up tourism investment process, the map will be produced indicating where and what type of development is proposed, based on the Tourism Master Plan recommendation.

### **1.3. Develop and distribute leaflets on tourism investment opportunities**

To ensure the longer lasting effect of the campaign and to involve as many people as possible, leaflets will be printed and distributed featuring the information about tourism development plans for the project area and investment opportunities thus created, distributed through the project partner network.

## ***Component 2: Increase the interest and understanding of local entrepreneurs to set up tourism related businesses***

Once the entrepreneurs are made aware of the tourism development plans and informed about the range of opportunities for getting involved in tourism related business operations, they will need the practical guidance how to set up the appropriate business operations and will need to wider their range of skills and knowledge to be successful. Therefore, this component builds on the Component 1, by ensuring that the stakeholders interested to invest in tourism related businesses obtain the necessary know how to do it successfully. Key topic covered are: a) How do I get involved in tourism around here; b) What are 'hot' tourism products and services right now; c) How do I start up tourism related business (legal requirement, licences and permits, loans, service resources) and d) who can assist me in terms of legal and financial help?

### **2.1. Conduct workshops and seminars with an aim to enhance awareness and skills**

Those identified through the Component 1 to express strong interest for setting up tourism related businesses or generate self-employment, will attend tailor-made seminars where they will be, firstly, informed about variety of services that the niche market segments targeted by the project area requires, the way they can set up these services and the skill that they will need to obtain to that end.

### **2.2. Produce and distribute various educational packages intended for self-educational purposes**

The basic educational packages will be developed answering the main questions on what to invest in and how as the educational tool for the seminar and workshops and containing information for self-educational purposes.

## ***Component 3: Develop and implement community-wide tourism awareness campaign***

Activities within this component are aimed at the population at large with a view to inform the public at large of the direct and indirect benefits of tourism development. This is necessary as better informed population will be able to better evaluate and, therefore, support tourism developments initiatives and investments. Furthermore, tourism is complex and, due to this complexity, many of those indirectly involved in tourism may not even recognise that they are part of it or be aware of the multiplying effect that tourism development induces.

### **3.1. Develop and implement an integrated public relation programme**

Public relation programme will be designed to deliver several key messages: that tourism development benefits everybody so everyone is part of it, that tourism development creates opportunities for employment and self-employment and finally, that many initiatives aimed to develop tourism (ranging from the infrastructure improvements to leisure, recreational and cultural opportunities) will also benefit them – the residents of the project area. The public relation programme will also entails designing the appropriate media messages, press releases, web-sites

and printed materials to draw the attention to the campaign, but will focus on direct contact with community members.

### **3.2. Develop a program of participation in various community events where the tourism awareness campaign will be featured**

To facilitate direct contact with community members, and with the view to most efficiently allocate the budget available, the inventory of community events staged in the project area throughout the year (gatherings of professional organisations, community festivals and celebrations, business fairs and exhibitions or similar) will be made and the program of attendance with the tourism awareness campaign messages will be drafted. The presence on these events will range from the speaker-presentations to info-stands where informants will distribute printed materials and engage participants in conversation with the aim of building the tourism awareness.

### **3.3. Train regional and local tourism boards members on implementing community based tourism awareness programme**

As the campaign needs to be continuous, and the specific task of the tourism boards is to carry out such activities, the tourism boards' members (staff, members of the council) will be trained in how to develop and deliver the community based tourism awareness programme. They will participate in crafting the campaign and delivering the public relation activities, initially with the help of consultants and gradually taking over these tasks themselves.

### **3.4. Promote tourism interest to county and municipal administration to ensure support and infrastructure for tourism development**

As it is extremely important that those drafting the tourism development policies – county and municipal governments and their administration, understand the tourism and its value, especially its potential to be a cornerstone of economic development, the set of activities will be aimed at this segments. For this to be achieved, the specific events will be created for them and the public relation program designed will ensure that they are put in an active role, through interviews with journalists, engagement in the other events where they will have to talk about tourism development plans. With this small but publicised commitment that they make in such a way, they will be more receptive towards making larger commitment towards investing in tourism related developments.

## ***Component 4: Inform community members on tourism products and attractions of the project area***

A part of the tourism awareness campaign, especially given the scarce promotional budgets of the tourism boards, as already highlighted, the aim of this component is: (i) to inform the community members on the tourism attractions and products, (ii) create a sense of pride in what the region has to offer, (iii) stimulate inter-regional travel to the attractions, inducing the initial demand and, finally, (iv) to instruct the locals on how to promote the regional attractions, products and services through the word of mouth.

### **4.1. Develop communication strategy including production of the appropriate material**

The residents of the project area will be made familiar with the range of attractions and products available in the region. The enticement might be, pending on the stakeholders' cooperation and support, the entry-free programmes or events for the local residents and the scheme whereby the entry to the attractions or fees on services for local residents are free if they bring the outside of the region visitors with them. In addition, the programme will draw in school-age children with the competition on the theme of tourism in the region and tourism attractions. In this way the households with the school age children will be directly involved and motivated to participate in the programme.

### **4.2. Develop promotional materials on the different tourism products and experiences available**

The communication strategy should be supported by a range of promotional material – small leaflets, post-cards (electronic and printed) inviting friends to come; web-sites will be enriched with the features aimed at the local residents; local media will be encouraged to produce short broadcasts over the duration of the programme mobilising local residents to participate in tourism (recreational and leisure) opportunities available.

**Component 5: Develop and conduct hospitality training programme aimed and enhancing the levels of service quality of those working in tourism and hospitality related businesses**

The hospitality training programme is aimed at people delivering tourism and hospitality related service (accommodation, restaurants, retails, travel agents, tour operators, rangers, museum staff etc.) and will be focused on service quality as it is critical to ensure a high level of visitor satisfaction and, therefore, business competitiveness and profitability. The program will have two components: the education through the seminar/workshop and self-education.

**5.1. Conduct workshops and training seminars**

As attending this program will entail that the employees are granted a day-off to attend the seminar, it is necessary to generate employers support for the program (partly stimulated through other components of this project), through stakeholder workshops or, if necessary, one-to-one consultation. A possibility for devising a certification scheme for those participating in the programme will be investigated with them.

**5.2. Produce and distribute educational packages for self-educational purposes**

The educational material will be produced, available in both printed and electronic form and widely distributed to the hospitality staff of the project area. The program will cover the three main aspects: service quality, interpersonal communication and customer relations (with the special attention being paid to the service recovery).

**5.3. Conduct workshops and seminars for the hospitality staff**

The training program will be delivered through the workshops at selected location in agreement with the stakeholders – ideally over one day, with the employers being stimulated not only to send their own staff but to attend the seminar themselves. These seminars we see as the pilot-seminars to gauge the response of the employers and employees, test the format of the seminar and identify the measures that can be introduced to motivate the attendance.

## 1.8 Methodology

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**1.8.1. Methods of implementation and reasons for the proposed methodology**

The project development and its implementation depend on the extent to which the stakeholders understand and support the project. Thus, from the outset, we want to involve as many stakeholders as possible to provide the necessary input, guide the planning activity and get committed to the project. Thus, a project structure has been proposed that ensures: (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with this, rather detailed descriptions of the individual activities have been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. This way, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, a Project Steering Committee will be established that will supervise the entire project. The Steering Committee will receive regular progress reports from the commissioned consulting teams, which will enable it to quickly react to any requirement for decision-making.

The Project Working Group will also be established to assist consultants through the five stages of the project development and it will be made up of the representatives of the project partners and relevant institutions and organizations of the project area.

### 1.8.2. Relations with previous actions

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. Hence, the best tourism development scenario for the project area implies that all of them get funded and implemented.

### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Quantified indicators of achievement<sup>18</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>19</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a monthly basis by the Project Manager, and will meet with the working groups at minimum every three months. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will make decisions on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The project manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU). These reports will be elaborated in cooperation with the financial administrator, and with inputs from the three working groups.

<sup>18</sup> See Logical Framework

<sup>19</sup> See chapter 1.9

The Project Management Units of Karlovac and Lika-Senj County, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

The target group consists of the Development Agency of the two counties, Karlovac and Lika-Senj Counties (partners), Chamber of Economy - Karlovac and Chamber of Economy - Otočac (partners), Chambers of Trades and Drafts as well as Karlovac and Lika-Senj County Tourism Boards (partners). All of them are expected to have direct and indirect benefits, not just from the formulated comprehensive tourism awareness campaign, but especially from the organisational, management, training and marketing support the project will focus on.

### **1.8.5. Roles and participation of the various actors**

The Karlovac and Lika-Senj Development Agencies, as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Karlovac and Lika-Senj Development Agencies are the major institutions in charge of the implementation of the Tourism Master Plan for Karlovac and Lika-Senj Counties, and are the only appropriate institutions to initiate and implement the project like this.

The Counties of Karlovac and Lika-Senj are partners and an essential part of the project for obvious reason – the project is related to economic development of their territory and they should have the right (and obligation) to offer suggestions and monitor the whole process until its completion.

The County Tourism Boards (TBs) of Karlovac and Lika-Senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs are represented on the Steering Committee. The TBs are an essential part of the project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities related with the branding of the tourism information system and awareness creation of the project.

The Croatian Chamber of Economy in Karlovac and Otočac are partners in the project. The Chamber offices in Karlovac and Otočac are active in promoting business development in the wider Karlovac and Lika-Senj region, and have a special interest in the project. The regional Chambers will each have a seat on the Steering Committee.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), private tourism related business sector in the wider Karlovac and Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

### **1.8.6. Team proposed for implementation of the action**

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- General tourism planning and product development
- Tourism research and surveys including conduct and analysis of focus group discussions
- Tourism and general awareness campaigning
- Public relation (PR)
- Marketing and promotion



The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The working group members are expected to help the commissioned consultants in performing their work tasks.

#### **1.8.7. Main means for implementation**

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, the Development Agency – DA (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

#### **1.9. Duration and action plan**

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The envisage duration of the project will be 11 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:

# Activity

## Components : Awareness

- 1.1 Organise events with prospects
- 1.2 Create a map of the

## 2. EXPECTED RESULTS

### 2.1 Expected impact on target groups/beneficiaries

The target group consists of the Development Agencies of the two counties, Karlovac and Lika-Senj Counties (partners), Chamber of Economy - Karlovac and Chamber of Economy - Otočac (partners), Chamber of Trades and Crafts of the two counties (partners), as well as Karlovac and Lika-Senj tourism boards (partners). All of them are expected to have direct and indirect benefits not just from the formulated comprehensive tourism awareness campaign, but especially from the organisational, management, training and marketing support the project will focus on.

