

IMPACT OF THE TOURISM DEVELOPMENT ON POVERTY REDUCTION IN ALBANIA AS A COUNTRY IN TRANSITION

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Abstract

Fighting poverty is a major challenge for Albania, in which tourism can make a significant contribution. However, it is important to analyze the basic concepts behind specific policies and actions that would allow tourism to be effective, like the possibilities offered by micro-credit. In fact, tourism development must be properly managed, avoiding anarchic, speculative development, so that it can be transformed into benefits for the local people and their environment.

This paper will list seven areas of action through which tourism development in Albania as a Mediterranean country could fight poverty, with several of them relating to the possibilities created by micro-credit.

After analyzing each of these approaches, a methodology must be drawn up for selecting the most effective projects from two points of view – interest for tourism and impact on poverty reduction.

Key words: economy, tourism impact, poverty reduction.

JEL classification: L83, O10, O20.

1. INTRODUCTION

There are seven approaches for achieving benefits for the poor from tourism development. We are listing this below:

- Employment of the poor in tourism enterprises
- Supply of products and services by the poor to enterprises in the tourism sector
- Direct sale of products and services by the poor to the tourists
- Creation and management of tourism enterprises by the poor
- Tourism taxation to benefit the poor
- Voluntary actions by tourism enterprises and tourists

• Investment in basic infrastructure to develop tourism while benefiting the poor

These methods can be adopted either separately or together, depending on the tourism projects under consideration.

The methodology for implementing tourism projects to reduce poverty comprises four main stages which are essential for ensuring the success of microfinance actions to be carried out in the tourism sector:

- Ensuring that the necessary conditions for tourism projects exist
- Definition of tourism criteria in development projects
- Measurement of the project's capacity to contribute to the fight against poverty
- Assessment of conditions for marketing and cost-effectiveness

Any project financed by micro credit must be based on its real attractiveness for tourists, this being essential if the project is to be successful and to bring in returns.

2. MEASURING CAPACITY FOR FIGHTING POVERTY

It is useful to be able to measure how projects that create tourist accommodation infrastructure at sites of interest for tourism can help fight poverty. The evaluation should involve a study of:

- the number of jobs created,
- the reduction of migration from the countryside to cities,
- the increase in revenue, and
- the creation of access of poor people to basic infrastructure.

Each of these factors can contribute to the fight against poverty.

In order for tourism to contribute to the fight against poverty, it should be based on three main areas:

- National and international policies,

- Tourism SME s present in the local areas where poverty is a problem,
- Micro credit to meet the needs of many enterprises or individuals linked directly or indirectly to tourism development.

3. THE VALUE OF TOURISM ROLE

It is essential for the health and sustainability of the country community that new cash is consistently introduced to the economy to replace cash spent outside the community by residents and businesses, to offset inflation, and to provide for the needs and increasing expectations of a growing population. Tourism presently offers the most significant opportunity to introduce new cash to the country.

Interviewees in this study assert their belief that tourism is the most important industry in local and national economy and that without it the community would be unable to sustain its lifestyle or vitality. Businesses would fail. The population would decline and unemployment would increase as jobs would not be available elsewhere in Albanian regions.

Tourism is thus an economic engine. It provides money to fuel the economy and it supports and sustains the values and lifestyle of a country residents and businesspeople. This is vitally important as Albania and Macedonia strive to adjust to new economic realities and its population seeks jobs and income from new sources.

Visitors come, take country tours, they spend money, and they leave. As the visitors spend their money, they facilitate the opportunity for our countries to put in place the infrastructure, opportunities, and services that makes the country lifestyle so attractive to the local population.

The proceeds of visitor spending provide revenue and create opportunities for existing and new businesses. This process generates new employment, which is essential to accommodate the growing population. The tourism employees and tourism businesses spend money in the community. Businessman and other interviewees in this research who are not front line tourism businesses showed clearly that spending by employees of the tourism industry and by tourism businesses is equally as important to the country as spending by visitors. This is a crucial message.

Population growth from new residents retiring in a country produces new demands on the community. Without new and sustainable cash flow, the population can easily outgrow its capacity. Municipal services may decline and the burden of supporting failing infrastructure would fall on an aging population who moved to the community with the expectation of high standards of services.

