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## **PLANNING AND PROMOTION OF SUSTAINABLE TOURISM DEVELOPMENT IN MACEDONIA**

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**Abstract:** Due to the fact that tourism generates many impacts which are contributing to the overall economic development, the inevitable connection is evident to the process of state, regional and community planning. This study addresses the role of government in its efforts for undertaking tourism policy that ensures hosting visitors by maximizing the benefits to all involved stakeholders, while minimizing the negative impacts associated with accomplishing successful destination. This has been a priority task to all governments, particularly to small and developing countries as Macedonia. So, the research addresses the role of government in its efforts for planning and promoting sustainable tourism development in Macedonia. Several key areas of governmental influence on tourism development are assessed based on available primary and secondary sources of desk-research. The paper is reach on comparable quantities analyzed by descriptive statistics with a data set generally covering a twenty year horizon and over. Despite the significant governmental efforts, the up-to-date results point to modest and limited outcomes with regards to the sustainable tourism development. This empirical evidence underlines the importance of government actions, support and encouragement as a prerequisite for well-established tourism planning process in the line of accomplishing positive impacts with larger extends.

**Keywords:** Tourism; Government; Sustainable tourism development; Macedonia.

**JEL Classification:** L83, M38, O21, Q01

### **1. Introduction**

Being identified as one of the most promising industries that mainly contribute to world's economy, tourism became a challenge for every country. Small and developing countries are particularly interested in taking advantages of all positive impacts that tourism implies. It is generally accepted the role of tourism as a potential contributor to socio-economic development in destination areas. Moreover, the conventional thinking about the relationship between tourism and development is broadly addressed. The accent is put on the issue how governments have responded to the challenges the concept poses toward understand the complexities associated with sustainable tourism development [1], [2]. In this respect, it is underlined the necessity of posing practical plans for fostering harmonious relationships among local communities, private sector, NGOs, academic institutions, and governments at all levels. Furthermore, the aspect of developing management practices and philosophies that protect natural, built, and cultural environments while reinforcing positive and orderly economic growth, is addressed [3], [4].

Macedonia is one of the countries which have identified tourism as a mean for generating various micro and macro-economic impacts. Consequently, a National Strategy for Tourism Development 2011-2015 was prepared with a main vision - Macedonia to become famous travel and tourism destination in Europe based on cultural and natural heritage [5: 3]. Up-to-date, tourism in Macedonia has accomplished an average growth of 4.64% per year, which is higher than the average growth of the entire economy (3.12%). One may say that the contribution of tourism in the gross domestic product (GDP) is very modest

with an average of only 1.7 % per year, but the impression is completely opposite when compared to the average for Central and Eastern Europe (CEE) of 1.6% [6: 6]. Regarding the participation of tourism employees in the total workforce of Macedonia, the national average is 3.1%, which is more than twice bigger than the average of the CEE being 1.4% in 2009 [6: 6]. The importance of tourism to national economy can be evaluated by tourism inflows which in 2009 represented 26% of total inflows of services and 8% of exports of goods in Macedonia. In the same line, the tourism inflows were 20% higher than the foreign direct investments. Accordingly, the net tourism inflows in Macedonia have an average of 1% of GDP [7]. Such condition indicates high potential of tourism effects especially in the line of international tourist arrivals, when an upward trend is expected to continue in the next period [8], [9], [10]. Moreover, certain efforts have been detected in applying tourism as a tool for enhancing and balancing regional tourism development in Macedonia [11].

Furthermore, the projected values referring tourism development in Macedonia are very optimistic. Namely, according to estimations by 2021 it is expected tourism contribution to the national GDP to reach 4.9% thus bringing revenue of US\$200 million. Moreover, the total contribution to employment including jobs indirectly supported by tourism industry is forecast to rise to 35 000 jobs (5.4%). Furthermore, the investment in tourism is projected to reach the level of US\$ 95 million representing 2.8% of total investment [12]. Consequently, Macedonia identified tourism as an industry which might contribute to enhancing foreign export demand for domestic goods and services, generating foreign currency earnings, new employment opportunities, repaying the foreign debt, increasing the national income etc.