The project will, firstly, ensure that the general public and local entrepreneurs are aware of the tourism potential to generate business opportunities, employment and economic benefits and increase interest and know-how to set up tourism-related business enterprises. This is important for the project area, as tourism development proposed and adopted by the stakeholders of the project area rests on developing several highly targeted niche tourism products – sport fishing, hiking and cycling, wildlife watching, medieval heritage trails. These products and their quality depends on a mix of its components – accommodations, guides, transport, equipment sales and service, restaurants, local food products, souvenirs and maps, interpretation, etc. of these creating entrepreneurial and job opportunities for local population. As much of these opportunities and their economic and employment potential are not readily apparent or visible to the local population, the first major results achieved by the proposed project will be to create awareness of tourism's ability to generate employment and business opportunities among the resident population.

Secondly, the success of the tourism development approach adopted by the stakeholders – targeting well defined and carefully selected niche markets – rests on the premise that tourists will be highly satisfied and, will, therefore, be turned into regular and loyal visitors. Therefore, the second result of the project will be to ensure improved service quality delivered by people working with tourists and overall friendly attitudes of locals towards visitors, regardless whether they are involved directly or not with tourism. That this component is recognised as highly important to stakeholders testifies the fact that they have had it inbuilt in their vision statement crafted in the process of Tourism Master Plan development where the three pillars of their tourism development are: diverse tourism resources, friendliness of locals and long-term sustainable development.

Finally, at this initial stage of tourism development the area is faced by the low level of market recognition which can not be improve significantly in the short to medium run, due to the extremely scare marketing budget. With this project, though ensuring that the residents are aware of the tourism development, products, attractions and experiences available, the project seeks to mobilise them to promote the region through their network of the outside the region contacts. With this, the residents pride in the area will also increase and the project will contribute to building a social cohesion among its residents.

Specifically, the project will have a direct impact on several groups of beneficiaries:

- Entrepreneurs/SME operators – will benefit by being informed of the tourism development plans and initiatives from where they will get ideas for new products and services that can be offered
- County and municipal governments – through better understanding of tourism development potential they will be able to be of greater assistance to the private sector. Equally important, the project should generate more business activity and increased tax revenue and, therefore, their budget for reinvestment into overall economic and community development projects will be increased
- Two counties tourism boards and municipal tourism boards – by having better informed private sector of the tourism related investment potential and, eventually, more solid tourism infra and superstructure to attract visitors who will stay longer and spend more, by having better informed population of the cultural, leisure and recreation opportunities that will promote the project area through the informal – word of mouth – promotion. Equally important, the legislation pertaining to the tourism boards functioning stipulates that it is one of the TB task to promote the value of tourism to the local communities. With the know how transfer in implementing this project and forecasted improved financial performance of the tourism sector, they will get the necessary know how to continue with the tourism awareness activities in the coming years
- Employees in hospitality sector – by providing them with the skills to improve the service quality and by developing an understanding of their role in the tourism value chain creation, they will achieve greater job satisfaction and become more motivated to improve the quality of service that they deliver
- Residents in general will benefit directly, through more employment opportunities and indirectly through the greater economic activity that will increase the overall quality of life, the improvement in the range of cultural, leisure and recreational opportunities in which they can participate and through the creation of greater civic pride associated with the fact that their area is desirable tourism destination
- Visitors to the area in terms of wider range of products and experiences available in the project area and improved quality of service that they will receive.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into five components. The list below does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

***Component 1: Create awareness among local entrepreneurs about overall tourism development potential of the project area, of the benefits that tourism development created and the business opportunities that this development offers for them***

- 1.1. Events are organised where entrepreneurs are informed about tourism development prospects
- 1.2. A map of the area highlighting the locations of different tourism development planned is produced and distributed
- 1.3. Leaflets on tourism related investment opportunities are developed and distributed

***Component 2: Increase the interest and understanding of local entrepreneurs to set up tourism related businesses***

- 2.1. Workshops and seminars are conducted where awareness of tourism is created and the necessary skills enhanced
- 2.2. Various educational packages intended for self-educational purposes are produced and distributed

***Component 3: Develop and implement community-wide tourism awareness campaign***

- 3.1. An integrated public relation programme is developed and implemented
- 3.2. A program of participation in various community events where the tourism awareness campaign is featured is developed and implemented
- 3.3. Regional and local tourism boards members are trained on implementing community based tourism awareness programme
- 3.4. Tourism interest to county and municipal administration is promote to ensure support and infrastructure for tourism development

***Component 4: Inform community members on tourism products and attractions of the project area***

- 4.1. Communication strategy, including design of appropriate material, is developed and implemented
- 4.2. Promotional materials on different tourism products and experiences available are produced and distributed

***Component 5: Develop and conduct hospitality training programme aimed and enhancing the levels of service quality of those working in tourism and hospitality related businesses***

- 5.1. Workshops and training seminars are conducted
- 5.2. Educational packages for self-educational purposes are produced and distributed
- 5.3. Workshops and seminars for the hospitality staff are conducted

## 2.3 Multiplier effects

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The established tourism awareness promotional framework will lead to an enlarged and more diversified tourist offer in the whole project area. Also, it is expected that the initial increase in tourist visitation associated with the accelerated tourism development initiated partly through the campaign spill over to tourism market niches for which the project area offers great experience opportunities as well (wildlife watching, hiking, biking, tourism in rural environment etc.) proposed by the Tourism Master Plan. The whole process should be characterised by dynamic SME business development that will spark up the overall economic activity in the region and restructure the economy towards a dominating service sector orientation.

Further, increased economic activity of the private sector implies more tax proceeds. These can be effectively utilised to ensure better quality and availability of various public services at the municipal/town level, resulting in better quality of life for local population. All this should gradually reverse the negative demographic trends that have so long characterised the project area.

The human resources related investment component (training of various tourism related services providers and local self-government units) will ensure high quality destination and spatial management and thus create necessary conditions for long-term sustainable development.

Additionally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on utilisation of idle and/or insufficiently used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

## 2.4 Sustainability

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### 2.4.1 Financial sustainability

With the completion of the project and realisation of all mentioned activities, the conditions for sustainable development of tourism in the project area will be created. The applicant, the Development Agency - DA and its project partners will ensure funds for activities recommended by the plan and the project will be self sustained as it will improve the financing of the tourism boards through higher tourism-tax revenue and membership fees (given that the tourism and related services will perform better and new will be set up).

### 2.4.2. Institutional sustainability

Cooperation between the Karlovac and Lika-Senj Counties, as well as between the Development Agencies – DAs (the applicant) and other partners in the project will be continued after the completion of this project. Following project completion, all involved institutions will arrange and re-arrange the relations between themselves in order to assure best and most effective project implementation and continues efforts in building tourism awareness. It is precisely the planned design of a model of mutual cooperation and its mutual acceptance that will ensure the institutional sustainability in the implementation stage of the project

### 2.4.3. Policy issues

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

## 2.5 Logical framework

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Please see Annex A

### 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of **EUR 180,000**, and can be decomposed as follows:

#### 3.1 Consultancy fees

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For the project to be completed it is estimated that 10 person-months of international and local consulting services covering the following area of expertise is needed:

- general tourism planning and product development
- tourism research with experience in qualitative methods
- tourism and general community based awareness programmes
- public relation
- marketing and promotion

With the time input split approximately equally between international consultants at average consulting fee of 10,000.00 EUR per month, the consultancy fees amount to total of **EUR 100,000**.

#### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been budgeted in amount of **EUR 18,000.00** (3 person-months x 200.0 EUR per diem).

#### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (15), and a estimated cost of EUR 1,000 per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 15,000.00**.

#### 3.4 International travel / field trips

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Based on available information on similar projects, total travel cost has been estimated on a lump sum of **EUR 5,000.00**.

#### 3.5 Household surveys and focus groups

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These are estimated at **EUR 5,000.00**.

#### 3.6. Production of educational and promotional material/Media campaigns

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Production of leaflets, brochures, web-sites, local media ads are estimated at about **EUR 20,000.00**.

#### 3.7 Contingency

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Contingency has been budgeted in amount of **EUR 17,000.00** (or about 10% of **EUR 163,000**, the sum of all previously specified costs).

#### 4. EXPECTED SOURCES OF FUNDING

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.

The rent of venues for meetings and workshops is estimated at EUR 10,000.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 40,000.

The total contribution of the beneficiary amounts, thus, to **EUR 55,000.00**.

## Annex 1: Logical Framework Matrix

Project Title: <i>Tourism awareness campaign in Karlovac and Lika-Senj</i>	Programme number:		Priority project number: 9
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 235,000	EU budget: EUR 180,000	
Overall Objective	Objectively Verifiable Indicators	Sources of Verification	
<ul style="list-style-type: none"> <li>Development of favourable conditions for a long-term sustainable increase of tourism receipts in the project area</li> </ul>	<ul style="list-style-type: none"> <li>Steady increase of tourism's share of the GDP of the project area</li> <li>Continuous improvement in the standard of living of the local population</li> </ul>	<ul style="list-style-type: none"> <li>County statistical reports (Central Bureau of Statistics)</li> <li>Tax administration reports</li> <li>Croatian Employment Office reports</li> </ul>	
Specific Objectives	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> <li>Create internal stakeholder awareness of tourism development potential and related opportunities for the local population</li> <li>Increase service culture among tourism and related services' employees and, thus, boost economic performance</li> <li>Induce interest for various skill enhancement programmes, resulting in superior quality of service and increased guest satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Increased interest in investing and participating in tourism development</li> <li>Increased variety of new products and services</li> <li>Improved visitor satisfaction and experience</li> <li>Increase in tourist receipts in the project area</li> <li>Increased number of local population serving as ambassadors of the region</li> <li>Increased number of people participating in language courses</li> </ul>	<ul style="list-style-type: none"> <li>Entrepreneurship register</li> <li>Business register of the Chambers of Economy and Chamber of Small Trade and Crafts</li> <li>Annual TOMES visitor surveys conducted by the Institute for Tourism</li> <li>Annual reports of the Ministry of Tourism and regional tourism boards</li> <li>Construction permits issued</li> <li>Tax administration reports</li> </ul>	<ul style="list-style-type: none"> <li>Perception of Croatia as an attractive tourism destination remain</li> <li>No significant safety and security threats to adversely impact tourism demand</li> <li>Economic conditions in potential markets do not suffer major setback</li> </ul>
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p>4. Increased awareness of the general public and local entrepreneurs of tourism's potential to generate business opportunities, employment and economic development</p> <p>5. Increased interest and know-how of entrepreneurs to set up tourism related businesses</p> <p>6. Community as a whole is aware of social and</p>	<ul style="list-style-type: none"> <li>Decreased number of entries in the books of complaints</li> <li>Brochures, leaflets and other printed material distributed</li> <li>Increased response rate to certification schemes</li> <li>Increased guest satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Project documentation and independent evaluation reports</li> <li>Surveys and research documentation</li> <li>Annual TOMES visitor surveys conducted by the Institute for Tourism</li> <li>Newspaper articles</li> <li>Minutes from workshops and stakeholder</li> </ul>	<ul style="list-style-type: none"> <li>Incentives to encourage SME development provided by the relevant authorities</li> <li>Stakeholder commitment</li> </ul>



