

**To cite this article:** Petrevska, B. & Matlieska, M. (2012). Managing Regional Development: Empirical Evidence on Tourism Contribution, Conference Proceedings, First International Conference “South-East European Countries towards European Integration”, Elbasan, Albania, 693-700.

## **MANAGING REGIONAL DEVELOPMENT: EMPIRICAL EVIDENCE ON TOURISM CONTRIBUTION**

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**Abstract:** *Tourism is one of the greatest sources of economic growth and is detected by many undeveloped and developing countries as the only way-out for economic prosperity. This study argues the inevitable relationship between tourism and regional development with an aim to investigate the potential of successful contribution of tourism to regional development in the south-west part of Macedonia. In particular, it makes an attempt to explore and compare the NUTS3 regions from the perspective of tourism potentials for regional development. This empirical evidence reports on analyses based on stylized facts obtained from secondary data. The outcomes point to the fact that the South-West planning region is the leading statistical region in Macedonia when referring tourism and regional development issues. Yet, despite its enormous potentials, tourism still has not reached its peak point. So, the paper strongly recommends this evidence as a good example for boosting regional development through tourism application. Furthermore, it urges the need for identifying effective framework for mitigating the up-to-date modest results and creating sound public policies. Additionally, the contribution of this paper lies in the fact that it enriches the poorly-developed empirical academic work within this scientific area in Macedonia.*

**Keywords:** *Tourism; Regional development; South-West planning region; Macedonia.*

**JEL Classification:** L83, R11, R58, H76

### **1. Introduction**

Tourism has emerged as important factor for regional development. It has a major economic and social impact at regional and local levels, particularly in the areas where tourism activities take place. Hence, some regions were highly positively influenced by tourism impacts, like mainly coastal (Emilia-Romagna, Italy), mountainous (Valais, Switzerland), urban and historic (Ile-de-France, France) or regions with exceptional natural resources (Quebec, Canada and Arizona, USA). Additionally, regions with different profiles can also benefit from the growth of tourism. In this line, they can be rural, promoting green tourism, leisure and nature activities (Queensland, Australia), very remote, (Greenland, Denmark) or regions undergoing industrial restructuring (Nord-Pas-de-Calais, France).

The regional development of tourism can trigger general economic growth by creating new dynamic. It can also contribute to better land use planning by countering rapid urbanization in developed countries and by attracting populations to new regions where tourism is developing. However, some guidelines for development must be laid down in order to preserve resources, ensure complementarity between areas and define tourism poles. Yet, tourism development in the underdeveloped areas enables development of the periphery, retaining the population in the homeland, infrastructure is improved as well as all other activities which contribute to prosperity of the region and a country.

Like many countries, Macedonia has been affected by growing regional inequalities during transition. Pre-existing regional inequalities have intensified during the transition process and have been exacerbated by non-economic factors. Per capita income in the capital city of Skopje is far above the rest of the country and became the main pole of development. While the other regions have secondary towns that are poles for their development, none can compete with the capital. Consequently, this kind of mono centric pattern of development underpinned huge differences in the quality of life among the other regions.

Although regional policies have been put in place over the years and a process of decentralization has been applied since the end of 2001 conflict, they have as yet not addressed these fundamental inequalities. In recent years eight planning regions have been defined, each with own specific characteristics and development problems. In that line, the Law on Equal Regional Development, set in 2007, laid the foundation for a regional policy that conforms to EU standards and foresees resolving the problem of delayed development of some regions in an institutional manner. For that purpose, a Council for Equal Development has been established with a mandate to coordinate regional development policy. Moreover, a Council for the Development of the Planning Regions has been established as a body responsible for policy implementation in each planning region. The former Agency for Economically Underdeveloped Areas was transformed into the Regional Development Bureau. Additionally, the National Strategy for Sustainable Development and National Strategy for Regional Development [1], [2] offered possibilities for revitalization of numerous deserted areas in Macedonia. Furthermore, recently revised National Strategy for Tourism Development [3] gives recommendations for tourism development and identifies five strategic clusters as a framework to Macedonian tourism development.