Even without population growth, new demands are placed on the community. It is therefore essential that our countries' residential and business populations celebrate the contribution of tourism to its lifestyle and seek opportunities to expand the positive economic and social benefits brought by tourism. Given the extraordinary population growth in our countries this becomes a crucial issue.

Tourism is a fiber of Albania that is woven throughout the lifestyle and economy of the community and its population. It contributes to incubating other business sectors that are targeted for growth. For example, new technology businesses are traditionally started in locations that meet the lifestyle interests of their owners.

The lifestyle of Albania is conducive to the growth of small technology businesses for this very reason. However, the assets that make tourism successful, and the resulting flourish of tourism businesses, significantly contribute to making that lifestyle a reality. Further, a vibrant tourism industry contributes employment statistics and cash flows that encourage people considering a location for their new business.

4. ECONOMIC IMPORTANCE OF TOURISM

Tourism is a growing and complex phenomenon which is becoming one of the world's largest economic activities. It involves an amalgam of industries such as tour operators, travel agencies and tour guides, transportation, accommodation, recreation and entertainment or food and beverage services. The complexity and structure of the tourism industry are directly influenced by the consumptions of the visitors who buy both tourism and non-tourism goods and services. The activities of tourists thus have effects on different industries including goods and products that initially may not seem too relevant to tourism.

To measure the influence of the tourism industry and its component activities on the economy, the instrument of **Tourism Satellite Accounts (TSA)** was developed by a partnership involving the United Nations (UN), the World Tourism Organization (UNWTO), the Organization for Economic Cooperation and Development (OECD), Euro stat, government statistical agencies, national tourism administrations and central banks. The idea of TSA is to analyse in detail all aspects of demand for goods and services which are associated with tourism within the economy, and to measure tourism's relationship to the supply of such goods and services within. Under the TSA concept, the tourism industry can be divided into tourism-specific, tourism-connected and non-specific industries according to the goods they

produce. Tourism-specific goods consumed by visitors refer, for example, to accommodation, travel agencies or transport services. Tourism-connected and non-specific goods and services (e.g. retail trade) are those which are predominately directed towards non-tourists. Tourism-specific industries are, for example, hotels, restaurants, passenger transport services, travel agencies, cultural, sporting and other recreational services. All other industries (agriculture, forestry and fishery products, ores and minerals, electricity, gas and water, manufacturing, construction work and construction, trade, transport, storage and communication services, business services, community, social and personal services) are tourism-connected or non-specific industries. Tourism in a wider sense can thus be seen as an economic and social phenomenon which both influences and is influenced by a set of industries according to visitor consumption. Tourism hence has an impact on the whole economy directly and indirectly or through induced effects in terms of generation of value-added employment, personal income, government income etc. (Sources: UNWTO, Euro stat)

5. THE ROLE OF TOURISM ON POVERTY REDUCTION

Fighting poverty is a major challenge especially for the countries in transition such as Albania, in which tourism can make a significant contribution. However, it is important to analyze the basic concepts behind specific policies and actions that would allow tourism to be effective, like the possibilities offered by micro-credit.

The importance of tourism for reducing poverty was analyzed in the WTO report issued in 2004 entitled "Tourism and poverty alleviation: Recommendations for action". There are seven areas of action through which tourism development could fight poverty, with several of them relating to the possibilities created by micro-credit.

After analyzing each of these approaches, a methodology must be drawn up for selecting the most effective projects from two points of view – interest for tourism and impact on poverty reduction.

Seven approaches for achieving benefits for the poor from tourism development are as following:

1. Employment of the poor in tourism enterprises
2. Supply of products and services by the poor to enterprises in the tourism sector
3. Direct sale of products and services by the poor to the tourists
4. Creation and management of tourism enterprises by the poor
5. Tourism taxation to benefit the poor

6. Voluntary actions by tourism enterprises and tourists

7. Investment in basic infrastructure to develop tourism while benefiting the poor

These methods can be adopted either separately or together, depending on the tourism projects under consideration.