<p><i>economic benefits related to tourism and is prepared to contribute to tourism development</i></p> <p>7. <i>Community members educated on tourism resources and ways to promote tourism in their destinations</i></p> <p>8. <i>Increased hospitality of employees in tourism and tourism related service sectors and increased understanding of their role in the tourism value chain creation</i></p>	<ul style="list-style-type: none"> <li>● <i>Increased number of repeat visits</i></li> </ul>	<p><i>meetings</i></p> <ul style="list-style-type: none"> <li>● <i>Lists of workshop participants</i></li> <li>● <i>Annual reports of the Ministry of Tourism and regional tourism boards</i></li> </ul>	
Activities	Means	Costs	Assumptions
<p>1. <i>Increase the awareness of local entrepreneurs about of overall tourism potential, its benefits and business opportunities</i></p> <p>a. <i>Inform the entrepreneurs about the tourism potential and tourism development prospects in the region through awareness workshops and seminars</i></p> <p>b. <i>Create a map of the area highlighting the locations identified for different tourism related business developments</i></p> <p>c. <i>Develop a tourism investment promotion leaflet for private providers of tourism related services</i></p> <p>2. <i>Increase the interest and understanding of local entrepreneurs to set up tourism related businesses</i></p> <p>a. <i>Conduct workshops and training seminars with the aim to enhance awareness and skills</i></p> <p>b. <i>Produce and distribute various educational packages intended for self-educational purposes</i></p> <p>3. <i>Conduct of community awareness of the social and economic benefits related to tourism</i></p> <p>a. <i>Conduct workshops and training seminars with the aim to inform the local population on social and economic benefits related to tourism development and to ensure active participation</i></p>	<p><i>Provision of twelve (12) person-months of international and local consulting services covering the following areas of expertise (a consultant may cover several areas of expertise):</i></p> <ul style="list-style-type: none"> <li>● <i>General tourism planning and product development</i></li> <li>● <i>Tourism research and surveys including conduct and analysis of focus group discussions</i></li> <li>● <i>Tourism and general awareness campaigning</i></li> <li>● <i>Public relations (PR)</i></li> <li>● <i>Marketing and promotion</i></li> </ul>	<p><b>Estimated project cost:</b></p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>● <i>Time input split approximately equally between international and local consultants at average consulting fee at €UR 10,000</i></li> <li>● <i>€ per diem rate of €UR 200 for Croatia is applied</i></li> <li>● <i>Number of per diem days set at one fourth of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</i></li> <li>● <i>Travel costs set at €UR 5,000 covering both international air travel and field travel in Croatia</i></li> <li>● <i>Workshops and stakeholder meetings estimated at €UR 1,000</i></li> <li>● <i>Contingency of about 10% of costs</i></li> </ul> <p><b>Consulting fee:</b>  <i>10 person-months x €UR 10,000 = €UR 100,000</i></p> <p><b>Per diem:</b>  <i>1/4 x 12 person-month x €UR 200 = €UR 18,000</i></p>	<ul style="list-style-type: none"> <li>● <i>Support is obtained and cooperation established with:</i> <ul style="list-style-type: none"> <li>○ <i>Local administrations</i></li> <li>○ <i>Chambers of Economy, Chambers of Trade and small Crafts</i></li> <li>○ <i>educational institutions</i></li> <li>○ <i>media</i></li> </ul> </li> </ul>

<p>b. Develop and implement an integrated public relation programme including broadcasting of educational radio &amp; TV advertisements and discussions, brochures and stickers, etc.</p> <p>c. Train regional and local tourism board members on implementing community based tourism awareness programmes</p> <p>d. Promote tourism interests to county and municipal officials to ensure support and infrastructure for tourism development</p> <p>4. Increase the awareness of community members of tourism resources and ways to promote tourism in their local destinations</p> <p>a. Conduct workshops and training seminars with the aim to inform the local population on social and economic benefits related to tourism development and to instruct them on how to promote tourism experiences to visitors</p> <p>b. Broadcast educational radio &amp; TV ads, distribute brochures and stickers</p> <p>5. Train employees in tourism and tourism related service sectors in general hospitality and increase their understanding of their role in the tourism value chain</p> <p>a. Conduct workshops and training seminars</p> <p>b. Produce and distribute various educational packages intended for self-educational purposes</p> <p>c. Develop tourism promotion materials</p>		<p><b>International travel / field trips:</b> Estimated cost: EUR 5,000</p> <p><b>Workshops/stakeholder meetings:</b> 15 events x EUR 1,000 = EUR 15,000</p> <p><b>Household surveys and focus groups</b> Estimated cost: EUR 5,000</p> <p><b>Production of educational and promotional materials / Media campaigns (local media advertisement, brochures, leaflets...)</b> Estimated cost: EUR 20,000 EUR</p> <p><b>Sub-total: EUR 163,000</b></p> <p><b>Contingency: EUR 17,000</b></p> <p><b>TOTAL FINANCIAL INPUTS: EUR 180,000</b></p>	
			<p><b>Preconditions</b></p>
			<p>•</p>

# **Project No. 10: Regional Marketing Activity Plan**

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## CONCEPT NOTE

### 1. Summary of the action

#### *1.1 Brief description of the proposed action*

The project area, comprising of Lika-Senj and Karlovac Counties, shows negative demographic and economic trends, especially after the recent war. The County of Karlovac, whose 70% of territory was affected by the war, lost one forth of its populations in the period from 1991 to 2001. With 149 thousand inhabitants, of which two fifths leave in Karlovac, the area has low population density. Similar is in the Lika-Senj County, whose population is about 53 thousand or 37% less than it was in 1991. Both have the low BDP per capita and the unemployment rate is among the highest in the entire country. Traditionally, population lived of agriculture and manufacturing industry, predominantly timber exploitation and production, both of which are now in a steady decline.

However, economical under-development and low population density partly contributed to the fact that the project area is abundant with the wild, unspoilt nature and pristine unpolluted waters. Almost 30 per cent of the territory of the Lika-Senj County is declared as the nature protected area with three national (Plitvice Lakes, North Velebit and Paklenica) and one nature park (Velebit). Of those, Plitvice Lakes National Park, the UNESCO World Heritage site since 1979, is a world-renown tourism attraction. In addition, the area's towns and villages are small and picturesque, while the landscape is dotted with remains of the medieval castles and fortresses. There is an awareness of the value of these resources which the stakeholders would like to protect and preserve for generations to come. However, there is an understanding that in the current economic climate these resources can be explored on the one hand, while at the same time protected on the other, through tourism development.

This aspiration towards tourism development as a mechanism through which the project area can spur the economic development, ensure employment for the resident population while, at the same time, protect the environment and heritage, was formalised in the Regional Operational Programmes where tourism development was declared as the top priority in both counties. However, the importance placed on tourism development to improve the economical welfare and overall quality of life is not matched by the abilities of stakeholders to properly plan tourism marketing and development.

Therefore, there is a need for a comprehensive marketing strategy for the project area that will give well defined and organised products to promote, instructions as to how to promote them effectively, precise definition of the target markets and ways to reach them most efficiently, and mechanism for improved coordination of the promotional activities between the tourism boards (county – municipal tourism boards) and public (tourism boards) and private sector. There is also a need for clearly defined market positioning and tourism brand of the project areas so that it gets recognisable tourism identity.

With this project, the overall objective is to contribute to the social and economic welfare of the project area through development and diversification of tourism products that will generate greater tourism visitation, disperse demand throughout the project area, prompt increased spending and create loyal visitors, thus consequently create more job opportunities and self-employment initiatives, start-up of small business enterprises and more even regional development.

More specifically, the project area stakeholders want to optimise the utilisation of scarce promotional budgets through the development of a consolidated plan for marketing and promotion of tourism in the Karlovac and Lika-Senj area, taking into consideration the series of adventure and other special interest tourism related studies undertaken in the project area and the national marketing framework.

As a result of this project there will be increased tourism demand generated for the area, as well as the area's visitors staying longer and spending more, through which more jobs will be created, new SMEs established but also, the economic activity should increase the GDP per capita with the ensuing economic and social benefits.

### **Justification**

In the project area, according to the Regional Operational Programmes of both counties, tourism is identified as one of the main mechanism for inducing economic development and reversing negative demographic trends. There is a recognition of the value of tourism visitation and spending in creating employment, especially for female and young workforce, providing markets for local agricultural, art/craft products and prompting development of small businesses enterprises in service, accommodation, transport and retail sectors. The gradual increase in economic activity driven by the successful SME operators will create more investor optimism as well as a more business friendly environment. This, in turn, should induce more SME business start-ups in the region. Increasing economic activity and rising tax revenue would enable the local communities to ensure proper functioning of the (largely decaying) public services as well. The whole process should eventually reverse the unfavourable demographic trends.

However, when working with consultants on the Tourism Development Master plan, through in-depth interviews with stakeholders, workshops and regular meetings of the working group composed of public and private sector representatives, it has become clear that the project area does not have a capacity to develop marketing framework and implement effective and well coordinated marketing strategy. In the project area, as in the entire country, task of destination tourism promotion is given to the regional and local tourism boards – in total there are two county and 19 municipal tourism boards. The boards are financed from the tourist tax – a tax paid by every tourist per every night spent in a destination of about 0.5 EUR per night and compulsory membership of tourism and tourism related enterprises. As the project area records low number of overnights and the number of tourism related enterprises is also small, consequently tourism boards in the project area are underfinanced and understaffed. At the same time, the employees in the tourism boards, while highly enthusiastic and motivated, do not have comprehensive training in tourism product development and marketing experience to bring about much desired improvements.

Thus, there is much need for a clear, actionable marketing framework that will guide the activities of the tourism boards as well as individual tourism providers in a) marketing and promoting the area which is now virtually without a tourism identity, b) concentrating the effort towards clearly defined market segments with c) creating well designed products having a high market appeal and with d) tasks being clearly specified for the county tourism boards, municipal tourism boards and private sector tourism operators. Only with this approach the project area can make sure that the scarce promotional funds currently available are put to the best use. Without this actionable marketing plan, there is a danger that the products that will be shaped following the recommendation of the Tourism Master Plan will not bring in the desired level of visitation and, consequently, create significant economic impact that the stakeholders are hoping to achieve.

## **2. Relevance:**

### *2.1 Needs and constraints of the target area*

As already mentioned, the ROPs of both counties have identified tourism development as a priority. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient organisational, management and marketing capacities in the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists. The combination of these issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, the number of successful SME start-ups is negligent. As a result, general population faces a lack of

new job opportunities, the public services do not function properly and the standard of living is low and not improving.

Through development of the Tourism Master Plan, ten projects have been defined as a priority for development: five of which relate to the product development and five which relate to the development of supporting tourism services and infrastructure. These projects offer a solution to most of the above addressed issues and the comprehensive marketing plan will ensure that the products and experiences made available in the region will be communicated to the target markets to bring in the increased number of visitors, increased length of stay and higher expenditure per visitor.