## **2. Governmental intervention in sustainable tourism development**

One may argue that formulating appropriate tourism development plan and policy is not a trouble-free process [13]. Namely, tourism policy must be created in a way that ensures hosting visitors by maximizing the benefits to stakeholders, while minimizing the negative effects, costs, and impacts associated with accomplishing successful destination [14]. Yet, all efforts in order to consider and understand the interrelated nature of tourism industry require monitoring and evaluation when tourism policy issues are involved [15]. However, many case studies on planning provide indications that tourism policy may be viewed as simple by those whose job is to create and implement it [16].

Due to the fact that tourism generates many impacts which are contributing to the overall economic development, the inevitable connection is evident to the process of state, regional and community planning. In the same line, it is important to create a strategic document for tourism development as a strong mechanism in assessing the development priorities [17], [18], [19], [20].

In order to accomplish the projected economic targets, each government must define its role in undertaking operative measures and activities. Everyday practice has justified the state intervention in tourism industry regardless the size and effects. However, the overall state intervention usually does not provoke fully positive impacts on tourism development. On the other hand, the absence of governmental intervention in free market economy may lead to short-term benefits in tourism oriented enterprises, so the lack of a long-term control over tourism supply may occur. Therefore, the necessity of a balanced state approach in terms of tourism intervention is a must. So, the government may serve as balance between the exploratory power of private tourism enterprises on one hand, and its own interests, on the other. In this line, it must have been precious since the basic goals of the government and the basic goals of the enterprises may not intersect always, although having common interests in most cases.

Accordingly, the partial state intervention is identified as the best solution ever, despite the cognitive conclusion that this kind of “mixed” entrepreneurship often initiates strategic conflicts among the state and the private enterprises. In this respect, the preliminary task is to identify the priority areas of state intervention as the only way of making it the most effective. The government may not be directly involved in tourism support, except in some areas of national importance such as developing tourism information systems or national tourism promotion. Moreover, the government may initiate actions and activities for tourism development by ensuring funds or setting quality standards. So, this kind of intervention is acceptable as a supportive and balance-oriented concept. Therefore, the role of the government is to act as an economic power that will guide and manage tourism development. Its intervention is justified only when tourism by itself may not act efficiently.

### **3. Methodology**

Primary and secondary sources based on desk-research are applied in the paper. Different types of analyses are performed based on qualitative approach since the official statistical data are not always sufficient for pointing concluding remarks on particular issues.

Accordingly, the paper underscores the need for continuous analysis of tourism contribution as important consideration to all tourism key-actors responsible for creating development strategies in Macedonia. In this respect, the main conclusions should initiate urgent need for undertaking serious measures and activities for enhancing sustainable tourism development in Macedonia. More specifically, an effort is made to underline the importance of government actions, support and encouragement as a prerequisite for well-established tourism planning process in the line of accomplishing positive impacts with larger extends.

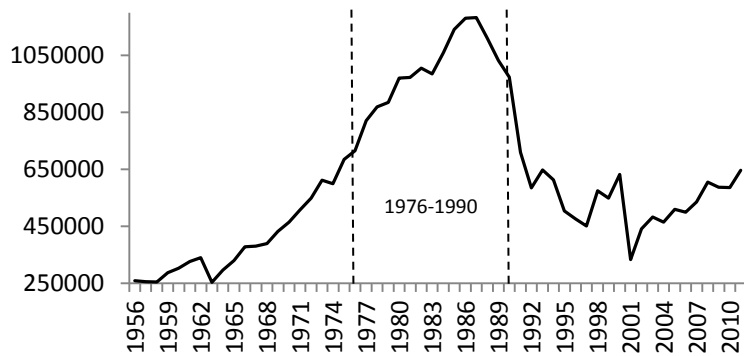
### **4. Analysis, results and discussion**

The role of government in maintaining tourism development is especially important and needs to be adequately defined in ever-changing environment. Its mission is particularly crucial in the process of implementing tourism development plan in order to achieve sustainable growth of tourism industry. This task can be accomplished by different measures and activities in the line of supporting international tourism or, by redirecting domestic tourists towards domestic tourism destinations. In both cases, it is fundamental to look at several issues referring the general role of government in different planning periods, the process of privatization, creating comprehensive tourism legislation, tourism promotion and the fiscal policy as well.