The objective of this paper is to disentangle tourism influence on regional development of Macedonia in terms of basic economic parameters and tourism indicators. In order to achieve that goal, the paper addresses the case of the South-West planning region as the best practice and the leading statistical region when referring tourism development. It is reach on recommendations for this region as a good example for boosting regional development through tourism application. Furthermore, it urges the need for identifying effective framework for mitigating the up-to-date modest results and creating sound public policies. Additionally, the contribution of this paper lies in the fact that it enriches the poorly-developed empirical academic work within this scientific area in Macedonia, with certain exceptions [4].

## **2. Literature review**

The concept of regional development includes on one hand, the dynamics of development of specific areas, primarily understood as a regional economic development of those areas, but also regional traffic, population or environmental development. There is a large body of literature which main thesis are that regional development must be based on the exploitation of best potentials of the regions environmental features, and sustainable development must be based on reasonable regional development.

In this respect, the conventional thinking about the relationship between tourism and regional development is present in the most studies [5], [6], [7]. Other researchers investigate the local, place-based factors that influence tourism development, and ask why some tourism areas develop more than others [8]. Likewise, a focus is put specifically on the less developed world and by arising many assumptions about the role of tourism in development and, in particular, highlighting the dilemmas faced by destinations seeking to achieve development through tourism [9], [10]. Some authors even endeavor to a critical approach within a multi-disciplinary framework to relook at the complex phenomenon of tourism development [11],

[12]. In the last twenty years, large regional differences in the quality of life have emerged within many transition economies [13].

Tourism is seen as a ‘sunrise’ industry that is labor intensive and therefore offers the potential to be a substantial source of employment. In short, much attention has been directed to tourism’s economic potential [14], [15], [16]. Due to the relationship between food and tourism, some authors underscore the significant opportunity for product development as a means to rural diversification [17]. Others examine the contemporary issues and reasons for tourism development as a strategy for urban revitalization [18] as well as for providing the basis for a better informed integration of tourism in regional development strategies [19]. Moreover, some discussions are towards various policy innovations as activities by regions in terms of tourism development considering continuous growth within the sector [20]. Additionally, as tourism and regional development are closely linked, regions and local authorities play a key role in the formulation of policy and the organization and development of tourism [21].

### **3. NUTS classification**

In 2007, under the imperative to harmonize its laws with the EU, Macedonia adopted the Nomenclature of Territorial Units for Statistics (NUTS 3 level) and created eight statistical regions: Vardar, East, South-West, South-East, Pelagonija, Polog, North-East and Skopje. These regions serve as main units for development planning. Moreover, they have been assigned the role of planning regions entitled for planning process and implementation of a consistent regional development policy and for harmonization with EU regional policy. Each of the planning regions has a Centre for development established for the purposes of carrying out professional tasks relevant for the development of that particular region.

The experience of the Central and Eastern European countries show that there is no obligation under the EU law to align NUTS units to the existing administrative organization of the country. However, “for practical reasons regarding data availability, the design of the statistical units follows the borders of the existing administrative units, and it is usually revised following an administrative reform in the respective country” [22: 182].

### **4. Methodology**

The paper makes an attempt to document different views and paradigms on tourism development in an in-depth manner. So, the objective of this research is to give an overview of tourism importance as a source of economic development in the south-west part of Macedonia. In order to fulfill its main aim, the paper is reach on different types of analyses mostly based on available sources of secondary data, being reach on stylized facts.

Yet, despite the enormous potentials, tourism in the South-West planning region in Macedonia, still has not reached its peak point. On one hand, this empirical evidence underscores a good example of tourism application in regional development, but on the other, points out the necessity of undertaking governmental measures and initiatives for enhancing tourism contribution to the regional development.

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

Generally, the paper addresses the issues of tourism flows, accommodation capacities, as well as tourism potentials of South-West planning region. For this purpose, the analyses are based generally on official sources of secondary data spreading over the sample period 2004-2011. The research findings point out that the South-West planning region is the leading statistical region in Macedonia when referring tourism and regional development issues.

## 5.1. Tourism flows

The planning regions were created for regional development planning and for realization measures and instruments for promoting balanced regional development. With regards to tourism development, the data point to South-West planning region as the leading statistical region in Macedonia.

Table 1 describes tourist arrivals within the sample period 2004-2011. It is noticeable that the South-West planning region is by far absolutely dominant in terms of tourist arrivals in comparison to other planning regions in Macedonia. In 2009, 170 127 domestic tourists visited the South-West planning region, thus representing 52% of total domestic tourism demand. Similar positive conclusion can be underlined when referring to international tourism demand, when the region was visited by 87 353 foreign tourists representing one-third of the total foreign tourists in Macedonia.