## 2.2 Problems and needs

A detailed problem analysis was made at the start of the project preparation. This has led to a problem tree and an objectives tree, from which the specific objectives for the project were directly derived.

While, as already pointed out, the resources that the project area possess are highly conducive to development of special interest tourism the stakeholders struggle to turn these resources into well-organised tourism products, while the appropriate tourism related infrastructure – accommodation, food & beverage, retail sector – is also poor and not meeting a standard of quality expected by the, typically, more demanding special interest markets. Consequently, the project area does not generate desired level of economic benefits from the tourism potential available. In the Karlovac County, only 173 thousand of tourist arrivals were recorded, mostly due to the demand for the Plitvice Lakes NP, while in the Lika-Senj County about 312, 000 tourist arrivals were recorded, mostly in the coastal area. The sun and sea product offered along the coast, and short general sightseeing visit to the Plitvice Lakes is mostly all that is offered today. The tourism stakeholders of the project area are unable to capture the existing potential markets at the doorstep. Through the area 65 thousand vehicles transit daily. Most of the Croatian 8 million tourists annually also transit through the area to reach their coastal destination. They, however, do not stop in the region, as they believe the area has nothing interesting to offer. Almost one million of them are spending their summer holidays in the close-by coastal destinations, complaining that they are not offered sufficient number of ideas for short, daily sightseeing trips, either for individual or for group travel. The opportunities to capture specialised market segments, from within the country and abroad are virtually untapped.

Therefore, it is clear that the importance placed on tourism development to improve the economical welfare and overall quality of life of the population is not matched by the stakeholders' abilities to properly plan tourism development. There are several constraining factors: (i) there is a lack of the overall strategic marketing framework, the area is virtually unknown on the tourism markets (i.e. in most of the travel guides dedicated to tourism, the project area gets two or three pages out of at least 150 that the average guide contains), (ii) the stakeholders involved in tourism development (both public and private) do not have an adequate understanding of the existing and potential market segments, (iii) the tourism promotion of the area is burdened by the insufficient promotional budget, lack of skills in planning and implementing promotional strategies and lack of the culture of partnership that can facilitate cooperative promotional activities. Consequently, the current marketing/promotional activities are sporadic, uncoordinated and ineffective, and it is questionable whether the marketing and promotional budget available is allocated efficiently. The lack of the clear strategic marketing focus and well defined activities means also that the area is poorly utilising the range of marketing opportunities available through the National Tourism Board to reach effectively international markets. Therefore, the project area needs a comprehensive marketing strategy.



### 2.3 Target groups and final beneficiaries

The target group consists of the Development Agency of the Lika-Senj County and Development Agency of the Karlovac County –DAs (applicant) and its partners: Tourism Boards of both counties. They will directly benefit from a formulation of comprehensive regional marketing plan and, indirectly, from the activities during the project implementation relating to development, organisation and training.

Final beneficiaries will be:

- Two county tourism boards will get an actionable marketing plan which will enable them to allocate promotional resources more efficiently, increase the number of visitors and, therefore, become more relevant partners in the overall tourism development process. Equally important, they will gain hand on knowledge and skills relating to marketing and promotion to improve their long term operational effectiveness
- Nineteen municipal tourism boards will get clear and actionable marketing document that will give their micro-destination unique positioning within the project area, well defined promotional activities coordinated with the county tourism boards to achieve maximum benefits, knowledge on how to plan and execute marketing plan and skills to be able to plan the marketing/promotional activities beyond the span of the marketing plan
- Tourism and tourism-related service sector operators – will benefit from increased number of visitors and from a well defined promotional activities in which they can participate to gain maximum direct benefits
- County and municipal governments – through increased tax revenue generated by a viable tourism sector they will increase their budget for reinvestment into overall economic and community development projects
- Residents in general will also benefit indirectly through greater economic activity, increased employment and self-employment opportunities and better provision of services
- Visitors to the area in terms of wider range of products and experiences available in the project area, better information provision, resulting in improved visitor satisfaction.

### 2.4 Objectives and expected results

The overall objective is to develop and diversify the tourism product in order to contribute to the social and economic welfare of the project area. Specific objective of the project is to optimise the utilisation of scarce promotional budgets through the development of a consolidated plan for marketing and promotion of tourism in Karlovac and Lika-Senj Counties taking into consideration the series of nature/adventure and other special interest tourism related studies undertaken in the region and the national marketing framework. In particular, results that are expected are: a) detailed evaluation of the existing marketing system in the project area (institutions involved, staffing, existing marketing activities, marketing budgets, distribution channels, quality and quantity of promotional material, marketing effectiveness and efficiency), b) well defined goals and objectives of the regional marketing plan, c) assessment of tourism development potential in the project area based on the analysis of the resources and attraction base of the Tourism Master Plan, d) assessment of the potential demand for the project area based on comprehensive market analysis, e) project area's portfolio determined on the basis of product competitiveness and attractiveness, and most appropriate means for product development and promotion proposed, f) product portfolio and distribution channels characteristic for each geographical cluster identified; g) marketing action plan for the project area as a whole and for characteristic geographical clusters and g) cost estimate for each of the activities.

Benefits that this project will bring are: a) an effective framework for marketing and promotion of diversified tourism in the project area, b) better use of scarce resources for marketing and promotion activities, c) featuring of the project area's tourism products in the brochures of at least 25 international tourism operators and d) improved visitor satisfaction. Through this the project area will be able to generate increased tourism demand, attract greater number of visitors and increase their

length of stay what will create improved economic performance of the tourism sector and, consequently, increased tourism's contribution to the area's GDP.

### *2.5. Added value of the action*

The project will ensure that the marketing and promotional activities are coordinated. It will be ensured that, through project implementation, local stakeholders, mostly employees of the tourism boards, tourism attractions and larger tourism-businesses of the area, take an active part in the marketing planning process. This will facilitate a knowledge transfer so that the stakeholders understand the role and process of marketing and promotion and are, subsequently, able to shape their own effective marketing and promotional activities. With the necessary know-how, the project will have a long-term sustainability as the project partners and stakeholders will get much needed knowledge to continue with the marketing/promotional activities in years to come, given that the finance structure of the tourism boards (tourism tax and membership fee) ensures funding certainty, while the envisioned increase in tourism overnights will contribute to the increase of the promotional funds available.

## **3. Methodology and Sustainability**

### *3.1 Main project activities*

Activities of the project are following:

1. Conduct an analysis of existing marketing system in place in the project area to ensure that the marketing plan builds on the existing structures and activities
2. Define goals and objectives of the regional marketing plan that will guide and coordinate activities of the stakeholders involved
3. Assess tourism development potential in the project area for selected niche market products proposed by the Tourism Master Plan
4. Assess potential demand for the project area based on comprehensive market analysis so that the marketing and promotional activities are highly targeted
5. Define project area's product portfolio based on the product competitiveness and attractiveness and propose the most appropriate means of product development and promotion
6. Develop product portfolio and distribution channels characteristic for each geographical cluster identified to ensure, as much as possible, even tourism development throughout the project area
7. Define marketing action plan for the project area as a whole and for each geographical cluster, including reasonable cost estimates for each of the proposed activities, with a view of maximising the effectiveness of the marketing budget available.

### *3.2 Main implementing partners*

The lead partners and project applicants are the DAs – a Development Agencies of the two counties set up as a body responsible for the implementation of the Tourism Master Plan. DAs staff has been sourced from the Project Management Units of the two counties and have a good track record in project management as well as working with donor agencies.

Other important partners no the project are: a) Tourism Boards of two counties – they have experience in managing the donor funded project, have been project coordinators of the Tourism Master Plan and are in charge of tourism product development and promotion; c) Chambers of Economy of the two counties – they facilitate networking of the tourism and related sector enterprises organised through professional associations for which they provide supporting and administrative services.



### 3.3 *Sustainability*

The project will result in a completely defined, actionable tourism marketing plan. The project will be sustained in the long run for three main reasons:

- ➔ the promotional funds available to the municipal and county tourism boards are, albeit scarce, certain as the boards are funded partly through the tourist tax paid on each tourist overnight and from the compulsory membership fee – the marketing plan will ensure effective utilisation of these funds; furthermore, increased visitation and higher number of overnights that will be results of the Marketing Plan implementation, will improve tourism boards' marketing budget
- ➔ the tourism boards are organisations that will be chiefly responsible for implementing actions recommended by this Marketing Plan – they are stable organisations and their scope of activities as well as funding mechanism are defined by a nation-wide regulation, of which their main activities stipulated by the regulation are product development and marketing.
- ➔ a comprehensive and actionable marketing plan will bring about a new approach to the area's marketing which has, to date, been mostly uncoordinated, opportunistic and without clear objectives. Once the marketing actions are clearly defined at both regional and local levels, private sector operators will also have more trust and support the cooperative marketing opportunities in which they are, currently, reluctant to participate.

### 3.4 *Multiplier effects*

The proposed project will have a far-reaching effect. Firstly, it will generate more serious approach to tourism marketing and promotion that will motivate and encourage project partners and relevant stakeholders to implement the marketing plan.

Secondly, and equally important, it will motivate them to continuously generate new product ideas and devise creative promotional strategies, once they see tangible results of their initial marketing activities.

Thirdly, the experiences gained from developing and implementing the Marketing Plan will be promoted through the NTOs information network and thus provide a model for other tourism boards, especially in the continental part of the country, facing similar issues, to follow.

Finally, it will assist greatly the NTO in marketing the region. Currently, the NTO has increased its efforts and funds for marketing continental Croatia, but the process is slow to bring in any results given that these areas do not have clear market positioning or well defined tourism products to promote. With the marketing plan the project area will be able to feature more prominently in the NTO's marketing activities abroad and thus its promotional efforts will be multiplied.

## **4. Expertise and operational capacity:**

### 4.1 *Project management experience*

Development Agencies in the two counties are established for the purpose of implementing the project-based Tourism Master Plan. Although established only recently, they are staffed with people extensively trained in project management and implementation with a proven track record in implementing the EU-funded projects. Tourism Boards are professionally run institutions that coordinate product development and tourism promotion. They have a wealth of experience in tourism development and promotion, as well as project management. The Chambers of Economy of both counties are active in advocating interest of their members (private sectors) and in mobilising them to action on the projects relevant to their members.

#### 4.2 *Technical experience*

TDAs, as already pointed out, are staffed with people formerly employed in the Project Management Units where they have gained extensive experience in project management and have received a specific training in tourism development.

County Tourism Boards regularly produce promotional plans and appropriate promotional materials for targeted distribution. They maintain web-sites and advice local tourism boards on promotional and product development matters.

Chambers of Economy are institutions with well-experienced professional staff, knowledgeable of the needs of their members. They are experienced in project development and have already been the project partners on a number of EU funded projects.

