

# THE SUPPORT AND DEVELOPMENT OF BUSINESSES THAT OPERATE IN TOURISM SECTOR FROM THE LOCAL GOVERNMENT IN THE CITY OF SHKODRA.

Armela Anamali, Msc  
financa@hotmail.com  
Arjeta Anamali, Msc  
arjeta\_anamali@yahoo.com

## Abstract

Until now, there are no fixed rules how tourism can be a profitable industry for the country development. However, nowadays, many countries are planning strategies in an effort to make tourism a strong and sustainable sector. In Albania, this industry is treated as the key of development. Some of our cities are seriously considering tourism, as a powerful economic sector. *How can be tourism a successful sector? We can lead to positive outcomes if is managed successfully the crucial relation between public and private sector. What can do the local government?* In order of answering this question and giving a general overview of tourism management by public sector, we shall target Shkodra city as a case study. In this paper, we are going to treat the issues as follow: the sustainable tourism development in Shkodra city; the exploitation of the opportunities that offers our city; and the problems/constrains local government should resolve/overcome in the future. As primary data, for this study, are used questionnaires addressed to the public institutions that offer their collaboration and support to businesses on the tourism sector, through different projects, workshops, etc.

Key words: tourism; sustainable development; local government; businesses.

## Introduction

Concurrently, the responsibility of tourism development lies more and more with local authorities, as governance structures become more decentralized. Many important policies that have an effect on sustainable tourism development, such as zoning, environmental regulations, licensing, and economic incentives, are often in the hands of local authorities, acting within the framework of national policies and strategies. Local authorities are also privileged partners in sustainable tourism development efforts because they can negotiate and mediate among businesses, NGOs, and local communities in tourism destinations. When they legitimately represent the interests of their citizens, local authorities have shown they can provide effective leadership in sustainable tourism development. Ensuring that tourism follows a sustainable path requires clear leadership from local authorities and an efficient mechanism that involves all of the stakeholders - the local private sector, NGOs, citizens, and other players.

## THEORETICAL BACKGROUND

### ⇒ The role of local authorities in sustainable tourism

According to UNEP, tourism development has depended on initiatives taken by the private sector. In many countries, local authorities have not been closely involved in tourism and have little experience of its planning, development and management.

In recent years, this has been changing, and the key role of local authorities is now recognised. This is due to:

- The complexity of the tourism sector, where it is the consumer who is brought to the product and not the other way round, as happens with other goods and services.
- Increasing awareness that tourists select and respond to destinations, not just individual products. The visitor experience is made up of a complex range of elements including expectations, transport, information, accommodation, attractions, activities, local infrastructure, natural environments, cultural heritage, a welcoming host population, security and other services.

- The disparate nature of the private sector in tourism, much of which comprises small and micro enterprises.
- Acceptance that, in the interests of sustainability, public authorities need to be involved in regulating tourist development in destinations, and not simply leaving it up to the laws of the market.
- The trend towards administrative decentralisation underway in many countries, which increases the ability of local authorities to intervene.

Local authorities are often the best placed organisations for establishing a sustainable approach to tourism in destinations, setting a strategy and balancing the interests of tourism enterprises, tourists and local residents. Their ability to manage tourism sustainably is related to:

- Their democratic legitimacy;
- Their relative permanence and ability to take a long term view; and
- Their responsibility for a range of functions that can influence tourism development, including spatial planning, development control, environmental management and community services.

### ⇒ Local authorities support the delivery of the tourism sector through supporting local businesses.

Local authorities support the delivery of the tourism sector through supporting local businesses implementation is, in practice, based on various factors, principally in areas of economic activity stemming both from the desire of the local municipalities to stimulate local economic growth, and also from the business sector's aspiration to maximise profits. This cooperation takes different forms according to the character of the city (size, socio-economic status, location etc.) and, in particular, according to the characteristics of the head of the local municipality (coalition status, charisma, policies and vision regarding the development of the city).

Local authorities support the delivery of the tourism sector through supporting local businesses, delivering destination management of the area and working in partnership locally, regionally and nationally. Tourism stakeholders, such as

tourism-related businesses and NGOs, are those most directly affected by the growth of visitor numbers to the Region. While these stakeholders typically rely on continued levels of visitor numbers to ensure long-term economic viability, they are also members of the community and are aware of the sector's potential for

adverse social and biophysical impacts. Through their involvement with the industry, tourism stakeholders also experience the effects local government's tourism planning and management can have on the sector. These stakeholders can offer informed assessment on the effectiveness of local government's operations.



Figure 1

⇒ **Main Components of Private Sector**

The private sector, through the local chambers of commerce and industry and other organizations, shall champion tourism as engine of growth. In this regard, private sector shall provide investment capital, coordinate to develop attractive programs and packages as well as coordinate to improve long-term institutional commitment to the master plan.

Below, some hardware components such as hotels and restaurants as well as the human resources shall be handled by the private sector.

**Main Components of Tourism Industry** (Dietmar Quist; Rita I Pilarca; 2007)

1. **Hardware** physical infrastructure (site, hotel, casino, airport, attractions, roads, water, power), etc
2. **Software** private / public policy environment: operating rules: aviation schedule, visa regulation, investment laws, law and order, etc
3. **Human Resources skills**, services for the tourism industry.