Speaking generally, this region participates with 40-50% or nearly one-half of the total tourist arrivals in Macedonia. This fact indicates that the South-West region is the leader in tourism development and may serve as a good example for other planning regions.

Table 1. Tourist arrivals by statistical regions in Macedonia, 2004-2011

Region/year	2004	2005	2006	2007	2008	2009	2010	2011
Vardar	8 334	7 564	8 173	8 419	7 799	9 448	10 572	12 086
East	9 865	9 377	12 069	10 813	13 739	12 680	13 054	13 615
South-West	222 950	236 434	233 218	255 257	276 669	257 480	234 665	249 746
South-East	44 094	61 851	58 577	66 043	84 031	90 998	84 856	108 555
Pelagonija	56 710	58 553	51 970	51 715	63 325	50 740	69 712	76 469
Polog	22 679	20 555	21 890	17 188	19 153	31 596	31 828	29 153
North-East	3 373	3 672	2 433	3 657	3 395	3 560	3 098	3 803
Skopje	97 010	111 700	111 143	123 120	138 209	131 268	138 456	154163
Total	465 015	509 706	499 473	536212	605 320	587 770	586 241	647 568

Source: Authors' own calculations based on: State Statistical Office (various years) [23], [24].

The South-West planning region has once again the leading role when analyzing tourist nights spent for the period 2004-2011. Namely, Table 2 performs that two-thirds of the total tourist nights spent are registered within this region i.e. 58-67% of the tourist nights spent are noted within the past eight years. This fact is not a surprise since it is in a direct correlation to the previously analysis outcome in terms of tourist arrivals. It can be concluded that the South-West planning region still has the biggest piece of the cake, although a downward trend is noted from 2008-2010 as a consequence to the world financial crisis.

The analyzed data perform that even 71% of total domestic nights spent and 43% of total foreign nights spent are registered in the South-West region. The last available official statistical data addressing 2011 indicate that 56% of the total tourist nights spent are recorded in the South-West planning region.

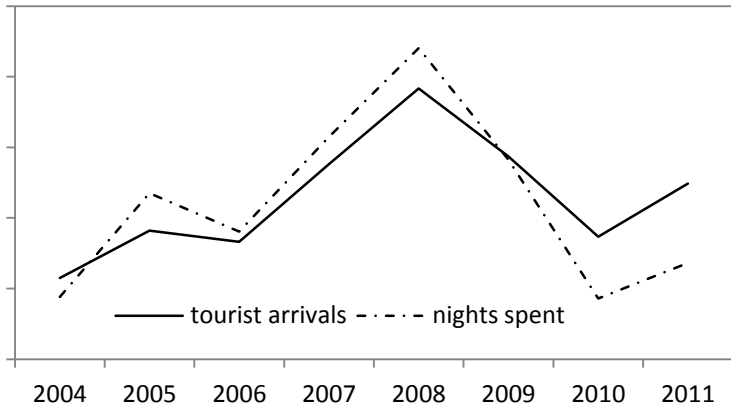
Table 2. Tourist nights spent by statistical regions in Macedonia, 2004-2011

Region/year	2004	2005	2006	2007	2008	2009	2010	2011
Vardar	17 772	15 803	16 880	15 530	13 861	17 228	20 137	21 139
East	26 406	19 909	28 989	21 694	28 449	27 509	25 687	28 852
South-West	1170481	1288135	1244487	1351806	1452205	1326192	1168824	1 209 187
South-East	233 738	208 858	218 077	211 619	260 351	277 030	262 787	312 377
Pelagonija	176 930	178 814	155 461	152 726	171 928	139 699	170 354	208 918
Polog	53 450	50 476	53 824	37 986	45 345	61 146	61 455	54 787
North-East	5 684	6 066	4 003	5 677	5 130	6 247	5 628	6 807
Skopje	180 973	201 980	195 674	222 674	258 251	246 555	305 345	330 967
Total	1865434	1970041	1917395	2019712	2235520	2101606	2020217	2 173 034

Source: Authors' own calculations based on: State Statistical Office (various years) [23], [24].