## I. FULL PROJECT ACTIVITIES

### 1. DESCRIPTION

#### 1.1 Title

**Preparation of a regional tourism marketing plan for Karlovac and Lika-Senj Counties**

#### 1.2 Location(s)

Republic of Croatia, Karlovac and Lika-Senj Counties

#### 1.3 Cost of the action and amount requested from the Central Finance and Contracting Unit, Ministry of Finance

Total eligible cost of the action	Amount requested from the Central Finance and Contracting Unit	% of total eligible cost of action
EUR 185,000	EUR 140,000	% 75.7

#### 1.4 Summary

Duration of the action	10 months
Objectives of the action	<p><b>Overall objective:</b></p> <p>To contribute to the social and economic welfare of the region through the development and diversification of the tourism product</p> <p><b>Specific objectives:</b></p> <p>To optimise the utilisation of scarce promotional budgets through the development of a consolidated plan for marketing and promotion of tourism in Karlovac and Lika-Senj Counties, taking into consideration the series of nature/adventure and other special interest tourism related studies undertaken in the project area and the national marketing framework</p>
Partner(s)	<ul style="list-style-type: none"> <li>▪ Development Agency of Lika-Senj County and Development Agency of Karlovac County</li> <li>▪ Karlovac and Lika-Senj County Tourism Boards</li> <li>▪ Karlovac and Lika-Senj Chambers of Economy</li> </ul>

Target group(s)	<ul style="list-style-type: none"> <li>▪ Development Agency of Lika-Senj County and Development Agency of Karlovac County</li> <li>▪ Karlovac and Lika-Senj County Tourism Boards</li> <li>▪ Karlovac and Lika-Senj Chambers of Economy</li> <li>▪ Nineteen municipal tourism boards</li> <li>▪ Tourism and tourism-related service sector operators</li> <li>▪ County and municipal governments</li> <li>▪ Residents in general</li> </ul>
Final beneficiaries	<p>Local population of Karlovac and Lika-Senj Counties</p> <p>All stakeholders of the tourism industry in the area of intervention</p> <p>Tourists and visitors</p>
Estimated results	<p>At the end of the project there will be an effective framework for marketing and promotion of diversified tourism products in the counties of Karlovac and Lika-Senj. In this, the scarce resources allocated to the marketing and promotion will be more effectively utilised.</p> <p>It is also estimated that, as the consequence of well defined products and experiences available and its unique market positioning, the project area will be featured in the catalogues of at least 25 specialised international tour operators.</p> <p>Likewise, as the consequence of better organisation of the products and experience and more effective distribution of information, the visitors will be better informed of the range of experiences offer in the project area, more active during their stay and, subsequently, the improved levels of visitor satisfaction will be achieved.</p>
Main activities	<ol style="list-style-type: none"> <li>1. Conduct an analysis of existing marketing system in place (institutions involved, staffing, existing marketing activities, marketing budgets, distribution channels, quality and quantity of promotional material, marketing effectiveness and efficiency)</li> <li>2. Define goals and objectives of the regional marketing plan that will guide and coordinate activities of the stakeholders involved</li> <li>3. Assess tourism development potential in the project area for selected niche market products proposed by the Tourism Master Plan</li> <li>4. Assess potential demand for the project area based on comprehensive market analysis so that the marketing and promotional activities are highly targeted</li> <li>5. Define project area's product portfolio based on the product competitiveness and attractiveness and propose the most appropriate means of product development and promotion</li> <li>6. Develop product portfolio and distribution channels characteristic for each geographical cluster identified to ensure, as much as possible, even tourism development throughout the project area</li> <li>7. Define marketing action plan for the project area as a whole and for each geographical cluster, including reasonable cost estimates for each of the proposed activities, with a view of maximising the effectiveness of the marketing budget available.</li> </ol>

## 1.5 Objectives

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With this project, the overall objective is to contribute to the social and economic welfare of the project area through development and diversification of tourism products that will generate greater tourism visitation, disperse demand throughout the project area, prompt increased spending and create loyal visitors, thus consequently create more job opportunities and self-employment initiatives, start-up of small business enterprises and more even regional development.

More specifically, it will optimise the utilisation of scarce promotional budgets through the development of a consolidated plan for marketing and promotion of tourism in the Karlovac and Lika-Senj area, taking into consideration the series of adventure and other special interest tourism related studies undertaken in the project area and the national marketing framework.

As a result of this project there will be an increase in tourism demand generated for the area, as well as visitors staying longer and spending more, through which more jobs will be created, new SMEs established but also, the economic activity should increase the GDP per capita with the ensuing economic and social benefits.

## 1.6 Justification

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### 1.6.1. Relevance of the action to the objectives and priorities of the programme

As already mentioned, the ROPs of both counties have identified tourism development as a priority. The basic needs identified are (a) lack of new business initiatives in tourism, (b) insufficient organisational, management and marketing capacities in the tourism sector, (c) scattered public sector activities, (d) lack of public sector funds for development projects and (e) insufficient offer of experiences to attract new tourists. The combination of these issues directly affects the final beneficiaries daily: business climate in general is perceived as unfriendly, business optimism is low, the number of successful SME start-ups is negligent. As a result, general population faces a lack of new job opportunities, the public services do not function properly and the standard of living is low and not improving.

Through the Tourism Master Plan, ten projects have been defined as a priority for development: five of which relate to the product development and five to the development of supporting tourism services and infrastructure. These projects offer a solution to most of the above addressed issues. The project proposed here is among the five supporting tourism services and infrastructure-related priority projects – it can in the quickest and most effective ways launch on the market products and experiences currently available thus resulting in an immediate increase in the number of visitors, improved performance of the tourism-related enterprises and prompt start up of new SME-s, increased level of employment and increased number of self-employment opportunities.

This project will make several important contributions to the project area overall tourism and socio-economic development:

1. it will provide a framework for effective framework for marketing and promotion of diversified tourism products and experiences in the project area
2. the number of visitors to the project area will be increased due to the increased market awareness, and so will their length of stay and expenditure due to better information on the array of experiences and attractions available in the project area
3. it will provide a condition for increased employment and self employment, as well as improve investment climate for tourism-related business initiatives
4. it will increase tourism receipts and, consequently, increase contribution from tourism to the regional GDP

### 1.6.2. Perceived needs and constraints

The project area, comprising of Lika-Senj and Karlovac Counties, shows negative demographic and economic trends, especially after the recent war. The County of Karlovac, whose 70% of territory was affected by the war, lost one fourth of its populations in the period from 1991 to 2001. With 149 thousand inhabitants, of which two fifths live in Karlovac, the area has low population density. Similar is in the Lika-Senj County, whose population is about 53 thousand or 37% less than it was in 1991. Both have the low BDP per capita and the unemployment rate is among the highest in the entire country. Traditionally, population lived of agriculture and manufacturing industry, predominantly timber exploitation and production, both of which are in a steady decline.

However, economical under-development and low population density partly contributed to the fact that the project area is abundant with the wild, unspoiled nature and pristine unpolluted rivers. Almost 30 per cent of the territory of the Lika-Senj County is declared as the nature protected area with three national (Plitvice Lakes, North Velebit and Paklenica) and one nature park (Velebit). Of those, Plitvice Lakes National Park, a UNESCO World Heritage site since 1979, is a world-renown tourism attraction. In addition, the area's towns and villages are small and picturesque, while the landscape is dotted with remains of the medieval castles and fortresses. The project area's stakeholders are well aware of the value of these resources which they would like to protect and preserve for generations to come. However, there is also an understanding that in the current economic climate these resources can be explored on the one hand, while at the same time protected on the other hand, through tourism development.

This aspiration towards tourism development as a mechanism through which stakeholders can spur the economic development, ensure employment for resident population while, at the same time, protect the environment and heritage, was formalised in our Regional Operational Programmes where tourism development was declared as the top priority in both counties.

While there is an awareness that these resources form an excellent base for development of special interest tourism, the stakeholders struggle to turn these resources into well-organised tourism products, while the appropriate tourism related infrastructure – accommodation, food & beverage, retail sector – is also poor and not meeting a standard of quality expected by the, typically, more demanding special interest market. Consequently, the area does not generate the desired level of economic benefits from the tourism potential available. In the Karlovac County, only 173 thousand of tourist arrivals were recorded in 2006, mostly due to the demand for the Plitvice Lakes NP, while in the Lika-Senj County about 312 000 tourist arrivals were recorded the same year, mostly in the coastal area. The sun and sea product offered along the coast, and short general sightseeing visit to the Plitvice Lakes is almost all that is offered today.

Therefore, the importance placed on tourism development to improve the economical welfare and overall quality of life is not matched by the abilities of stakeholders to properly plan tourism development. There are several constraining factors: (i) there is a lack of the overall strategic marketing framework, the area is virtually unknown on the tourism markets (i.e. in most of the travel guides dedicated to tourism, the project area gets two or three pages out of at least 150 that average guide contains), (ii) the stakeholders involved in tourism development (both public and private) do not have an adequate understanding of the existing and potential market segments, (iii) the tourism promotion of the area is burdened by the insufficient promotional budget, lack of skills in planning and implementing promotional strategies and lack of the culture of partnership that can facilitate cooperative promotional activities. Consequently, the current marketing/promotional activities are sporadic, uncoordinated and ineffective, with a little certainty that the marketing and promotional budget is allocated efficiently. The lack of the clear strategic marketing focus and well defined activities means also that there is poor utilisation of the range of marketing opportunities available through the National Tourism Board to reach international markets.

Therefore, there is a need for a comprehensive marketing strategy for the project area that will provide well defined and organised products to promote, instructions as to how to promote them effectively, precise definition of the target markets and ways to reach them most efficiently, and mechanism for improved coordination of the promotional activities between the tourism boards (county – municipal tourism boards) and public (tourism boards) and private sector. There is also a need to clearly define the market positioning and tourism brand so that the project area gets recognisable tourism identity.

### 1.6.3. Target groups and final beneficiaries

The target group consists of the Development Agencies of Karlovac and Lika-Senj Counties – DAs (applicant) and its partners: Tourism Boards of both counties and Chambers of Economy of both counties. They will directly benefit from a formulation of comprehensive regional marketing plan and, indirectly, from the activities during the project implementation relating to development, organisation and training.

