



Governmental Investments Statistic and Tourism at the Balkans

Vasileios Baratsas^{1*}, Panagiotis Tzavaras²

¹ M.B.A., Department of Business Administration, European University of Cyprus, Cyprus

² Ph.D., Department of Business Administration, European University of Cyprus, Cyprus

Abstract

The Balkan region has proved to be a controversial territory. Through a long history and many controversies, the area rose to a popular destination. Common and uncommon elements make it a unique destination. Tourism has provided a sustainable source of revenue, as in every destination. Public investments are an important element of every activity to flourish and to bring private investments. Through public investments in infrastructure, superstructure, and education, we can provide a better tourist experience. In our paper, we discuss 5 countries of the region, Greece, Serbia, Bulgaria, Montenegro, and the Republic of North Macedonia. All of these destinations drew the attention of other countries and investment institutions like China and Russia. To take a look at public investments and tourism development, we compare core national accounts like the Gross Domestic Product (G.D.P.), Gross Capital Formation (G.C.F.), Gross Fixed Capital Formation (G.F.C.F.), and the inbound tourism at under investigation countries. Data indicate that there was a slowdown in each country's economy during COVID-19 but then the production increased (Gross Domestic Product (GDP)). The Gross Capital Formation (G.C.F.) has a stable rate for the first years and then increases for each country. Data for the Gross Capital Formation (G.C.F.) for the tourism industry exist only for Bulgaria and show a decrease and a negative Gross Capital Formation (G.C.F.) indication that assets must have been sold. Data for the Gross Capital Formation (G.C.F.) for the transport equipment and total construction have fluctuations without extreme increases or decreases, showing a stable rate of asset accumulation. The findings from the research conclude that till COVID-19 all the economies had a stable rate of growth, and the decrease in tourism activity had a small impact on the decrease of Gross Domestic Product (GDP), except Bulgaria all the other economies slowed down during COVID era, Gross Fixed Capital Formation (G.F.C.F.) for Montenegro and North Macedonia remained stable for the period under study in contrast of the rest countries that were exhibiting a rise from time to time, the general Gross Capital Formation (G.C.F.) accounts always indicate growth in contrast to sectional accounts as they the total accumulated investments or production. Finally, there is insufficient data for the Gross Fixed Capital Formation (G.F.C.F.) for hospitality and tourism which does not allow the researchers to make any assumption with robust data for either the investments or the capital that occurred in other to be invested in the future.

Key Words: Investments, Government, Statistic, Balkans, Tourism

1. Introduction

1.1. Tourism in the Balkan region

After the COVID-19, a handful of destinations are replanning their tourism concept to survive and make the transition to the new tourism era with numerous countries opening their international tourism borders opposing other countries that were restricting inbound tourism as the COVID-19 patients had risen (Nientied & Shutina, 2020). Western Balkan region should also reconsider the plan that the countries have for the incoming tourists in the future (Nientied & Shutina, 2020). The Balkan region is a contemporary inviting destination for vacation. Due to its rich history and as a crossroad of cultures, the Balkans attract tourists (Cvetkoska & Barisic, 2017).

Common culture and lifestyle elements exist in everyday life. The present lifestyle comes to meet the history. Wars, re-built cities, and history co-exist for the modern tourist. Thus, between each country, only territory and uncommon elements of life wait for the tourist to unravel them during their vacation. Those controversies make the Balkans a great destination (Tomka, 2014). A destination should co-plan and cooperate on a common tourism portfolio or view the area as a single destination and promote tourism (Selimi et al., 2017). As Nawaz & Hassan (2016) state 'Tourism has long been considered as a way of enhancing understanding and peace among nations' because it received much attention as a viable solution for employment (as developing countries use tourism as a mitigation tool for poverty and unemployment (Nguyen et al, 2020; Cvetkoska & Barisic, 2017)) and tourism is a source of yield and revenue to the developed countries (Selimi et al., 2017). As we see the tourism sector has been disrupted in order to advance and support the needs of other sectors that abide by basic human needs (Nientied & Shutina, 2020). This might lead to losses for the economic development of each country. Major destinations to visit are Greece, Montenegro, Serbia, Bulgaria, and the Republic of North Macedonia.