Chart 1 represents tourist arrivals and tourist nights spent in the South-West statistical region in Macedonia for the observed period. It is noticeable that the peak point for both variables was reached in 2008, being followed by sharp decrease in 2009 and 2010. Namely, due to the world economic crisis, the up-ward trend was replaced with negative results. Yet, first positive impulses are noted in 2011 with modest, but encouraging recovery.

Chart 1. Tourist flows in South-West planning region, 2004-2011



Sustainability of tourism as a leading accelerator for development in the South-West planning region is supported by another positive finding. Namely, this region is well-established as a leading tourist center in Macedonia since it fulfills the highest average length of stay. So, between 2004 and 2011, the average length of stay is between 5 and 5.4 days. When compared with the average of Macedonia which is 3.4 to 4.2 days, it is 1.5 times higher. Thus, one must respect tourism results of the South-West region and appoints tourism as the strategic priority areas for regional development.

### 5.2. Accommodation capacity

The analysis of the accommodation capacity is important since it argues the (in)appropriateness of tourism accommodation supply. In this respect, it is noted that the comparative analysis of the estimated values regarding the number of needed hotel beds with the existing ones, points to an over dimension of hotel accommodation capacities in Macedonia [25].

Table 4. Accommodation capacity by statistical regions in Macedonia, 2008-2011

Region/year	2008		2009		2010		2011	
	Number of rooms	Number of beds	Number of rooms	Number of beds	Number of rooms	Number of beds	Number of rooms	Number of beds
Vardar	550	1 504	508	1 360	554	1 496	589	1 701
East	588	1 729	598	1 718	533	1 591	544	1 606
South-West	16 154	41 703	16 369	42 103	16 013	41 458	16 033	41 454
South-East	2 095	5 893	2 152	5 750	2 105	5 714	2 277	6 069
Pelagonija	3 053	8 993	3 102	8 999	3 390	10 229	3 330	10 165
Polog	1 020	3 046	1 080	3 182	1 011	3 057	1 018	3 058
North-East	291	800	297	805	292	633	302	645
Skopje	2 201	5 429	2 284	5 644	2 291	4 914	2 355	5 039
Total	25 952	69 097	23 390	69 561	26 189	69 102	26 448	69 737

Source: Authors' own calculations based on: State Statistical Office (various years) [23], [24].

The issue of accommodation capacity is addressed with an aim to lead us to concluding remarks whether key actors which are responsible for tourism policy, should carry out measures and activities for enhancing tourism competitiveness in the South-West planning

region. Table 4 gives an overview of the accommodation capacity in all eight statistical planning regions in Macedonia for the past four years (2008-2011). On average, during the sample period, the South-West region accounts for 63% of the total number of rooms in Macedonia and 60% of the total number of beds. However, the limited data regarding the structure of the accommodation capacity prevented us in more in-depth analysis.

### 5.3. Tourism potentials for regional development

Due to variety of positive economic impacts, Macedonia identified tourism as a national strategic orientation. In this respect, five strategic clusters were defined and recommended as starting points to boost tourism development in Macedonia (Government of the Republic of Macedonia, 2012). So, lake tourism, wine tourism, cultural tourism, rural and mountain tourism are introduced as strategic orientation of the country by 2015.

Table 5. Cluster for cultural tourism

Place	General condition	Image/ international brand	Image/ regional brand	Tourism resources	Involvement of interested parties	Accessibility	Total points
Ohrid (South-West)	+++	++	+++	+++	+++	++	16
Prilep (Pelagonija)	+	-	+	++	++	+	7
Skopje (Skopje)	+++	+++	++	+	++	+++	14

Source: [3: 88].

Table 5 presents the selection of top-three locations within the cluster for cultural tourism. It is visible the effort for balanced regional development. Based on several criteria, generally on tourism resources, comparative tourism values and development potentials, the city of Ohrid is ranked on the first place.