Final beneficiaries will be:

- A. Two county tourism boards will get an actionable marketing plan which will enable them to allocate promotional resources more efficiently, increase the number of visitors and, therefore, become more relevant partners in the overall tourism development process. Equally important, they will gain hand on knowledge and skills relating to marketing and promotion to improve their long term operational effectiveness
- B. Nineteen municipal tourism boards will get clear and actionable marketing document that will give their micro-destination unique positioning within the project area, well defined promotional activities coordinated with the county tourism boards to achieve maximum benefits, knowledge on how to plan and execute marketing plan and skills to be able to plan the marketing/promotional activities beyond the span of the marketing plan
- C. Tourism and service sector operators – will benefit from increased number of visitors and from a well defined promotional activities in which they can participate to gain maximum direct benefits
- D. County and municipal governments – through increased tax revenue generated by a viable tourism sector they will increase their budget for reinvestment into overall economic and community development projects
- E. Residents in general will also benefit indirectly through greater economic activity, increased employment and self-employment opportunities and better provision of services
- F. Visitors to the area in terms of wider range of products and experiences available in the project area, better information provision, resulting in improved visitor satisfaction.
- G. Visitors at large including both excursionists (one-day visitors) and tourists (those spending at least one night in the region) who will be able to get an overall insight into the areas history and culture thus enriched experience and improved quality of their visit

## 1.7 Detailed description of activities

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### ***Component 1: Detailed analysis and evaluation of the existing marketing system in the project area***

This component contains a set of activities aiming at getting an overview of the existing marketing activities and current marketing practices which also need to be evaluated. It is envisioned that the consultants will work in partnership with the employees of the tourism boards and other relevant stakeholders.

#### **1.1. Undertake a survey of existing marketing system**

Currently, the marketing and promotional activities are fragmented and uncoordinated. No one in the project area has an overview of the activities conducted, let alone an assessment of their effectiveness. The project will start with the survey of institutions involved, staffing, existing marketing activities, marketing budgets, distribution channels used, and quality and quantity of promotional materials available.

### **1.2. Evaluate the functioning of the existing system and indicate areas of improvement**

Based on the Activity 1.1., with additional stakeholder workshops and in-dept analysis of the functioning of tourism boards and their promotional budget allocation, marketing activities will then be evaluated and recommendation as to how they can be approved defined in cooperation with stakeholders.

## ***Component 2: Define goals and objectives of the Plan***

The crucial step is setting up goals and objectives of the marketing plan so that they are motivating but achievable and bring in tangible benefits. It will be done with the help of consultants ensuring that the consensus among the stakeholders is achieved on the goals and objectives and that these are clearly understood by all involved in the process.

### **2.1. Setting up goals and defining objectives of the Marketing Plan**

At least one, and preferably, two workshops will be organised specifically in relation to the definitions of goals and objectives to ensure stakeholder input, to create awareness of the project and get stakeholder commitment for the plan at the outset. The consultants will be required to run workshops structured so to guide stakeholders step by step through the process of formulating goals and objectives and, in the process, also make sure that they are in line with the vision and mission for the tourism development defined through the process of developing Tourism Master Plan and based on the stakeholder input.

## ***Component 3: Assessment of tourism development potentials in the project area***

Within the Tourism Master Plan, an analysis of tourism resources and attraction base of the project area, profile of the special interest markets that such resource base can attract and rough assessment of the products with the highest development potential was conducted. The marketing plan needs to build on that by providing detailed assessment for selected niche market products proposed by the Tourism Master Plan to ensure that the energy is focused on developing and promoting firstly the most viable (market-ready) products of the region.

### **3.1. Undertake a survey of resources and attractions base making use of the Tourism Master Plan**

We will scan complete tourism resource and attraction base of the project area to get a comprehensive view of what is available in the region, making use the Tourism Master Plan and through review of the available printed sources, relevant web-sites, interviews with knowledgeable and well-informed stakeholders and site-visits.

### **3.2. Evaluate objectively the potential of the resources and attractions base**

Consultants will evaluate the potential of the resources and attraction base in terms of its market appeal, market readiness and/or improvements measure to bring those with a market appeal to the stage that they can be packaged and promoted to the target markets. This activity will also be done in consultation with stakeholders and, where necessary, by interviewing travel trade representatives that are bringing visitors to the project area.

### **3.3. Assess the tourism development potential in the project area**

Based on the above analysis the assessment of the tourism development potential in the project area will be made as this will, to large extent, determine the structure of the final tourism products offered by the project area.



**Component 4: Assessment of the potential demand for the project area based on comprehensive market analysis**

To ensure an actionable market plan, consultants will assess the potential demand for the products that can be offered based on the analysis conducted in the Component 4 and define the market niche, its size, profile it in terms of motivation and expectations to ensure that the project area offers products highly desirable by the targeted market segments.

**4.1. Identify market trends of relevance for the project area**

Based on the results of the Component 4, the current market trends will be identified based on the review of relevant surveys and reports, both in terms of demand and supply.

**4.2. Identify special market niches for the project area**

Each of the products that the project area can offer has its own market characteristics and its own market niche. Each of these market niches will be identified and profiled based on the relevant surveys and reports available.

**4.3. Assess potential market demand**

The assessment of the potential market demand for the area will be made based for each of the market niche identified in the Activity 4.2, to ensure that the only those with the sizeable potential demand that can be met by the existing attractions and resources are targeted.

**4.4. Identify priority target markets**

Although the project area's resource base can offer a range of products to different niche markets, the marketing activities need to focus on the priority target markets. They will be defined to carefully pinpoint those that will maximise the effectiveness of the marketing and promotional activities.

**Component 5: Propose the future marketing positioning for the project area and its characteristic geographical clusters**

Consultants will, based on their own expertise and consultation with stakeholders, define the market positioning of the project area or umbrella brand as well as the positioning of its geographical clusters and/or products and experience to create sub-brands of the project area.

**5.1. Establish a system of unique tourism experiences**

Based on the Component 3 – Assessment of the tourism development potential (resources and attractions) and in consideration of the results of activities conducted under the Component 4 - Assessment of market demand, the experiences offered by the project area will be defined in a systematic ways as a first step towards market positioning.

**5.2. Identify relevant differentiation points**

Based on the Activity 5.1 the relevant differentiation points – what makes the project area different and unique – will be identified, in consultation with stakeholders and against the major competitors.

**5.3. Assess and evaluate existing image of the project area**

The existing image of the area will be identified and evaluated by using the existing surveys, media coverage of the project area and interviews with the selected, relevant tour operators.

**5.4. Propose future market positioning for the project area and its geographical clusters**

How the project area will be positioned in the mind of selected target markets is the aim of this activity. The consultant should define the market positioning for the entire project area but also for its geographic clusters and, preferable, products or experiences.

**Component 6: Determine the project area's product portfolio and most appropriate means for its development and promotions**

Based on an overview and evaluation of tourism attractions and resources, the market size assessment and the overall tourism positioning of the project area, the product development and promotional strategies will be designed.

**6.1. Assess and evaluate the attractiveness and competitiveness of each product available in the project area**

Each product available in the project area will now be clearly defined, and prioritised for development based on the assessment and evaluation of its attractiveness and competitiveness. This will be conducted by consultants and checked with the relevant stakeholders and tourism professionals.

**6.2. For each product, propose an appropriate product development and promotion strategy**

The product development and promotion strategy will be designed in line with the market demand for each of the product identified, where there will be measures clearly defined for each product to bring it as quickly as possible to the stage of market readiness and specific promotional activities designed to ensure the reasonably quick return on investment.

**6.3. Based on its positioning, product development and promotion strategy; propose product portfolios for each geographical cluster within the project area**

For the project area overall, as well as for each of the geographical cluster product portfolio will be defined based around the products identified to be closest to the market ready stage and grouped around themes under which they can be promoted for the selected target markets.

**Component 7: Determine the marketing actions that need to be conducted for the project area as a whole, and for characteristic clusters**

With clear definition of the market positioning and products to be marketed, specific marketing actions will be defined for the project area overall and for its geographic clusters.

**7.1. Group actions according to priorities**

The specific actions aimed at product development and promotion will be defined according to the priorities specified. Stakeholders' capacity to implement the plan – in terms of both financial and human resources will be taken into account in defining these priorities.

**7.2. Recommend a medium-term marketing strategy**

Medium-term marketing strategy will be designed and verified with stakeholders specifying activities that will have to take place in order to reach the objectives and targets specified (Component 2).

**7.3. Develop an operational action plan for marketing and promotion of tourism in the project area**

An operational action plan will be developed, divided into actions pertaining to the overall promotion of the region, promotion of the regional products and geographical clusters, specifying actions that will be conducted by the region independently, in cooperation with the regional stakeholders (loci tourism boards and private sector operators) and in cooperation with the National Tourism Organisation.

**7.4. Specify operational budget necessary to implement the strategy and action plan.**

Each activity proposed by the operational action plan will be budgeted and possible source of funds identified.

## 1.8 Methodology

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### 1.8.1. Methods of implementation and reasons for the proposed methodology

The project development and its implementation depend on the extent to which the stakeholders understand and support the project. Thus, from the outset, we want to involve as many stakeholders as possible to provide the necessary input, guide the planning activity and get committed to the project. Thus, a project structure has been proposed that ensures: (a) regular supervision and quality control, (b) assignment of tasks to partners and associates according to their available knowledge, (c) added value by appropriate use of external experts and (d) a clear internal organisation and division of responsibilities.

In line with this, rather detailed descriptions of the individual activities have been made. On the basis of this, it has been possible to make accurate projections of the calendar time and the working time needed for each of them. This way, surprises in terms of unexpected difficulties are eliminated as much as possible.

At the beginning of the project, a Project Steering Committee will be established that will supervise the entire project. For reasons of efficiency, the Steering Committee will comprise of the one representative from each of the institutions having the status of the project partners – TB of Karlovac and Lika-senj Counties and Chamber of Economy of the Karlovac and Lika-senj County, the representatives of the County government, and a representative from the National Tourism Organisation.

The Steering Committee will receive regular progress reports from the commissioned consulting teams, and will meet at least three times during the project. The Project Working Group will also be established to assist consultants through the nine stages of the project development and it will be made up of the representatives of the project partners' dedicated employees.

### 1.8.2. Relations with previous actions

The strategy for economic development of the Karlovac and Lika-Senj Counties has been elaborated in their respective Regional Operational Programmes (ROP) for the 2005 - 2010 period. Further, and since tourism has been recognised by the ROPs as one of the strategic economic sectors to develop in the years to come, the TB of Karlovac and Lika-Senj Counties have been granted EU funds (CARDS 2006) to embark upon the preparation of a Tourism Master Plan for Karlovac and Lika-Senj Counties. The Tourism Master Plan for the two Counties has been finalised in February of 2008. This project is a continuation of the activities set forth by the Tourism Master Plan.

### 1.8.3. Synergies with other programmes

This project is a continuation of the Tourism Master Plan for the Karlovac and Lika-Senj Counties and the activities recommended by it. Namely, as an integral part of the Tourism Master Plan, 10 priority projects have been identified for immediate implementation. This project is one of these. Further, all of the priority projects identified by the Tourism Master Plan are strongly interrelated and in synergy. Hence, the best tourism development scenario for the project area implies that all of them get funded and implemented.

### 1.8.4. Procedures for follow up and internal/external evaluation

Throughout the entire process of project implementation, regular monitoring of project progress will take place. In this context, the following will be monitored:

- Progress in implementation of individual activities defined by the project
- Achievement of results
- Utilisation of resources (inputs)
- Utilisation of financial funds

The project design itself provides a strong basis for monitoring and evaluation. Quantified indicators of achievement<sup>20</sup> have been defined for each of the project outcomes/results and objectives. Moreover, the action plan<sup>21</sup> provides a monitoring tool in terms of checking whether all relevant inputs and outputs are provided in a timely manner.