#### **4.1. Governmental role in different planning periods**

In order to gain more interesting conclusions regarding the general role of government in tourism development planning in Macedonia, a retrospective breakdown is made. Additionally, the major characteristics of several sub-periods are pointed out. The number of tourist arrivals is the basic variable analyzed within the period 1956-2011 (Chart 1).

Chart 1. Tourist arrivals in Macedonia, 1956-2011



Source: [21]

The lack of official statistical data referring to the earlier period for applied variable prevented us in its visual presentation in the Chart 1. However, it is known that before 1956, Macedonia had an administrative system of management, so generally the goals, aims and objectives of development plans were focused on domestic tourism. The state had an active role, so the investment policy was generally concentrated on enlargement of public hotel capacities as well as on the establishment of catering service and restaurants for the working class. In the line of supporting the domestic tourism, the government introduced certain reduction of traffic taxes.

The period covering 1956-1965 was characterized by workers self-management system. The government enhanced tourism development in Macedonia by undertaking various measures and activities for introducing an “open-door” and “good-neighbor” policy. Moreover, the government built many new accommodation facilities, educated and trained personnel for tourism industry, invested in tourism infrastructure, allowed free market price policy, presented discounts for domestic tourists up to 40% in the season and up to 60% in out-off-season, introduced subsidies in hospitality, granted capital tourism investments, invested in enhancement of international tourism flow etc. The positive upward trend can be seen in Chart 1. An exception of this positive trend is 1963 when a catastrophic earthquake destroyed Skopje - the capital of Macedonia. However, despite all above noted positive measures, this period is branded by the lack of clearly defined long-term tourism policy. So generally, the state acted partially and unsynchronized towards tourism obstacles by undertaking short-term and ad-hock measures and activities.

The period from 1966-1975 is an interval when tourism was defined among the priority areas of economic development of Macedonia. Due to that fact, the government started to conduct extremely strong intervention by introducing tax allowances for stimulating construction of new tourism facilities, loans, credits, funds for regional development etc. The main aim was to initiate and stimulate positive tourism development outcomes. The accomplishment of this task is visually supported by the Chart 1 presenting that the tourist arrivals in this sample sub-period, really expanded.

Between 1976 and 1990, the government significantly changed its role in qualitative manner. Namely, the state continued with its intervention but only limited to certain, highly important areas such as funding tourism promotion, crediting capital tourism capacities, stimulating tourism income, enhancing tourism supply, initiating tourism networking etc. This is a period when tourism in Macedonia reached its highest peak ever with 1.2 million tourists.

The period from 1991 until today, represents a twenty year horizon of independence. The role of government in planning tourism development has considerably changed. Namely variety of shocks with which the country was faced (the collapse of former Yugoslavia, transition process, various reforms, political instability, war conflicts in neighboring

countries, economic crisis, internal ethnic conflicts etc.) resulted negatively on tourism development. This is visually presented in the Chart 1 as an extreme downwards movement of the time series. The active role of government was transformed and tourism was marginalized. Consequently, until the end of 1990s, tourism stagnated as a result of a slow recovery and transformation process, a lack of coordination between the key-tourism players, a lack of foreign investments etc. Another breakdown is noted in 2001 due to the ethnic war conflict in Macedonia. After that shock, the government redefined the tourism as an important factor for economic development and put it in its agenda as a priority area. So, tourism is one more time seen as a chance for accelerating the economic development. Respectively, the government identified its role in formulating a medium and long-term tourism policy, preparing and implementing tourism development plan, creating tourism legislation, assuring tourism quality etc.