The tourism industry needs highly complex, intralinked and interlinked planning as well as implementation and large-scale investments. Concentrated tourism centers need concerted and harmonized cooperation in binding agreements of all private and public stakeholders at all levels.

Figure 2: Main components of Private sectors



Source: Terestella González Denton, (2010)

⇒ **Preferred Approaches to Public Sector - Businesses Development**

According to M. Corps Mongolia the emphasis that needs to be placed between government and local businesses are:

- Fostering a climate of greater trust and understanding between local governments and local businesses;
- Shifting government interaction with local businesses from a near-exclusive focus on "policing" and "punishment", to an appropriate balance of "oversight" and "customer service";
- Increasing the knowledge and understanding of local government officials concerning business laws and regulations, and the accessibility of that knowledge/understanding by the business community;

- Creating greater transparency concerning fines/penalties, product testing, and the availability and award of business support funds;
- Reducing bureaucratic impediments, and offering incentives, for starting new businesses; and
- Establishing *government-independent* institutions that can effectively advocate on issues related to business development.

⇒ **Tax Incentives**

The public sector employs a range of economic development strategies designed to encourage growth. The factors that influence business creation, improvement, expansion, and location vary and mostly fall outside the direct control of the public sector. Not surprisingly, then, governments focus much of their attention on the levers

they control directly, including taxes, public services, and infrastructure.

According to Matt Kane, public-sector actors use targeted tax incentives for all types of economic development, from business recruitment to retention and expansion to industry-wide development. Much of the research on economic development and taxes looks at the effect of taxes on business location decisions. Research shows that taxes have a limited impact on business location. (Rubin and Zorn, 2005) When selecting locations, businesses first consider more critical production factors, including labor quality, costs, and availability; transportation costs and modes; access to markets for their goods and services; and access to supplier firms. While the impact of taxes on interregional location decisions varies from industry to industry, in general taxes are a secondary consideration.

However, empirical evidence does indicate that taxes do matter to an extent, especially when businesses weigh several potential locations within a favored region – sites within a metropolitan area, for example, or sites in close-by states. (Bartik 1991) Businesses identify the preferred region based on major cost and production considerations; taxes may tip the location decision of a firm from one specific place to another within a broader regional economy. From an economic standpoint, growth at one location within a regional economy drives growth for the regional economy as a whole, so tax incentives designed to draw businesses to one location in a region instead of another have little or limited impacts on overall regional growth. That being the case, tax incentives for economic development in most cases work best where they are least justified by swinging decisions from one site to another within the same region – the region the firm already has identified as the one they want for their new location. (Fisher, 2004) What's more, the effectiveness of tax incentives erode as more and more locations offer them, undercutting the advantage gained by the locality that first put them in place. (Wassmer and Anderson, 2001) In addition, the high cost of tax incentives, per job gained, undermines the cost-effectiveness of the tax-cut approach to economic development. (Bartik 1995)

## RESEARCH METHODOLOGY

### Study aim:

The present study aims to clarify and explain the support and development that the local government gives to business sector, while focusing on the sustainable tourism development.

### Hypotheses:

"Tourism is about business, without successful business no destination can claim it has a tourism industry and these depend from local government policy."

### Research design:

*Secondary data* consist on finding relevant literature on this topic, such as books, previous studies in this field, and materials from the internet. We made the selection of data according to the scope of our study.

*Primary research* consists in interviews with local government staff. To gain

an understanding of current tourism management frameworks at the level of local government on Shkodra and the different types of coalition between local government and the business sector, in-depth interviews were conducted.

## Research & findings

Shkodra city offers lot of opportunities for the development of tourism. Shkodra has natural, cultural and historical resources, which can be use better for the development of tourism. Until now, the development of the tourism was not oriented to a specific market. We do not have any profile of Shkodra city as a touristic destination and we can say that tourists coming here are not a result of integrated and unified efforts by the public sector or by the private businesses. Our opinionion is that it is time to start planning tourism development in a way that will increase the collaboration between businesses and the public sector. Both parties play a strategic role in terms of short and long term planning. Tourism takes place in an environment that is shaped by different forces as: complex policies, laws, regulations and other different actions deriving from the public sector, so it is important the role of public sector in the development of the tourism in Shkodra and support of private sector.

Due to this, we have intervieued dependents of Prefect Institution; Regional Council of Shkodra and dependents of Programming and Development Department to gain an understanding of current tourism management frameworks at the level of local government on Shkodra and the different types of coalition between local government and the business sector.

The first question adressed to them was if *tourism is in their focus*: almost all the dependent responded positively also stressed that it is also one of the main objectives of the Albanian government.