In the first phase of project implementation, a Project Steering Committee will be established, and Project Manager appointed. Project Steering Committee will be informed on project progress on a regular basis by the Project Manager, and will meet with the working groups at minimum every three months. The Project Manager will be responsible for presentations on project progress and moreover, he/she will provide information on budgetary expenditure in relation to its intended use. The Steering Committee will advise on the adjustment of plans to the actual situation and eventual budget alignments which will then be submitted for approval to the CFCU by the Project Manager.

The Project Manager will also be responsible for elaboration of descriptive and financial reports on the progress of project implementation that will be submitted to the Contracting Authority (CFCU).

The Project Management Units of Karlovac and Lika-Senj County, will regularly monitor project progress using the logical framework and action plan as their baselines. The PMUs use a standard reporting format for their monitoring which is based on the monitoring and evaluation experiences in other (ex)pre-accession countries. The Project Manager will be responsible for provision of all requested information to the Units.

### **1.8.5. Roles and participation of the various actors**

The Development Agencies of the Karlovac and Lika-Senj counties - as the project applicant, will ensure Project Management, and will together with members of the Steering Committee, supervise all the activities of the process until its completion. The Development Agencies are the institutions in charge of tourism development in the area, and are the only appropriate institutions to initiate and implement a project like this.

The Tourist Boards (TB) of Karlovac and Lika-senj Counties are partners in the project. The TBs are separate legal persons, established (and mainly financed) by the respective Counties. Both TBs will have representation on the Steering Committee and on the Working group. In line with their mission, the TB representatives in the Working group are expected to contribute mostly in the distribution channels, marketing and promotion component. The TBs are an essential part of the project for the reason that they are the institutions which will, after project completion, be responsible for carrying out the operational marketing activities set out by the marketing action plan.

Final beneficiaries, i.e. those persons and organisations who will benefit from the project at the purpose level are, of course, tourists (existing and new ones), the tourism related business sector in the wider Karlovac and Lika-Senj region, and the population at large. They will all be offered new possibilities, whether for recreation, prolonged stays in the region, possibilities for additional turnover or chances for new jobs.

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<sup>20</sup> See Logical Framework

<sup>21</sup> See chapter 1.9

### 1.8.6. Team proposed for implementation of the action

The Team of Consultants are responsible for the completion of the project. The team of international and local consultants will be lead by a Team Leader. The team should possess the following areas of expertise (a consultant may cover several areas of expertise):

- General tourism planning and product development
- Market research
- Assessment of market potential and market projections
- Marketing and promotion of special interest (niche market) tourism

The Project Manager: One of the Directors of the applicant, the Karlovac and Lika-Senj Development Agencies, will be appointed as the Project Manager. He/she will be in charge of running the project, meeting deadlines, reporting and publicity/visibility. He/she chairs all three working groups.

The Steering Committee supervises the implementation process and decides on changes, extensions and/or modifications. The Tourism Master Plan Implementation Advisory Group will act as the Steering Committee. Its members are:

- County Mayors of Karlovac and Lika-Senj Counties,
- The Directors of the Karlovac and Lika-Senj Development Agencies
- The Directors of the Karlovac and Lika-Senj Tourism Boards
- 2 persons appointed by the group of Town and Municipality Tourism Boards
- 1 person appointed by the group of National and Nature Parks
- 2 private sector members appointed by the Regional Development Agencies, representing the accommodation and the tour-operating sectors.

The Steering Committee may invite particular organisations, bodies or individuals with specific interest, skills and/or insight in the project to join the Steering Committee if found beneficial.

The Working Group members are expected to help the commissioned consultants in performing their work tasks.

### 1.8.7. Main means for implementation

The main means for successful implementation of the project are working capacity of the consultants to be engaged, staff of the partners, and contracts to be signed with the consultants. In order to successfully implement the project, the Development Agencies of the two Counties (the applicant) will enable the utilisation of a fully equipped office (furniture, computers, telephone, fax, Internet connection, etc.) and a conference room where meetings and workshops will be held.

## 1.9. Duration and action plan

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The envisage duration of the project will be 10 months. The detailed project decomposition according to its components, activities and implementing bodies is presented in the following table:

# Activity

## Component 3 : Detailed marketing system in t

3.1 Undertake a survey of e

3.2 Evaluate the functioning  
improvement

## Component 4 : Define

### 2. EXPECTED RESULTS

#### 2.1 Expected impact on target groups/beneficiaries

The target group consists of the Development Agencies of the two counties –TDAs (applicant) and its partners: Tourism Boards of both counties and Chambers of Economy. They will directly benefit from a formulation of comprehensive regional marketing plan and, indirectly, from the activities during the project implementation relating to development, organisation and training.

Tourism Boards at the County and local levels are, by the national regulation, in charge of product development and promotion. The Chambers of Economy are involved in tourism development as they have to advocate the interest of its members. None has the sufficient human and financial resources or the know-how to design and implement well defined, targeted and coordinated marketing activities.

## Component 3 : Assessment

Thus, the two main benefits of the project for the target groups are: a) in understanding how to plan and execute the marketing activities of the projects and experiences that the project area can already offer to the markets and b) in equipping them with the necessary knowledge, skills and self-confidence to continue developing well thought out and coordinated marketing activities.

Final beneficiaries will be:

- A. Nineteen municipal tourism boards will get clear and actionable marketing document that will give their micro-destination unique positioning within the project area, well defined promotional activities coordinated with the county tourism boards to achieve maximum benefits, knowledge on how to plan and execute marketing plan and skills to be able to plan the marketing/promotional activities beyond the span of the marketing plan
- B. Tourism and service sector operators – will benefit from increased number of visitors and from a well defined promotional activities in which they can participate to gain maximum direct benefits
- C. County and municipal governments – through increased tax revenue generated by a viable tourism sector they will increase their budget for reinvestment into overall economic and community development projects
- D. Residents in general will also benefit indirectly through greater economic activity, increased employment and self-employment opportunities and better provision of services
- E. Visitors to the area in terms of wider range of products and experiences available in the project area, better information provision, resulting in improved visitor satisfaction.
- F. Visitors at large including both excursionists (one-day visitors) and tourists (those spending at least one night in the region) who will be able to get an overall insight into the areas history and culture thus enriched experience and improved quality of their visit

In conclusion, the major beneficiaries of this project will not be only the project partners, but the vast majority of population. Obviously, those engaged in providing services to the tourists are expected to gain most benefits of the project. Nevertheless, by means of an income multiplier, the effects of increased tourist receipts will spill over to the entire community, including the institutions in charge of providing public services.

## 2.2 Concrete outputs

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As per activities, the expected outputs are divided into eight components. The list below does not represent only the end outcomes of the project, but also several indirect outputs which are deemed important for the project success.

### **Component 1: Detailed analysis and evaluation of the existing marketing system in the project area**

- 1.1. *A survey of existing marketing system will be conducted*
- 1.2. *The functioning of the existing system will be evaluated and areas of improvement indicated*

### **Component 2: Defined goals and objectives of the Plan**

- 2.1. *Goals and objectives of the master plan will be defined*

### **Component 3: Assessment of tourism development potentials in the project area**

- 3.1. *A survey of resources and attractions base making use of the Tourism Master Plan will be undertaken*
- 3.2. *The potential of the resources and attractions base will be evaluated objectively*
- 3.3. *The tourism development potential in the project area will be assessed*

#### **Component 4: Assessment of the potential demand for the project area based on comprehensive market analysis**

- 4.1. *Market trends of relevance for the project area will be identified*
- 4.2. *Special market niches for the project area will be defined*
- 4.3. *Potential market demand will be assessed*
- 4.4. *Priority target markets will be identified*

#### **Component 5: Propose the future marketing positioning for the project area and its characteristic geographical clusters**

- 5.1. *A system of unique tourism experiences will be established*
- 5.2. *Relevant differentiation points will be identified*
- 5.3. *The existing image of the project area will be ascertained and evaluated*
- 5.4. *Future market positioning for the project area and its geographical clusters will be proposed*

#### **Component 6: Determine the project area's product portfolio and most appropriate means for its development and promotions**

- 6.1. *The attractiveness and competitiveness of each product available in the project area will be assessed and evaluated*
- 6.2. *An appropriate product development and promotion strategy for each product will be proposed*
- 6.3. *Product portfolios for the geographical clusters within the project area will be designed based on the positioning, product development and promotion strategy.*

#### **Component 7: Determine the marketing actions that need to be conducted for the project area as a whole, and for characteristic clusters**

- 7.1. *Actions will be grouped based on priorities*
- 7.2. *A medium-term marketing strategy will be defined*
- 7.3. *An operational action plan for marketing and promotion of tourism in the project area will be proposed*
- 7.4. *Operational budget necessary to implement the strategy and action plan will be specified*

### **2.3 Multiplier effects**

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During the activities on the project, conditions for continuation of the project will be created – project partners, members of the Steering Committee as well as the project Working Group will be made aware and educated on how to produce a marketing plan and conduct coordinated promotional activities. With the well-designed, actionable marketing plan the resources already available to that end will be better utilised and will bring new visitors and overnights, thus improving the overall performance of the tourism sector, but also improving financial position of the tourism boards including promotional budget.

Project partners and the individuals involved in Steering Committee and Working Group will gain sufficient knowledge on tourism marketing and promotion to improve their own activities, especially important for the local tourism boards and private sector operators.

More broadly, the project will enhance development of SMEs and create income-generating opportunities for the project area. Increased economic activity should lead to the higher amount of tax revenue to be reinvested in community development projects. This should, in turn, create also more employment opportunities in the tourism and tourism-related sector, reverse economic decline and unfavourable demographic trends. .

Additionally, this project represents one of the first cases of tourism development projects coordinated and orchestrated jointly by two Counties in Croatia. As such, it can serve as a model to other sectors. The project itself might also stimulate other communities to think about joining forces in opening new economic development prospects based on utilisation of idle and/or insufficiently



used resources. Finally, the project should help the creation a more systematic approach to various regional tourism development issues.

## 2.4 Sustainability

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### 2.4.1 Financial sustainability

With the completion of the project and realisation of all mentioned activities, the conditions for sustainable development of tourism in the project area will be created. The applicant, the Development Agencies of the two counties - DAs and its project partners will ensure funds for the marketing and promotional activities recommended by the plan (with a provision that the plan should take into consideration the current level of funding available for marketing/promotion) and the project will be a) self sustained as it will improve the financing of the tourism boards through higher tourism-tax revenue and membership fees (given that the tourism and related services will perform better and new will be set up); b) capitalise on synergy of marketing activities with the NTO as we will be able to better utilise the promotional opportunities provided through the NTOs and strong products and experiences to be promoted by the NTO at the international markets.