1.2. Geopolitical review of the importance of the Balkan region

Regional cooperation in the Balkans enhances the coherence of the area both by law and economic aspects (Levitin & Sanfey, 2018; Cotella & Berisha, 2019). Tourism development has occurred greatly throughout history (Tomka, 2004). A great amount of funds has been and will be spent to advance the infrastructure in the region (Cotella & Berisha, 2019).

The connectivity in the western Balkan region is uneasy due to the restrictions and the border crossing customs that are utilised by each country, making it difficult for tourists to explore the area (Nientied & Shutina, 2020). Western Balkans have long been neglected by countries that are close geographically to them and received a lot of attention from Russia, China, Turkey and other long-distance nations (Jaćimović et al., 2023; Holzner & Schwarzhappel, 2018).

Many Balkan region countries have invested in the domestic market instead of the international market (Cvetkoska & Barisic, 2017; Nientied & Shutina, 2020). For the opening of the international market, foreign direct investments had been their vehicle. Foreign direct investments are the key ingredient for advancement in the region (Jaćimović et al., 2023). European Union would like to integrate the Balkans (Levitin & Sanfey, 2018; Cotella & Berisha, 2019) as in their best interest the area is a major partner (Cotella & Berisha, 2019). Initiatives like the 'Berlin Process' and loans from international financial institutes have been contrived to enhance and support the economies in their transition as EU members (Holzner & Schwarzhappel, 2018). Infrastructure, human capital and cooperation are the main thematic areas of involvement for the initiatives (Holzner & Schwarzhappel, 2018). European Union tried and failed to help the regional advancement through investments, but China has emerged

as a valuable assistant in the Balkan region investment opportunity (Jaćimović et al., 2023; Holzner & Schwarzhappel, 2018) as a mandatory need for China's economic, diplomatic, energy and tourism advancement (Cotella & Berisha, 2019).

From 2012 onwards China has a keen interest in central and eastern European countries including the Balkan ones (Jaćimović et al., 2023). That action was a booster to the tourism in the region and to the promotion of the Chinese culture and investments in the area (Jaćimović et al., 2023). Not only by lending money but also by acquiring companies, China gains influence in the region (Cotella & Berisha, 2019). Most of the trade volume in the area has a trade partner the European Union but the share of strategic partnership in the area is being shared between Serbia which is a strategic partner to China and Serbia's strategic position in the area that has enhanced the valuable collaboration (Jaćimović et al., 2023). Many companies in the area have long-term contracts acquiring national tourism-related infrastructure and organizations and businesses in the area, among other sector businesses as energy and infrastructure-related operations (Jaćimović et al., 2023). For example, Jaćimović et al. (2023) and Cotella & Berisha (2019) indicate that 3 big investments, the Ban-Boljare highway, the Mihajo Pupin bridge and the Stanari thermal power plant in three different countries were investments from China. Most of the funds that got spent in the area from China, return to China because contractors and workers originate from China leaving less value added to each country (Cotella & Berisha, 2019). Russia is the second largest investor to Serbia and Montenegro and then the list goes on with countries from the Gulf and the Middle East region (Jaćimović et al., 2023). The diversity and political instability in the region are the main attractions of tourism (Cvetkoska & Barisic, 2017) and it seems the foreign investments too.

1.3. Governmental investments in tourism

The relationship of growth in tourism through investments is a contemporary issue that never seems to have sufficient literature (Nawaz & Hassan, 2016). For a destination to achieve the highest amount of visitors concerning its carrying environmental capacity, investments both public and private must be made. In other words, tourism growth comes only from the combination of public and private investment mix because 'public and private sectors are complimentary' especially in infrastructure-related investments (Nawaz & Hassan, 2016; Selimi et al., 2017).

Governmental investments are needed in areas without a strong private sector or with a private sector that contributes only to its economy and revenue streams and is not fond of contributing to society (Nguyen et al, 2020). Governments first invest in policy and then in services and infrastructure (Nawaz & Hassan, 2016). A government can use active involvement (managerial or developmental) with specific action to boost tourism advancement or a passive involvement (mandatory or supportive) with an action that will contribute to the tourism industry, but it is not meant for the tourism industry or is not applied towards the tourism industry (Nawaz & Hassan, 2016). Developing countries rely heavily on the public sector in each aspect of their economy (Nguyen et al, 2020) and they need the public sector to set action or kick-off an investment plan to provide stability and motivation for the private sector as businesses hesitate to work on new investments (Nawaz & Hassan, 2016, Nguyen et al., 2020). Thus, confidence is gained through public sector initiatives. Developing nations rely on locally made goods and services as a booster in the economy contrary to the importing alternatives and the training and advancement of their workforce (Jenkins & Henry, 1982).