About the strategy used to manage the tourism sector in Shkodra region, the Prefect Institution said that the Ministry of Tourism (MTKRS) compiles the only strategy that can be easily find on their official website, while dependent of Shkodra Municipality mentioned improving conditions for tourism development and the economic development strategy of the Municipality, "Regional Development Plan". Then, Regional Council of Shkodra is in the process of implementing the "Strategic Plan for Sustainable Tourism Development" for the Region of Shkodra. In order to realize a complete and a comprehensive document, this institution is organizing different meetings, workshops and conferences with representatives from local and regional public institutions, representatives of civil society and business, aiming: sharing between territory stakeholders on the proposals and ideas.

Based on the strategies used to manage the tourism sector, we wanted to know about the *functioning of their links with the tourism core businesses and with businesses that support tourism sector*.

Prefect Institution, being the coordinating institution, tell as that their relationship with businesses aim to increase the partnership cooperation as a condition for good governance and a more narrow context of data collection.

Dependent of Programming and Development Department replied that the connection works through direct contacts, through meetings, workshops also through joint projects.

At the question who *is their priority sector*, they respond that they cannot specify any sector, as every sector related to tourism is a priority for them.

Related to the question that *how much help/ affect public sector* in establishing relationships between them, by putting their interests in a priority for a better management of destination, they expressed that the fact that tourism is not one but a group of industries, means that tourism is the subject of many economic policies, regional, local, social and cultural.

What could be profitable for the businesses may be not for the economy in general. In this sense, it is important to develop partnership actions between public and private sector. The destination will be better positioned in the market and the creation of his image would be easier if the public and private sector will create a kind of "incorporated tourism". A marketing plan for the destination should be able to bring a clear direction, the pursuit of which will guarantee the interest of all. Only a fruitful cooperation between the two sectors can raise a development on sustainable basis and able to provide tangible benefits and intangible benefits at operators directly affected by the phenomenon of tourism, as well as to the wider community. Besides these, other opinion were given by the dependents of Programming and Development Department which stated that they affect us through the development of various activities and events taking place in the city, but businesses need to raise more their demanding voice for the establishment of organizational structures. In addition, dependents of Prefect Institution explained to us that it is not their right, because they do not have legal space for this support.

However, *which are the informations that the public sector requires from the businesses that are directly relate with the tourism industry?* Informations recived from these businesses are numerous, from wich they separated us the informations about the type of services that these businesses provide in the market. An important issue that was needful for us, it was about the *policies they follow regarding taxes*. Regarding this question, the only institution that benefits from the small enterprises taxes is the Municipality, considering them as significant revenues. When asked if whether they think that these *taxes are high* and affect the progress or the creation of the new businesses, they avoid saying that this is part of government policy and taxes institution.

Another question raised to the public sector, was whether *they had organized seminars or conferences for the private sector*. The dependents of Regional Council of Shkodra response that they have done a lot of meetings with them, especially now, meanwhile dependents of the two other institutions response was that they have organized various meetings but that have not not been directed focused on tourism businesses, they may have been part of local actors involved.

At the question, *how these businesses are collaborating to achieve their goals*, thus of public sector, respondents

stated that based on the experiences that they have been, businesses have not been very cooperative.

#### **Study limitations:**

- Lack of statistics and recent research.
- The study is based only on quality data.

#### **Conclusion**

The most important challenge for sustainable tourism development concerns the perspective and expectations that all stakeholders, particularly government policy-makers, have about tourism's contribution at the local, regional and national levels. Sustainable tourism development creates the opportunity for governments and all stakeholders in the tourism sector to aim at ensuring long-term prosperity and quality of life for future generations.

The public sector has a strong interest and legitimate role in developing the sustainable tourism because is also the main industry that play an economic development. Public-sector economic development works best when initiatives build upon regional potential and strengths to improve the long-run outlook for growth. And local, regional, and state action must be aimed at issues and factors over which governments and their private-sector partners have control or influence.

Government helps development and growth through investments in public infrastructure, the provision of public goods and services, and targeted assistance to industries, businesses, and workers.

Public-sector tourism development policy must recognize the obvious – that private, market forces drive the regional economy, for this creating greater partnership for them, is the best way.

#### **Reccomandation**

Broad participation of all relevant stakeholders from the national to the community level in the process of tourism development planning and implementation is a major recommendation for addressing many issues related to sustainable tourism development.

Governments might also evaluate investment policies and regulations to encourage a wide variety of arrangements that could enhance private sector participation in sustainable tourism development.

Accordingly, the six specific recommendations of this report are as follows:

1. Fast, efficient service and an understanding of their role in serving the business community.
2. Provision of tax and other incentives for new and start-up businesses.
3. Promote government agencies that promote and inform the general public and business community about their services and relevant regulations and policies.
4. Government employees that have a better understanding of businesses and business needs.
5. Government employees that have a clear knowledge and understanding of the laws and regulations and how to apply them.

6. Open and transparent policy for the advertisement, selection, and award of business support loans and grants to businesses.

Finally, the tourism sector both depends on and stimulates other economic activities. Quality tourism services and programmes cannot be provided without linkages to agriculture, food production, transportation, construction,

manufacturing, handicraft production, and other related economic activities. Tourism can facilitate the overall development of local economies by stimulating such related sectors. Local communities can benefit more widely from tourism if they are producers in related sectors and have a partnership between the public and private sector.

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