5.1 Implementation of tourism development projects to reduce poverty

The methodology for implementing tourism projects to reduce poverty comprises four main stages which are essential for ensuring the success of microfinance actions to be carried out in the tourism sector:

1. Ensuring that the necessary conditions for tourism projects exist
2. Definition of tourism criteria in development projects
3. Measurement of the project's capacity to contribute to the fight against poverty
4. Assessment of conditions for marketing and cost-effectiveness

Prior conditions for setting up tourism projects. The conditions required for setting up tourism development projects relate to the infrastructure needed to receive tourists, with investment in communications, especially roads, the provision of drinking water, electric power and telecommunications as well as basic health coverage. For each of these, a detailed analysis should be carried out:

Accessibility. Year-round accessibility must be assured. In many tropical countries, in the rainy season it is impossible to reach potential tourism sites. It is therefore necessary to consider the investment required to guarantee year-round accessibility. This would also benefit the local populations and would allow the development of tourism SME's.

Drinking water supplies. The supply of water, preferably drinking water, is an essential condition for receiving tourists. In many rural areas, water resources are very limited and water is of insufficient quality, making it necessary to sink wells or lay pipes. Such actions would also benefit the local populations and may provide opportunities for local SMEs.

Electricity. If tourists are to stay overnight, electric power is necessary. This poses many problems in isolated regions because high levels of investment are often required. The possibility of using renewable energy sources should be analyzed, taking into account the technical and financial limitations involved in maintaining facilities. Such maintenance might provide opportunities for local SMEs.

Telecommunications. Technical progress in cell telephony today can facilitate telephone links even

in isolated regions, but this entails costly infrastructure which must be taken into account in tourism development because telephone links are essential for offering good conditions to visitors. The mobile telephone networks can be of great assistance in developing micro commercial activities facilitated by micro credit, a direct benefit from tourism development.

Health. The creation of basic medical and emergency facilities is also one of the basic conditions for tourism projects, especially in rural areas. It is necessary, to establish the basic criteria to be adopted to meet the needs of tourists while benefiting local populations and allowing the development of new service activities.

The prior conditions often entail large investments which are not possible through micro credits. They have to be included in national and international programs in order to create the necessary conditions for the implementation of projects financed by micro credit. It is also important that such investments and tourism projects achieve a balance between the resources used for, and the expected effects of tourism development.

5.2 Criteria for identifying tourism development projects

Tourism criteria are essential for ensuring that tourism development programs will be successful in assisting the poor. The interest for tourism of sites in which programs are to be implemented must not be neglected. A satisfactory number of visitors will only be achieved if the attractiveness of the site is maintained by the projects to build accommodation and infrastructure. The following are the conditions required for satisfying such tourism criteria:

Tourism potential. The region in which the tourism project is to be implemented should have potential for tourism development as defined in the criteria for sustainable tourism and ecotourism, especially with regard to biodiversity and natural resources in the form of fauna and flora. A precise study of such potential should be carried out, with comparisons with other tourism sites in the same region or in neighboring regions. This inventory might be carried out by local SMEs or might represent an opportunity for other SMEs to promote certain of the tourism resources covered by the inventory.

Tourism assets. The tourism assets of the precise site in which the tourism project is to be implemented should be evaluated, focusing on the layout of the site and how it can be adapted to receive visitors. It is important to take into account not only the creation of accommodation and catering structures but also leisure and sporting facilities. This analysis of the existing structure and the possibilities for

extension might serve as a basis for market studies for prospective SMEs.

Tourism synergies. Tourism synergies are very important for ensuring the success of tourism projects. It is important to ascertain the possibility of tourism excursions in a radius around the tourism project site as these might encourage the creation of SMEs and micro tourism enterprise.

Thus, any project financed by micro credit must be based on its real attractiveness for tourists, this being essential if the project is to be successful and to bring in returns.

5.3 Measuring capacity for fighting poverty

It is useful to be able to measure how projects that create tourist accommodation infrastructure at sites of interest for tourism can help fight poverty. The evaluation should involve a study of:

1. the number of jobs created,
2. the reduction of migration from the countryside to cities,
3. the increase in revenue, and
4. the creation of access of poor people to basic infrastructure.

Each of these factors can contribute to the fight against poverty.