As sustainability is not the main topic in tourism, investments should be made towards environmental protection (Nguyen et al., 2020). Overuse of the destination (known by the term environmental de-granulation) by tourists can damage the destination (Jenkins & Henry, 1982, Nguyen et al, 2020).

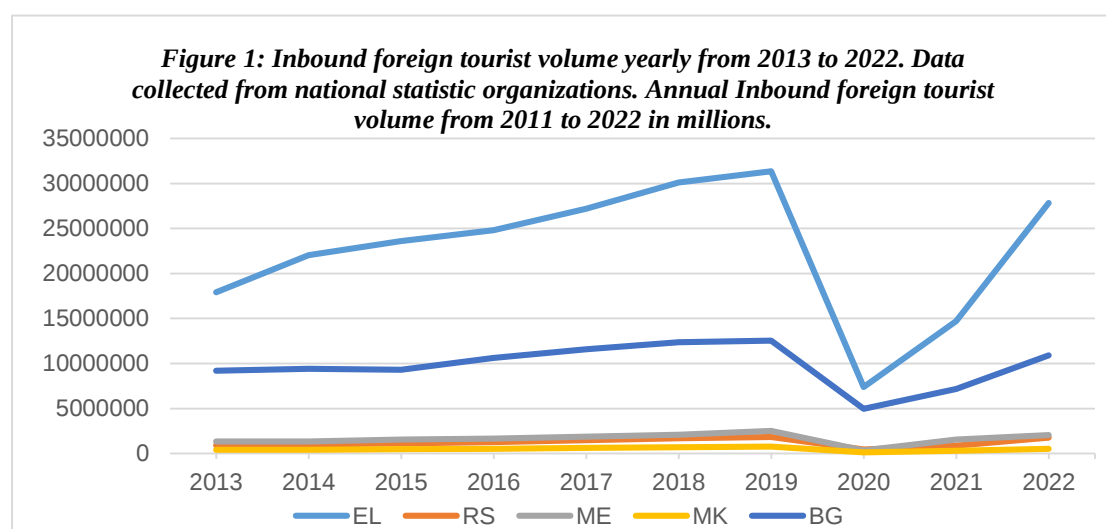
To achieve a good level of training and knowledge manual, highly skilled personnel are being imported with excessive payment to train the local personnel, acknowledging that this action will produce inequality (Jenkins & Henry, 1982).

In this paper we will examine national accounts like the Gross Domestic Product (G.D.P.), Gross fixed capital formation (G.F.C.F.), Gross Capital Formation (G.C.F.), and tourism revenue. Most of the governmental investments are included in some of these indexes, while the rest of the indexes denote the development that has been achieved and the well-being of each country. Secondary data are being analysed, and a comparative analysis is carried out. The methodology and data of the research follow. Conclusions and limitations come to integrate the research.

2. Methodology & Data

Our contribution to the research about the Balkan locale comprises the collection and comparison of the corresponding statistics and comparable data from each country's statistical office that include inbound tourism, transportation and infrastructure, and national accounts about macroeconomic aggregates due to their implication on tourism development. For the arrangement and investigation of the figures that will be displayed, we indicate each nation with the 2 letter codes as the Eurostat (2023A; 2023B) applies (EL for Greece, MK for Republic of North Macedonia, ME for Montenegro, BG for Bulgaria, and RS for Serbia).