Table 6. Tourism potentials of South-West planning region

Place	Type of tourism
Ohrid	Lake tourism; Eco tourism; City tourism; Events; Cultural tourism; Wine tourism; Alternative forms of tourism
St. Naum	Lake tourism; Eco tourism; Cultural tourism; Fishing
Struga	Lake tourism; Eco tourism; City tourism; Events; Cultural tourism; Wine tourism; Alternative forms of tourism
Kicevo	Mountain tourism; River tourism; Fishing; Hunting; Eco tourism; Cultural tourism; Transit tourism
Debar	Thermal tourism; Mountain tourism; River tourism; Fishing; Hunting; Eco tourism; Rural tourism; Lake tourism
Pesna	Speleological tourism
Radozda	Lake tourism; Fishing
Pestani	Lake tourism; Cultural tourism; Fishing; Eco tourism
Trpejca	Lake tourism; Cultural tourism; Fishing; Eco tourism
Vevcani	Rural tourism; Cultural tourism; Events; Mountain tourism; Eco tourism

Source: [3: 41-42].

Although all eight statistical planning regions in Macedonia have potentials for tourism development based on variety of natural and cultural attractions, the undertaken analysis indicates on shortage of identified types of tourism as priorities for regions' tourism development. Yet, the priorities may serve as a starting point in the process of creation competitive tourism supply which might enable regional development, but with obligatory attention of their sustainability.

The above noted analysis outcomes clearly indicate an inappropriateness of current tourism development. This is mainly due to the lack of correspondence and balance between existing tourism potentials and development effects. Table 6 presents certain tourism potentials of the South-West planning region which might produce positive results, not only within that particular region, but in broader frames as well.

## **6. Future challenges**

Positive effects of tourism are rising from day to day, not only for a separate region like the South-West, but also for Macedonia. It is noticeable that tourism has strong influences on the regional development so the developing countries as Macedonia are exploring it as a chance for development. Namely, tourism development affects the regional development and is interconnected with variety of other activities, like new jobs creation, traffic development and higher prices of land, from agricultural to building land, and alike.

However, numerous constraints and opportunities for regional prosperity through tourism development arise in the case of the South-West planning region. The key challenge is the lack of critical mass of users and suppliers. The local consumer base tends to be too small to support a diversity of businesses. Consequently, it is difficult to develop a range of tourism product, and many regional destinations become tourism 'monocultures' with a small number of product types. Furthermore, tourism businesses tend to build greater reliance on tourism markets than those in major urban areas. This increases the pressure on tourism infrastructure, particularly transport and destination marketing. It also increases the need for tourism businesses to collaborate within and across other seven regions, as it will require a number of destinations to build an experience that will justify a visitor making the trip.

Beyond tourism policy, regional development policy generally can contribute to innovation capacity of destinations. In this respect, it is necessary that several point marks are included: (1) departments of regional development to recognize that departments of tourism have traditionally been charged with promotion rather than development and management; (2) many regions are not well connected with the people and organizations who represent important interests at state and national level, and facilitation is required to forge connections; (3) expansion of public sector funding programs to include build capacity to assess feasibility; and (4) to follow recent trends in regional development programs toward specific developments with immediate impact on particular communities.

## **7. Conclusion and recommendations**

The paper in general shows that the potential role of tourism in economic development of the South-West planning region is significant. However, further development in tourism depends on: (1) public policies directed towards specific investments which is tailored according to the needs of the region; (2) efforts to increase tourist accommodation capacity and the occupancy rate in the planning region and (3) significant efforts to increase tourism income through subsidies, tax deductions, etc., as a precondition for regions' tourism development.

Furthermore, from the analyzed data can be seen that tourism potentials of the South-West planning region are still insufficiently used. The reason for this lies mostly in the nonexistence of a tradition of tourism development, poor development of the traffic network

and the lack of modern hotel accommodation. There are only few geographic areas in Macedonia which are strongly affected by location factors in tourism development. This is the first factor that makes the South-West planning region different from other planning regions in Macedonia. With exception to the past few years due to the global financial crisis, this region notes upward trend in terms of tourist arrivals and nights spent. The foreign tourists mostly come from the neighboring countries and together with the domestic ones visit it for the well preserved and clean environment, the Lake Ohrid and the numerous cultural and historical monuments. Additionally, the research outcome disentangle that tourism industry must have a significant position in the regional programs and the development strategy being defined as a key opportunity for development.

So, the research allows increased understanding of the way tourism operates in the South-West planning region, and identifies potential challenges Macedonia may face in its attempt to employ tourism as part of a comprehensive regional development strategy. At the same time, it defines some strength that can be brought to tourism planning and management processes in the South-West planning region.

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