### 2.4.2. Institutional sustainability

Cooperation between the Karlovac and Lika-Senj Counties, as well as between the Development Agencies –DAs (the applicant) and other partners in the project will be continued after the completion of this project, through partnership structure established during the project, while their activities will be guided through the Plan proposed by the project.

### 2.4.3. Policy issues

Joint development of the project idea by the two Counties, as well as the involvement of other local and regional institutions offers a lot of space for possible synergy. The project partners are aware of the need to strengthen their real cooperation, rather than just a formal one. Joint successful project completion and subsequent implementation heavily relies on strengthening of the awareness for the need of such partnerships in all sectors regarding the issues of achieving mutual local and regional objectives.

## 2.5 Logical framework

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Please see Annex A

## 3. BUDGET FOR THE ACTION

Total budget for the completion of the project is projected in amount of **EUR 140,000** and can be decomposed as follows:

### 3.1 Consultancy fees

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For the project to be completed it is estimated that ten (10) person-months of international and local consulting services covering the following area of expertise is needed:

- general tourism planning and product development
- market research
- assessment of market potential and market projections

- marketing and promotion of special interest (niche market) tourism

With the time input split approximately equally between international consultants at average consulting fee of 10,000.00 EUR per month, the consultancy fees amount to total of **EUR 100,000.00**.

### 3.2 Per diems

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Number of per diem days, covering international consultants' stay in Croatia and local consultants' field visits, has been budgeted in amount of **EUR 15,000.00** (1/4 person-month x 200.0 EUR per diem).

### 3.3 Workshops and stakeholder meetings

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Based on the estimated number of workshops and meetings with stakeholders (5), and an estimated cost of EUR 1,000 per event, total workshops and stakeholder meetings costs have been budgeted in amount of **EUR 5,000.00**.

### 3.4 International travel / field trips

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Based on available information on similar projects, total travel cost has been estimated on a lump sum of **EUR 8,000.00**.

### 3.5 Contingency

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Contingency has been budgeted to amount of **EUR 12,000.00** (or 10% of EUR 128,000, the sum of all previously specified costs.)

## 4. EXPECTED SOURCES OF FUNDING

Karlovac and Lika-Senj Development Agencies, in association with the Karlovac and Lika-Senj Counties' administration will provide appropriate office premises during the implementation of the project. The rental value of the premises, including the costs for electricity, water, heating etc. is estimated at EUR 5,000.

The rent of venues for meetings and workshops is estimated at EUR 3,000.

The value of input of the staff of the beneficiaries' organisations represented on the Steering Committee and possible workshops is estimated at EUR 37,000.

The total contribution of the beneficiary amounts, thus, to **EUR 45,000.00**.

## Annex 1: Logical Framework Matrix

Project Title: <i>Preparation of a regional marketing plan for Karlovac and Lika-Senj</i>	Programme number:		Priority project number: 10
	Contracting period expires	Disbursement period expires:	
	Total budget: EUR 182,000	EU budget: EUR 140,000	
Overall Objective	Objectively Verifiable Indicators	Sources of Verification	
<ul style="list-style-type: none"> <li>To optimize utilisation of scarce promotional budgets available, ensuring most effective sustainable long-term increase of tourism receipts in the project area</li> </ul>	<ul style="list-style-type: none"> <li>Increased tourist demand for the project area</li> <li>Increased number of tourist nights spent in the region</li> <li>Increased tourism employment</li> <li>Increased number of registered tourism SMEs</li> <li>Increased tourism receipts and increased contribution from tourism to the regional GDP</li> </ul>	<ul style="list-style-type: none"> <li>County statistical reports (Central Bureau of Statistics)</li> <li>Tax administration reports</li> <li>Croatian Employment Office reports</li> <li>Business registration reports</li> <li>Tour-operators' brochures</li> </ul>	
Specific Objectives	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> <li>To develop a well thought out set of promotional activities that will best promote the project area on relevant markets, resulting in continuous increase in tourist visitation and tourist receipts</li> <li>Increase the share of tourism in the GDP of the project area</li> <li>Ensure more even regional dispersion of tourism receipts throughout the project area</li> <li>Employment creation</li> </ul>	<ul style="list-style-type: none"> <li>Effective framework for marketing and promotion of diversified tourism in Karlovac and Lika-Senj</li> <li>Better use of scarce resources for marketing and promotion activities</li> <li>Featuring of the project area's tourism products in at the brochures of at least 25 international tour operators</li> <li>Improved visitor satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Annual reports of the Ministry of Tourism and regional tourism boards</li> <li>Promotional material</li> <li>Newspaper articles</li> <li>Annual TOMEIS visitor surveys conducted by the Institute for Tourism</li> </ul>	<ul style="list-style-type: none"> <li>Perception of Croatia as an attractive tourism destination</li> <li>Economic conditions in potential feeder markets do not suffer major setbacks</li> <li>Commitment to the project from both, local administration and County tourism boards</li> </ul>
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Detailed analysis and evaluation of the existing marketing system in the project area (institutions involved, staffing, existing marketing activities, marketing	<ul style="list-style-type: none"> <li>Identification and selection of at least 5 niche market priority products - using the results of the niche market studies undertaken as a result of the</li> </ul>	<ul style="list-style-type: none"> <li>Project documentation and independent evaluation reports</li> <li>Promotion programmes</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation with county and municipal tourism boards</li> </ul>

<p><i>budgets, distribution channels, quality and quantity of promotional material, marketing effectiveness &amp; efficiency)</i></p> <p><i>Well-defined goals and objectives of the regional marketing plan</i></p> <p><i>Assessment of tourism development potential in the project area based on the analysis of the resource and attractions base of the Tourism Master Plan</i></p> <p><i>Assessment of the potential demand for the project area based on comprehensive market analysis</i></p> <p><i>Market positioning of the project area, and its characteristic geographical clusters</i></p> <p><i>Project area's product portfolio determined on the basis of product competitiveness &amp; attractiveness, and most appropriate means for product development and promotion proposed</i></p> <p><i>Product portfolios and distribution channels characteristic for each geographical cluster identified</i></p> <p><i>Marketing action plan for the project area as a whole, and for characteristic geographical clusters</i></p> <p><i>Cost estimates for each of the activities</i></p>	<p><i>Tourism Master Plan</i></p> <ul style="list-style-type: none"> <li>● <i>Identification of at least 5 characteristic areas and/or clusters within the project area for market ready development</i></li> <li>● <i>Consolidated marketing budgets established for the two counties</i></li> <li>● <i>Positioning statements created</i></li> <li>● <i>Branding briefs developed</i></li> <li>● <i>Contacts with at least 50 international tour operators specialised for identified tourism products and market niches established</i></li> <li>● <i>Action plan for marketing and promotion of the region prepared</i></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Records of contacts with tour operators</i></li> <li>● <i>Newspaper articles</i></li> <li>● <i>Minutes from workshops and stakeholder meetings</i></li> </ul>	
Activities	Means	Costs	Assumptions
<p><i>Conduct an analysis and evaluation of marketing system in place in the project area</i></p> <p><i>Undertake a survey of existing marketing system (institutions involved, staffing, existing marketing activities, marketing budgets, distribution channels, quality and quantity of promotional material, marketing effectiveness &amp; efficiency)</i></p> <p><i>Evaluate the functioning of the existing system and indicate areas of improvement</i></p> <p><i>Define goals and objectives of the marketing activity plan</i></p> <p><i>Assessment of tourism development potential in the project</i></p>	<p><i>Provision of twelve (12) person-months of international and local consulting services covering the following areas of expertise (a consultant may cover several areas of expertise):</i></p> <ul style="list-style-type: none"> <li>● <i>General tourism planning and product development</i></li> <li>● <i>Market research</i></li> <li>● <i>Assessment of market potential and market projections</i></li> <li>● <i>Marketing and promotion of special interest (niche market) tourism</i></li> </ul>	<p><b>Estimated project costs:</b></p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>● <i>Time input split approximately equally between international and local consultants at average consulting fee at € UR 10,000</i></li> <li>● <i>€ C per diem rate of € UR 200 for Croatia is applied</i></li> <li>● <i>Number of per diem days set at one fourth of total manpower input and covering international consultants' stay in Croatia and local consultants' field visits</i></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Dedicated support from local administrations and tourism boards</i></li> </ul>

<p>area based on the analysis of the resource and attractions base of the Tourism Master Plan and the adventure and other special interest studies proposed for the region</p> <p>Undertake a survey of resource and attractions base making use of the Tourism Master Plan</p> <p>Evaluate objectively the potential of the resource and attractions base</p> <p>Assess the tourism development potential in the project area</p> <p>Assessment of the potential demand for the project area based on comprehensive market analysis</p> <p>Identify market trends of relevance for the project area</p> <p>Identify special market niches for the project area</p> <p>Assess potential market demand</p> <p>Identify priority target markets</p> <p>Propose the future market positioning for the project area, and its characteristic geographical clusters</p> <p>Establish a system of unique tourism experiences</p> <p>Identify relevant differentiation points</p> <p>Assess and evaluate existing image of the project area</p> <p>Propose future market positioning for the project area and its geographical clusters</p> <p>Determine the project area's product portfolio and most appropriate means for its development and promotion</p> <p>Assess and evaluate the attractiveness and competitiveness of each product available in the project area</p> <p>For each product, propose an appropriate product development and promotion strategy</p> <p>Identify product portfolios and distribution channels characteristic for each geographical cluster</p> <p>Based on its positioning, product development and promotion strategy, propose product portfolios for</p>		<ul style="list-style-type: none"> <li>Travel costs set at EUR 8,000 covering both international air travel and field travel in Croatia</li> <li>Workshops and stakeholder meetings estimated at EUR 1,000</li> <li>Contingency of about 10% of costs</li> </ul> <p><b>Consulting fee:</b> 10 person-months x EUR 10,000 = EUR 100,000</p> <p><b>Per diem:</b> 1/4 x 10 person-month x EUR 200 = EUR 15,000</p> <p><b>International travel / field trips including visits to main markets:</b> Estimated cost: EUR 8,000</p> <p><b>Workshops/stakeholder meetings:</b> 5 events x EUR 1,000 = EUR 5,000</p> <p><b>Sub-total: EUR 128,000</b></p> <p><b>Contingency: EUR 12,000</b></p> <p><b>TOTAL FINANCIAL INPUTS: EUR 140,000</b></p>	
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<p><i>each geographical cluster within the project area</i></p> <p><i>Determine the marketing actions that need to be conducted for the project area as a whole, and for characteristic clusters</i></p> <p><i>Group actions according to priorities</i></p> <p><i>Recommend a medium-term marketing strategy</i></p> <p><i>Develop an operational action plan for marketing and promotion of tourism in Karlovac and Lika-Senj</i></p> <p><i>Assess the operational costs for each of the activities</i></p> <p><i>Specify operational budget necessary to implement the strategy and action plan</i></p>			
			<p><b>Preconditions</b></p>
			<p>•</p>

