

**ORGANIZATION
OF BSEC**

**KONRAD
ADENAUER
FOUNDATION**

**WORKSHOP ON
THE ROLE OF SMES IN REGIONAL TOURISM AND
LOCAL CAPACITY BUILDING IN THIS CONTEXT**

St. Petersburg, Russia, 18-20 November 1999

Summary Proceedings

1. The Workshop titled “The Role of SMEs in Regional Tourism and Local Capacity Building in this Context” was held in St. Petersburg, Russia, on 18-20 November 1999. It was organized by the BSEC and the Konrad Adenauer Foundation (KAF).

2. The opening address was made by Mr. Gennady I. Tkatschew, Vice-Governor of St. Petersburg, who also welcomed the participating delegations on behalf of the host country. This was followed by a statement from Mrs. Ludmila V. Botkina, Deputy Director of the St. Petersburg Administration Committee for Tourism. She introduced St. Petersburg with its distinctive historic, cultural and artistic assets.

3. Ambassador Nurver Nureş, First Deputy Secretary General representing the PERMIS, delivered his statement titled “Black Sea as a Major Staging Area for Development” the text of which is attached as Annex I. This was followed by Dr. Wulf Schönbohm, KAF Representative to Turkey, who underlined a number of major obstacles to the development of tourism in the BSEC process.

4. The Workshop was attended also by guest speakers Messrs. İ. Haluk Kaya from “Üçgen” Construction and Trade Inc., Istanbul; Jossef Engel, Director of Tourism Department from Tel-Aviv; Sergey A. Balanev, General Manager of St. Petersburg Foundation for SME Development, who talked on “Development of Coastal Tourism along the Black Sea”, “Role of Tourism: A Solution on the Development of Peripheral Areas”, “Small Hotels Development in St. Petersburg” respectively.

5. The Workshop was co-chaired in rotation by Messrs. Tkatschew, Schönbohm and Nureş.

6. The Workshop was attended by the representatives of the following BSEC Participating States:

Republic of Albania
Republic of Armenia
Republic of Azerbaijan
Republic of Bulgaria

Georgia
Republic of Moldova
Romania
Russian Federation
Republic of Turkey
Ukraine

7. A representative from the Slovak Republic attended the Workshop as observer.

The list of participants, including the guest speakers is attached as Annex II and the Program of the Workshop as Annex III.

8. Tourism is practically a worldwide industry with global impact. International tourism has grown by an average annual rate of 7% from 1950 to 1998 and is expected to continue this rapid expansion for the following 20 years. It goes where peace and security flourishes and in turn it strengthens further security and stability advancing the necessary environment for durable development and well-being. Any progress in the sector of tourism generates business in approximately 37 branches of the economy; out of these in 27 branches 99% of the enterprises involved are SMEs. It is an effective tool in creating jobs, alleviating poverty thus ensuring economic utilization of a wide spectrum of resources in national economies. All the BSEC Member States have expectations from this sector and therefore are committed to its progress.

Coastal and/or rural tourism is an integral part of country-wide tourism development. Presently half and by 2020 three quarters of the population in the world will be living within a periphery of 60 kilometres from the coastlines. Tourism is the most important industry in many coastal areas. Clearly coastal tourism expansion exposes these areas to increasing pressures of population growth, rapid industrial progress and wide exploitation of environment, particularly marine resources. But it also signals attractive prospects of fortune. The Member States have the potential to shape and make that fortune come true.

9. The statements during the opening and the addresses made by the guest speakers have stimulated lively discussion and exchanges among the participating delegations. The presentations made thereafter by them on the state of tourism in their respective countries, including coastal and regional tourism, led to further exchanges the results of which are summarized hereunder:

- i) Three types of tourism; i.e. coastal tourism, urban (city) tourism and sustainable rural tourism came to fore; were brought under focus and discussed at length. By sustainable tourism it was understood in essence that tourism and environmental planning must go hand in hand and at this initial stage when start is made to commercial tourism in the BSEC region, this twin approach needs to be maintained and propagated.