## **4.2. Tourism promotion**

With the establishment of the Agency for promotion and support of tourism in Macedonia in 2008, it became fully responsible for national tourism promotion. Before that, the Ministry of economy through the Tourism department was in charge for preparation and implementation of the Program for general tourism advertising. Regardless the institution accountable for raising tourism national visibility, the budget foreseen for this type of activity is of highest importance. Undertaking measures and activities for supporting tourism promotion is a common example of state intervention. So, permanent budget increase is an inevitable activity in order to gain more economic effects. As a case-example, we may mention the one from 2009 when Croatia had bigger budget for tourism promotion for 60% compared to the previous year [22].

In Macedonia, the budget expenditures allocated for the implementation of the Program for tourism promotion are very modest. Approximately EUR 130000 was allocated for 2012 [5], which is slight, though constant increase per year. The need for major efforts in the field of tourism promotion in Macedonia is illustrated by the fact that Macedonia has been ranked low on the list of the most attractive destinations for travel and tourism. Namely, Macedonia was ranked at the 76<sup>th</sup> place out of 139 countries in 2011, having better rank only from neighboring Serbia, and Bosnia and Herzegovina [23: xv].

If we make a detailed analysis of all indicators concerning certain sub-indexes, many interesting concluding remarks emerge, in particular with respect to travel and tourism regulatory framework, tourism business environment and infrastructure, tourism human, cultural and natural resources etc. The tourism infrastructure index is categorized within the business environment and the necessary infrastructure for tourism and travel development. Thus, it represents its appropriateness by a score of 3.8 being ranked at the 69<sup>th</sup> place out of 139 countries [23: 256].

As part of the effort for strengthening its tourism competitiveness, Macedonia has launched its first national web tourism portal in 2005. It is a platform created as a public-private partnership between an international donor and the Ministry of economy. Although, many other private initiatives act as additional tourism portals in order to support country's tourism profile, there is still need for more work. The chaos of tourism and travel information present in the digital environment may be overcome by introducing tourism recommendation systems. It is a promising way to be different from the competitors and to meet tourists' needs and preferences in more intelligent way [24].

The shortage of allocated budget for successful tourism promotion of Macedonia, underscores the lack of professional approach towards promotion of its tourist products.

Thus, despite the governmental efforts in this line, the modest and limited budget is the biggest obstacle in achieving better results.

## **5. Conclusion and recommendations**

Tourism is an industry that may not be self-developed, so provokes necessity of applying certain forms of state intervention. In this respect, state intervention in tourism means direct participation of the government in tourism market. This may be accomplished generally, in two ways. The first one refers to selective allocation of funds which means market intervention of government as a financial institution. The second approach is a direct control over tourism enterprises which means state's inclusion in the business. Consequently, if tourism development is out of control, variety of conflicts may arise. So the government must be included in order to make certain positive-oriented interventions. To which extend this intervention will appear, depends on many factors, out of which the political orientation of government is the most explored. Usually, governments that support free market and open economy, often create encouraging environment for successful tourism development in contrast to central-oriented ones.

Tourism outcomes in Macedonia refer to the need of government support and encouragement in the line of accomplishing positive impacts with larger extends. Yet, the state intervention should be based on balanced background regardless the applied forms. So it is irrelevant whether the state interferes directly through the Ministry of economy, or indirectly by the foreign policy. The main aim is to implement different measures and instruments in order to manage tourism flows in the line of fulfilling the projected goals.

The general conclusion is that Macedonian tourism suffers from lack of coordinated activities and organizational forms functioning on horizontal and vertical line, unclear set of goals, aims and field of interest within the public, as well as the private tourism sector. Although some significant efforts have been made in promoting tourism, yet the modest and limited budget is the biggest obstacle in achieving greater competitive advantages. The result is a poorly developed tourism industry. Therefore, as a starting point, partial tourist products must be introduced until the moment when certain preconditions are created in the sense of strengthening the cooperation between all key actors in tourism. Hence, it can be concluded the need for further governmental intervention in tourism in Macedonia, with emphasize to be supportive and balanced since up-to-date effects are positive, but very modest.

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