Job creation. The creation of jobs by setting up tourism development projects is one of the best ways of fighting poverty. However, in the poorest rural areas, rather than creating jobs in the traditional sense, such initiatives usually only offer part-time activities to complement agricultural work. It is therefore important to evaluate both the creation of jobs in tourism activities which might involve more people than traditional jobs, especially in connection with tourism services offered by SMEs.

Reduction of the rural exodus. It is clear that one of the main reasons for the extreme poverty existing in the LDC is migration from the rural communities towards the outskirts of the large cities. This phenomenon is mainly caused by the lack of prospects in agricultural villages. Tourism development may represent an opportunity for holding back such migration by offering other possibilities for income, apart from agricultural work. Ecotourism and rural tourism projects implemented by SMEs and micro enterprises can therefore be of a great importance in countries where the rural exodus is a problem, not only for preventing poverty but also for holding back the growth of shanty towns around cities.

Increase in revenue. This is one of the basic indicators for the impact of tourism on poverty reduction. It can be evaluated in monetary terms in comparison with the monetary income of local populations. In this case, experience has shown that the impact might be great because the revenue of rural

populations basically just allows them to be self-sufficient, with monetary revenue remaining very low. In some cases, even part-time tourist activity over 2 or 3 days a month might allow local populations to double their monetary revenue, which would amount to a very important impact in the fight against poverty. The use of micro credit might be of great importance in the creation and development of such micro activities.

Access to basic infrastructure. Tourism projects often allow the population living at, or close to, tourism sites to benefit from roads and utilities such as electricity and drinking water. This means that measurement of the impact on poverty alleviation of tourism development can be based on the number of people who would benefit from such facilities.

Analysis of how tourism projects can reduce poverty shows the essential role that can be played not only by tourism SMEs but also by many other micro activities that can be set up with micro credit.

6. TOURIST MARKETS AND MARKETING

A preliminary evaluation must be made of prospective markets and target clients in order to ascertain the economic and tourism viability of tourism development projects aiming to reduce poverty. It is essential to define the marketing conditions and the projected returns so that the tourism activity can become a permanent fixture, especially through the action of SMEs and micro enterprises.

There are five types of tourist for most tourism projects in rural or isolated areas:

○ *National tourists*

The proximity of urban areas can be considered an asset in that it should bring in national tourists. Tourism sites are likely to meet the needs of city-dwellers for weekend leisure activities or for short stays.

○ *Expatriate resident tourists*

Tourism sites set up in rural areas may also attract expatriate residents who can thus visit a new natural environment close to their place of work and residence.

○ *Family visitors*

People visiting family or friends in the country are also prospective customers for excursions for short stays in such tourist sites.

○ *Business tourists*

Business tourists might be prospective customers for excursions or short stays in a natural environment that is completely different to their urban working places.

○ *International tourists*

This is the most important group. In order to guarantee the continued success of tourist projects aiming to reduce poverty, it is important to reach large numbers of tourists. This can be done through tour operator networks but also using technological methods via the Internet and websites.

In order for tourism to contribute to the fight against poverty, it should be based on three main areas:

1. National and international policies,
2. Tourism SMEs present in the local areas where poverty is a problem.
3. Micro credit to meet the needs of many enterprises or individuals linked directly or indirectly to tourism development.

7. CONCLUSIONS

Albania has many attributes that confirm its role as a tourism destination. It has the critical mass, with its tourism economy and the motivation for economic growth, to become a major regional tourism and recreation destination. Tourism assets include the natural attributes of the area, which draw visitors, and the businesses that have evolved to deliver opportunities for visitors.

There is clear opportunity for the country communities to enhance significantly their benefits from tourism. However, this will require the formulation and execution of clear destination development and marketing strategies. These strategies must include financial strategies for growth.

Tourism is the "number one" industry in Albania.

Albania's tourism economy is fragile and is comprised of small businesses and a few local outlets of national franchises. Because of the high incidence of small businesses in the mix, the suppliers to the tourism economy tend not to be highly visible.

Marketing strategies employed by these suppliers will likely be aggressive. It is important that the community is able to integrate its marketing and product strategies in order to take the best advantage of these opportunities.

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