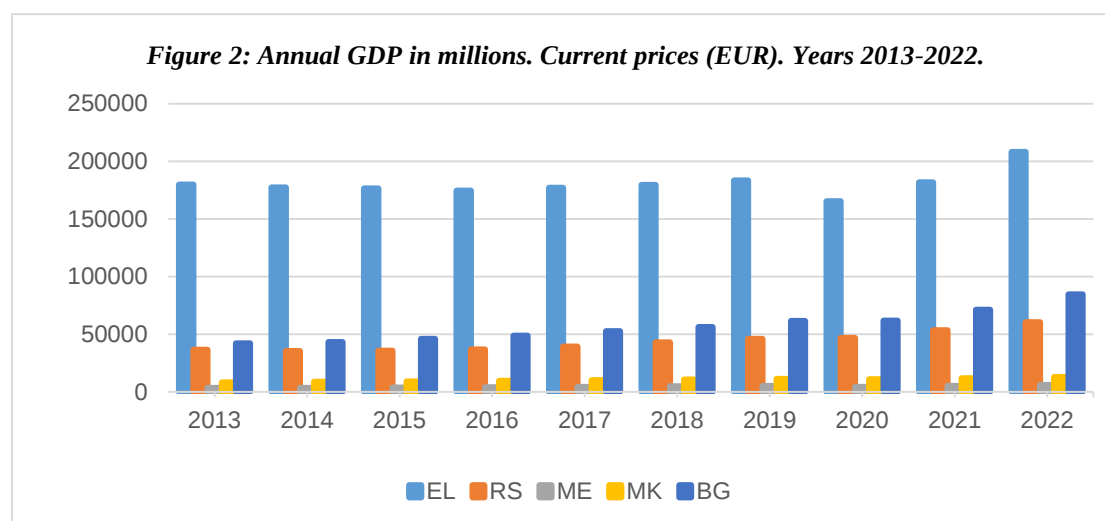
A foreign tourist is considered to be anyone, forever inhabitant exterior of each locale, who is temporarily present by visiting or passing through in the region of study and who spends at least one night in some accommodation establishment. Greece and Bulgaria have the greatest volume of visitors within the Balkan locale. All the aforementioned countries during the coronavirus and COVID-19 had seen a decline in tourist activity. Greece and Bulgaria, according to the volume of visitors, had the most noteworthy decrease amid COVID-19 and the most prominent increment after. The rest of the countries under investigation had smaller amounts of visitors that during the COVID-19 diminished, and after the pandemic expanded accordingly.



Source: Data collected from each county's statistics aggregations. (INSETE (2023); National Statistical Institute-Republic of Bulgaria (2013); State Statistical Office of the Republic of Macedonia (2016); Statistical Office of the Republic of Serbia. (2023); State Statistical Office of the Republic of Macedonia (2023); Statistical Office of Montenegro - MONSTAT (2023))

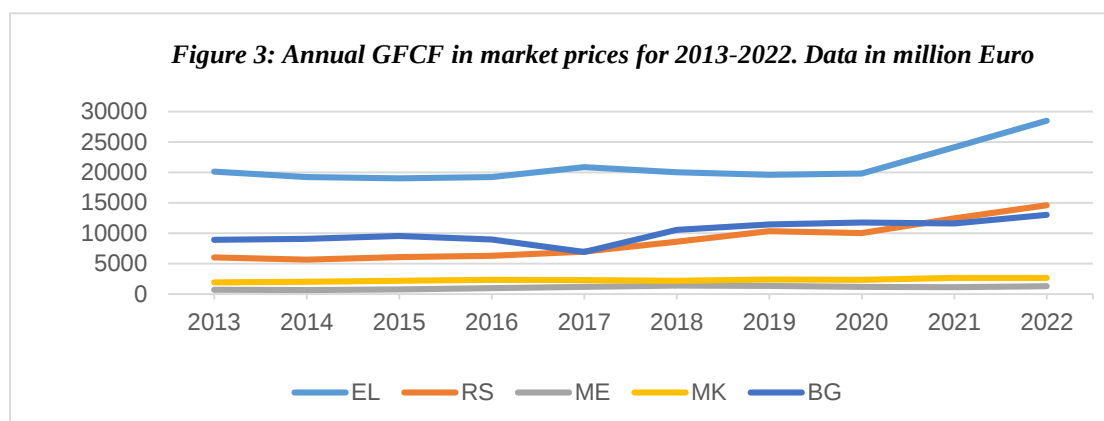
Fundamental macroeconomic principles dictate, that public investments can be followed too in the gross domestic product (G.D.P.) and the Gross fixed capital formation (G.F.C.F.).

