

The Economic Implications of Hydropower
Construction on Tourism in Valbona National Park

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The World Travel and Tourism Council reported that in the year 2015 travel and tourism was on the rise for the sixth year in a row, rising to a total of 9.8% of the world's GDP, or about 6.7 trillion euro (Economic Impact of Tourism – WTTC World Travel and Tourism Council). This counts for about one in eleven jobs globally (284 million people), with that trend projected to rise by 4.3% by the year 2025 (WTTC). It has already outstripped other sectors like retail and manufacturing. This total is only expected to rise as gas prices fall and the US dollar gains strength. Calculated within this projected and reported GDP are both direct, indirect, and induced contributions leading to the overall total, in this case 6.7 trillion euro.

Direct contributions include three main subsets: commodities, industries, and sources of spending. This number reflects the money spent internally by both residents and non-residents on activities and leisure that pertains to tourism. It also includes government spending on areas and activities that would affect tourism, like national parks and museums. The commodities sector handles money spent on accommodation, transportation, entertainment and attractions. Industries include accommodation services, food and beverage services, retail trade, transportation services, and cultural sports and recreational services. The last sector, sources of spending, handles resident domestic travel and tourism spending, business domestic travel spending, visitor exports, and individual government travel and tourism spending (museums and national parks) (WTTC).

The total contribution that travel and tourism has on any one country is tallied by adding the profits of the direct contribution to the profits of the indirect and induced contribution. These two subsets include the wider effects of the industry on a nation, and are equally as important as the direct contribution, when considering the total profits incurred. The indirect factors include areas like investment spending on new planes and the construction of new hotels and casinos. It also includes a nation's government collective

spending at large, like running ad campaigns for touring a city or a nation, or sanitation for a popular beach. Lastly, this includes the impact of purchases from suppliers, like cleaning services and airplane fuel as well as food and drink. The induced spending makes a contribution when the employees of the various direct and indirect areas make purchases of their own from the money they made from being a part of the tourism industry. This ranges from food, to clothing and other household goods. As wages increase, so does the amount of goods that are able to be purchased by employees. Thus, the tourism sector helps raise the overall economy of a country quite significantly.

The world travel and tourism gross domestic product is quite substantial, and Albania far surpasses those projections, with tourism and travel *directly* contributing 5.7% of the GDP in 2015 (around 2.2 billion euros), and expected to contribute as much as 7.9% in the next ten years. In *total*, the contribution is even larger, supporting 21.1% of the GDP, which will rise to 27.2% in 2026. The tourism sector also accounts *directly* for 5.5% of jobs in 2016, while its *total* contribution was near 19.3% (WTTC World Travel and Tourism Council-Albania). The *direct* contribution is supposed to rise to 7.4% while the *total* contribution is expected to rise to 25% by the year 2016. With the number of visitors exponentially increasing each year, it will be pertinent for the tourism industry to adapt accordingly to keep tourists interested in the region, instead of losing out to other more robust industries like Greece and Croatia.

A recent study by the World Tourism Organization shows that ecotourism [the responsible travel to natural area that conserves the environment and improves the well-being of the local people in the area] is, by far, the fastest growing sector of the tourism industry expanding by 20% to 34% every year (Rise of Ecotourism, Fiscal Today). Consumer behavior trends overwhelmingly indicate that the average traveler takes anywhere from two to six vacations a year, and that sustainable travel is their number one priority (Conde Naste Traveler). It is no wonder then, that these travelers are consistently choosing to make trips to

National Parks and Protected areas around the world. Not only are they rich in the biodiversity and cultural heritage in the region, but they also support the local community by fostering investment in local economies (think accommodation, food, traveling, souvenirs, tour guides etc). A healthier economy can support more investment in the protected areas, like tours, rafting, guided hikes, and cultural activities, which in turn generate more interest in the area and more sustained revenue for the region and the country. Therefore, the more Albania has to offer through protected areas and national parks, the more it will appeal to the growing majority of travelers in the next coming years.