- ii) In the sector of tourism the SMEs for the first time appear to be emerging as active private enterprises. Obviously a notable progress has been made in this respect differing from one country to another, with nearly one-half to two-thirds of the respective tourism sectors seem privatized. This is a very important progress

towards market tourism and can be expected to lead to new business prospects ahead. In this Workshop for the first time the majority of the participants coming from private circles affirms clearly the remarkable change in this sector.

iii) At the threshold of the 21st century sustainability, i.e. the marriage between tourism development and environment emerges as a major issue upon which all Member States need to devote constant attention. Negligence in this respect, as seen in various living examples from the recent past, is not only costly in economic terms but hazardous to environment which we are obliged to conserve for the future of our nations and the region.

iv) Keeping in mind the different assets and features possessed by the Member States in this sector, the three types of tourism (ref: 9/i) offer attractive business opportunities for them. Sustainable rural tourism is a modality which can be widely utilized in rural family-based tourism establishments closely associated with accessible environmental assets in the vicinity. Such ventures require, if any, minimal amount of starting or venture capital, put into service all family members, extend tourism into rural areas and increase awareness of the importance of nature.

v) With privatization making headway in the sector of tourism, “market tourism” has started to replace “social tourism” which was heavily subsidized while appealing to few local tourists and even fewer to foreign tourists. The major problem here is more personal than technical; for it concerns a change of mentality from indifference to tourism to an embracing approach to it. Habits must change although they die hard. Tourists awareness and educational campaigns would help to rehabilitate the existing mentality.

vi) Tourism is an industry which can develop fully on the basis of lasting cooperation between the governments and the private sector where SMEs constitute the backbone and shape the course of business and determine its final outcome. This cooperation would give maximum yields when regional and local authorities, private enterprises as SMEs, NGOs and civil societies are brought into tourism initiatives. The benefits they will obtain from such initiatives will be the yardstick of their involvement in local capital and tourism growth.

vii) As coastal tourism is developed, it is equally important to follow closely the new trends developing in this sector which is often described as alternative tourism servicing specific interests of clientele which are changing. While quality in services with reasonable rates is of special importance in tourism, equally important is keeping in touch with the changing profile of the clientele in order to adjust tourism services and products offered. Demographic trends in tourist generating, affluent countries need to be taken into account where aging clientele often travel for health reasons and for relaxation simply.

viii) Easy movement of individuals within the member countries and/or within the region is the sine qua non of tourism. To facilitate their movement in border crossing is a must, not only for the growth of tourism specifically but for the development of the BSEC process in general. This appeared to be the principal issue

upon which critical exchanges took place among the participants complaining the existing visa regimes, the very high rates charged for their issuance and the time lost, the difficulties faced in obtaining them. The consensus was that time had come to review the existing visa regimes and undertake the necessary revisions in order to meet the demands of the growing cooperation within the BSEC process, which obviously represented the shared interests of all the Member States.

10. There are, as mentioned earlier, two major actors who are interlinked and interactive in tourism; namely the governments and the private sector with SMEs as the overwhelming majority. In addition to the specific points made above which relate to both or one of these actors, following were mentioned as part of the role expected from these actors.

Role of Governments

- i) Governments are responsible for a country-wide master tourism plan which determines priority development regions and found an inventory of indigenous marketable tourism products. Their role is indicative, provide guidance and eliminate obstacles on the road to tourism development.
- ii) Enact investment policies and supportive incentives together with administrative measures encouraging SMEs involvement in local capacity building and tourism development.
- iii) Implement human resources development and training programs to support commercial tourism and for management of tourism enterprises.
- iv) Legislate sound and transparent regulations related to land use and ensure vigorous implementation thereof.
- v) Assure wide participation of the local community in all faces of tourism development; particularly implementation and management.

Role of Private Sector - SMEs

- i) Conform to local, national and international regulations, rules and standards concerning tourism and environmental norms.
- ii) Keep in sight cultural, social, economic and environmental phases as integral to all initiatives from management, human resources to investment to marketing.
- iii) Favor quality to quantity as the outcome of tourism products (services) and develop all tourism activities geared to meet this objective.
- iv) Maintain management disposed to international audits and certification which will assure recognition and trust for the enterprise and open new business prospects.
- v) Promote creative and mutually beneficial relations with a view to establishing a fruitful working framework with the local authorities and with NGOs and civil societies in order to obtain their constant support for efforts directed to the advance of tourism and local capacity growth.