Through the collection of the comparing data about the 2 indexes from the statistical offices of the aforementioned countries, we have made the equivalent figures. Fig. 2 shows the thriving and well-being of the economies through the GDP for the years 2013-2022. As we can see the production for the Greek economy remained steady for most of the years with a little diminish amid the coronavirus pandemic and an increase for the period after the COVID. Bulgaria incorporates a steady rate of increment for the GDP even within the pandemic 2-year lockdowns. Serbia, the Republic of North Macedonia, and Montenegro had extremely slight increases without any serious outburst of production.



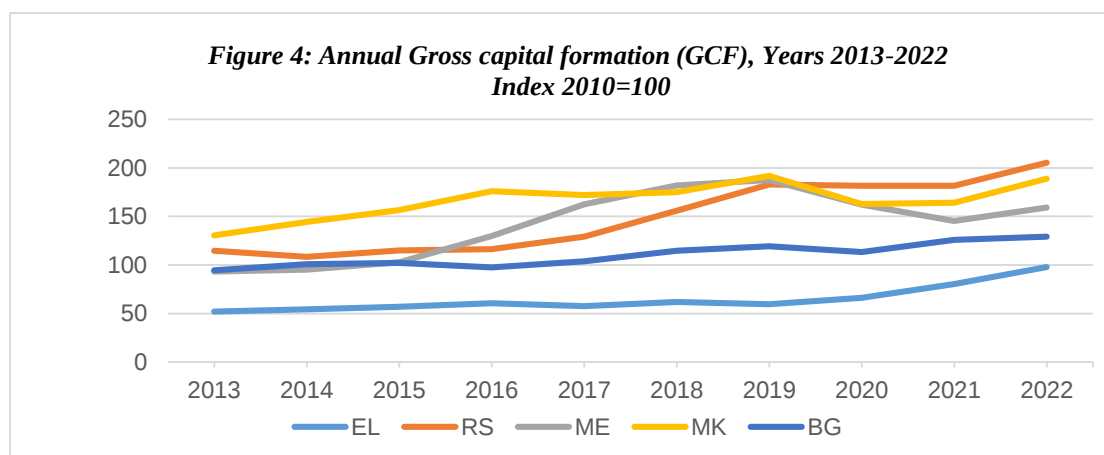
Source: Eurostat (2023A)

Gross fixed capital formation (G.F.C.F.) according to Lequiller & Blades (2014) and International Monetary Fund (2015) in the general government national accounts signifies (and contains) the investments for an economy such as infrastructure or buildings including the government for tourism ventures and tourism employments in a indicated sum of time. Holzner & Schwarzhappel (2018) utilise moreover the G.C.F.C. but as a rate of G.D.P. and in total construction investment. In Fig. 3 we can visualise and compare the data for the G.F.C.F. The secondary data originate from the Eurostat database. Since the result of each investment is the value that is going to be added to an economy (by investment in fixed assets in our case) we can understand that the economies under study are performing well. The data contribution for the last 10 years (2013-2022) indicates the amount of money that has been invested. A rise can be seen. The aforementioned countries got the attention of tourist streams. Figure 1 indicates the number of foreign-only tourists that were welcomed by each country during the years 2013-2022. The data have been gathered from the national statistics office of each aforementioned country and allude to foreign tourists only.



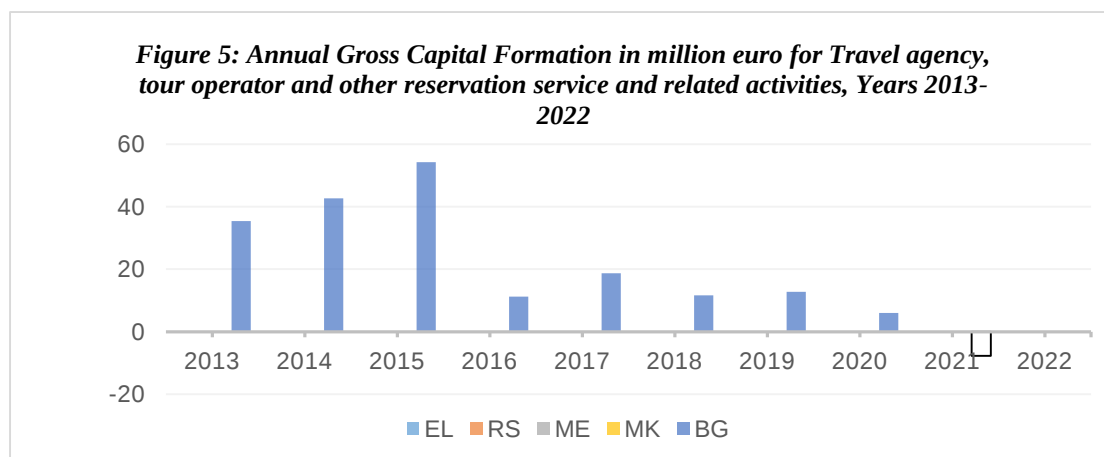
Source: Eurostat (2023B)