Plitvice Lakes National Park is one of those places that has realized the potential for revenue and has adapted accordingly. It serves around 1.2 million travelers a year, with each spending around 17 euros in total while visiting the park itself (not including the money they spend in the surrounding areas) (Event Management and Sustainability, 209-210). This leads to roughly 20.4 million euros in profit for the park alone. In fact, in 2007 the National Park Plitvicka Jezera, and UNESCO released a report detailing the proposals to input several changes in the park to protect the natural features as well as develop a more stable infrastructure within the park in order to appeal to more visitors (NP-Plitvicka-Jezera Management Plan, 2007). Croatia's tourism sector has been increasing at an incredible rate in the last five years, contributing 8 billion euros to the GDP in 2015 (Dubrovnik Times, Jan 27 2016). Croatian national parks contribute to 17.8% of that total, or about 1.424 billion euros annually, using the most recent figures (Event Management and Sustainability). These eight national parks in Croatia are updating their management plans in order to efficiently service their visitors, understandable considering their tourism sector is expected to grow by 7% in the next ten years, earning around 560 million more euros for the country.

Serbian national parks have also been updating their management plans to reflect the International Union for the Conservation of Nature's approach to protected areas; in order to

make them more cohesive with the European Union model. They are also vying for a place in the EU, and fashioned themselves after Bulgaria who implemented a Directive on the Conservation of Natural Habitats and Wild Flora and Fauna which, according to their Ministry of Environment and Water “has contributed to the process of Bulgaria’s accession to the European Union” (Bulgarian Biodiversity Portal). Serbia did an audit of their national parks Derdap, Tara, Fruska Gora, Kopaonik, and Sar Planina in order to see where the biggest revenue stream was coming from, and where they could improve to make their parks more appealing to the World Commission on Protected Areas (a subset of the IUCN). The researchers who developed the project found that 60.8% of the revenue from the parks came from goods and services (food, accommodation, and transportation), while only 13.8% was generated by fee income, collected when visitors entered the park (Dordevic, Rankovic, Keca 2013). A simple raise in the fee income would generate hundreds of thousands of dollars more in revenue while keeping interest in the park high. In this way the parks were not only self-sustaining, but able to implement stricter control of their protected areas, making them a more appealing candidate for accession into the European Union.

Serbia is not the only country looking to maximize the productivity of their national parks, Romania came out with a similar study in 2009 in order to test out new methods for valuing protected areas. The idea of the study was to generate a questionnaire that guests could fill out upon arrival to gauge an interest in the park, and what visitors would be willing to pay in order to gain entrance. Since its inception, the contingent valuation method of “willingness to pay” (WTP) has been used by many economists and corporations to estimate the profitability of national parks. In the five parks used in the study (Domogled, Becugi, Cozia, Piatra Craiului, and Portile de Fier) the average WTP ranged from 6.71 euros in Cozia National Park to 17.50 euros in Becugi National Park. If the agency overseeing the national parks decided to increase the entrance fee to these prices, they could generate hundreds of

thousands more in revenue every year. In the same study they also tracked the spending of the visitors in the surrounding areas of the park. On average the consumer surplus ranged from 30 to 50 euros. This kind of stimulus in local economies is hugely beneficial and cannot be overlooked in valuing a park. More interestingly, the study found that the tourists who traveled a longer distance were willing to pay higher prices for entering protected areas. Seeing as 82.2% of the tourism in European countries comes from foreign travelers, the numbers presented are a conservative estimate of what they could be. (Dumitras, Arion, Merce, 2009).

National Parks and Protected Areas are becoming much more crucial to the tourism industry in most nations. They not only contribute direct revenue to the GDP, but also keep visitors coming back, generating sustainable profits for a country. Building hydropower in Valbona National Park has the potential to effectively destroy the protected area and completely alter the watershed. The plans to re-route up to 85% of entire stretches of the Valbona River, as well as several of its major tributaries, through 3m wide underground tunnels will not only destroy aquatic habitat, but will drastically change humidity, temperature and oxygen concentrations, impacting an extremely large area. Over 6,000 distinct species of flora and fauna will be endangered due to this construction, many of them endemic species. The local economies of this region count on that tourism money in order to support their families and their way of life. Without the park their main form of income ceases to exist. The hydropowers themselves will be doing much more harm than good to the economy - tourism is sustainable, a one-time construction project is not. If these projects continue to be built the government would be doing a major disservice to the Tropojan people, and to its reputation with the European Union. In a time when environmental protection is seen as a pressing concern, it would seem incredibly irresponsible for the Albanian government to destroy one of its most prized biospheres. The National Agency for

Protected Areas, founded in 2015, is preparing to step up and begin effective management of Valbona Valley National Park in order to protect one of the last true wildernesses of Europe, and generate much needed revenue for the Albanian economy. However, if these hydropowers are built, there will be nothing left to protect.

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