In Fig.4, all of our nations, under study, could provide data for the spending on fixed assets and the accumulation of those assets. The G.C.F for the years 2013-2022 gives us valuable information about capital formation. As we will see indeed even though Greece in broad outline had a high production of products and their value (GDP) at the same time had the lowest spending to acquire capital assets. On the other hand, the rest of the countries, till 2019, had a high rate of accumulation of fixed assets after the pandemic in 2020-2021. During the pandemic year, the rate had dropped as a natural cause of the downfall in production.



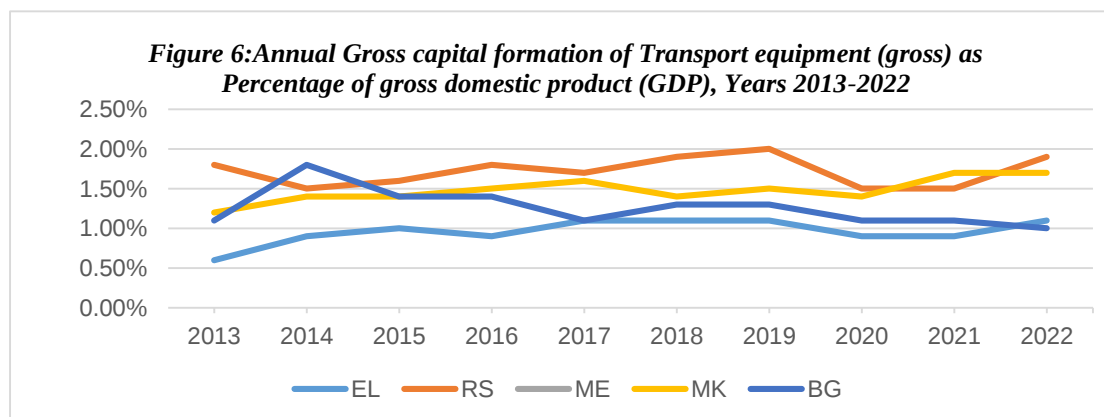
Source: Eurostat (2023A)

For the tourism industry, in 4 of the countries under investigation there was no extended information about what rate or sum in million Euro the G.C.F. has (fig. 5). In this way, it is difficult to estimate the value and contribution to tourism industry directly and/or indirectly from the statistical offices. Bulgaria is the only country where data were available and accessible and that had a high sum of investing in millions of Euros for the accumulation of fixed assets, contributing to the tourism industry each year, for years 2013-2015. After that period the contribution diminishes significantly and for the year 2021, there was a negative amount which could mean that some assets have been sold or disposed of.



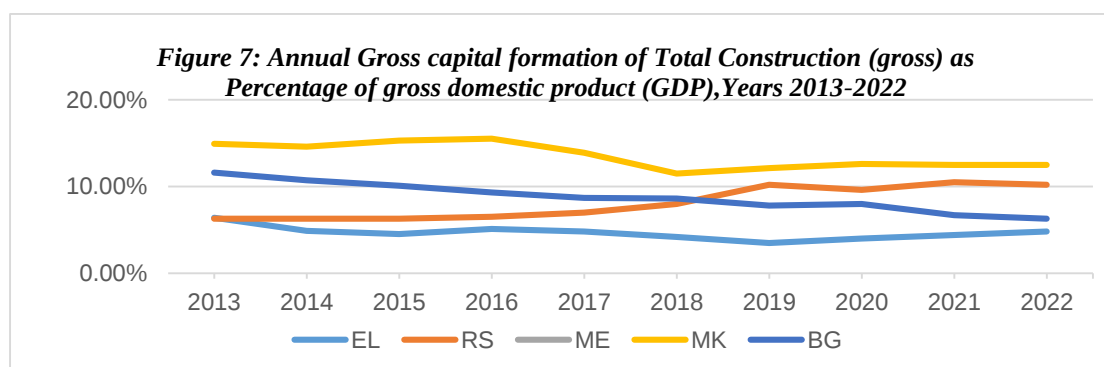
Source: Eurostat (2023B)

In the years 2013-2022 for all countries except Montenegro, there have been variances of increase and decrease within the capital formation for transport equipment. These fluctuations are not extreme and indicate a stable rate of acquisitions or disposal for the investigated period. No data were available for Montenegro.



Source: Eurostat (2023B)

The G.C.F. in total construction, within the corresponding period under investigation for our analysis for Bulgaria and Greece has decreased and in the last 2 years we can see an increase in the assets accumulated while North Macedonia and Serbia are steady for the first half years of the time frame studied and then they have an increase and stabilization on the accumulation. No data were available for Montenegro.



Source: Eurostat (2023B)

3. Limitations

Before coming to our conclusions, it is necessary to present the limitations of our research. Detailed statistics for many subsections of the Gross Capital Formation and the Gross fixed capital formation were not available, in any case, for the country under research. Data for 2021 for all the countries are revised and/or provisional in many cases. Concerning the year 2022, the data are entirely provisional or missing in many cases. Till the moment that the research had been conducted and published, the data might have changed significantly. Only 5 countries belonging to the Balkan region have been examined. Most of the countries under examination received interest in investments from the European Union and China.

4. Conclusions

The irrefutable truth that tourism has numerous benefits for a region has been appraised by many researchers (Nguyen et al, 2020; Cvetkoska & Barisic, 2017; Selimi et al., 2017). Direct or indirect investments for tourism ventures provide investments for the whole economy of a country and not only for a sub-sector and guarantee a new stream of revenue (Cvetkoska & Barisic, 2017; Nientied & Shutina, 2020). The Balkan region rose as an attractive tourism destination due to the combination of the history, that took place within the region (eg. wars) and the modern lifestyle. It is a contemporary destination for tourists who want to discover common aspects of life in an area and a differentiated portfolio of separate attractions. The region drew the attention of many investors, countries and institutions. With foreign financing and investments great infrastructure and superstructure projects came to advance and develop the area and the country that accomplished them. The governmental investments are setting the bar and opening the road for the private ones. It is a tremendous fact that without public or governmental investments (tangible or intangible ones) most of the private sector would not dare to follow up (Nawaz & Hassan, 2016, Nguyen et al., 2020). For emerging countries, public investments in combination with foreign expertise and locally made products can help the development of the area (Jenkins & Henry, 1982). Governmental investments can be found in the Gross fixed capital formation (G.F.C.F.) account (Lequiller & Blades (2014); International Monetary Fund (2015); Holzner & Schwarzhappel (2018)), which counts in a specific time period the investments that occurred in an economy. Other accounts such as the G.D.P. and G.C.F. and statistics about tourism like the inbound tourists can help us infer assumptions indirectly about the economic development sector that we examine. In our paper, we examine the aforementioned accounts by comparison. No other research was found to study the countries under investigation. The secondary data that we examine indicate that the economic well-being through the GDP kept a rising rate till COVID-19 which paused the production but did not slow the economy enough as the decrease was small or non-existent at all as in Bulgaria which had a rise in GDP. Tourist arrivals had a stable rate of rise till the pandemic which dropped significantly and after the pandemic they had a great rise. The Gross Fixed Capital Formation remained stable for Montenegro and North Macedonia for the estimated periods but for the rest of the countries under investigation it had a rise from period to period. When the inbound tourists during the COVID-19 decreased the GDP in each aforementioned country did not get influenced tremendously. During the COVID-19 pandemic when all the economic activity had slowed down all these accounts followed the same direction. G.F.C. accounts for transport and construction seem to have small increases and decreases but not extreme ones. General G.F.C.'s account seems to always tend to rise. This probably comes from the need of each country for capital in every aspect of production or investment. Some of those increases are during times when the tourist arrivals have a peak. Finally, without data for the Gross Capital Formation for the hospitality, travel and tourism industry, we cannot make safe or at all assumptions about the investments that have been made or the capital that has been accumulated for future investments.

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