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**SUSTAINABLE DEVELOPMENT OF TOURISM, SOCIAL AND ECONOMIC GROWTH, PRESERVATION OF LOCAL CULTURE AND TRADITIONS, LOW CARBON AND LOW IMPACT TO BIODIVERSITY: HOW CAN A FINANCIAL INSTITUTION BE PART OF THE CHANGE?**

*The tourism industry is shaped by the combination of different industries that all together will integrate and build the experience of travelling. When a tourist starts a journey, he or she will need the support of many different sectors of the economy, from transport to accommodation, food, travel agents, electricity, clothes and accessories, arts crafts, and many others. Considering all stakeholders involved in tourism industry and social, economic and environmental impacts related, the industry also has an important role in sustainable economy. The combination of the impacts generated by tourism towards sustainable development of businesses is the main issue of this paper. The sustainability concept is rapidly being embedded into tourism and the related business, which will contribute to supporting the necessary changes at all levels of the local economic development.*

*Keywords: sustainability; tourism; sustainable development; social responsibility; partnership; collaboration; governance; code of conduct; sustainable tourism.*

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**СТАЛИЙ РОЗВИТОК ТУРИСТИЧНОЇ ГАЛУЗІ, СОЦІАЛЬНО-ЕКОНОМІЧНЕ ЗРОСТАННЯ, ЗБЕРЕЖЕННЯ МІСЦЕВОЇ КУЛЬТУРИ ТА ТРАДИЦІЙ, ЗМЕНШЕННЯ ВИКИДІВ ТА ЗБЕРЕЖЕННЯ БІОРІЗНОМАНІТТЯ: РОЛЬ ФІНАНСОВИХ УСТАНОВ**

*У статті показано, що туристична галузь формується поєднанням різних галузей, які спільно покращують умови, пов'язані з подорожами. У туристичній поїздки знадобляться як транспорт і житло, так і харчування, електроенергія, одяг та аксесуари тощо. З урахуванням усіх цих складових і відповідного соціального, економічного та екологічного впливу можна стверджувати, що туризм грає важливу роль у сталому розвитку. Описано комплексний вплив індустрії на розвиток бізнесу із застосуванням концепції "сталого розвитку" та підкреслено необхідність змін на всіх рівнях місцевого економічного розвитку.*

*Ключові слова: екологічність, туризм, сталий розвиток, соціальна відповідальність, партнерство, співпраця, управління, кодекс поведінки, екотуризм.*

*Таб. 1. Літ. 12.*

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**УСТОЙЧИВОЕ РАЗВИТИЕ ТУРИСТИЧЕСКОЙ ОТРАСЛИ, СОЦИАЛЬНО-ЭКОНОМИЧЕСКИЙ РОСТ, СОХРАНЕНИЕ МЕСТНОЙ КУЛЬТУРЫ И ТРАДИЦИЙ, СНИЖЕНИЕ ВЫБРОСОВ И СОХРАНЕНИЕ БИОРАЗНООБРАЗИЯ: УЧАСТИЕ ФИНАНСОВЫХ УЧРЕЖДЕНИЙ**

*В статье показано, что туристическая отрасль формируется сочетанием различных отраслей, которые совместно улучшают условия, связанные с*

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путешествиями. В туристической поездке понадобятся как транспорт и жилье, так и питание, электроэнергия, одежда и аксессуары и т.д. С учетом всех этих составляющих и соответствующего социального, экономического и экологического влияния можно утверждать, что туризм играет важную роль в устойчивом развитии. Описано комплексное влияние индустрии на развитие бизнеса с применением концепции "устойчивого развития" и подчеркнута необходимость изменений на всех уровнях местного экономического развития.

**Ключевые слова:** экологичность, туризм, устойчивое развитие, социальная ответственность, партнерства, сотрудничество, управление, кодекс поведения, экотуризм.

**1. Introduction.** Notwithstanding the world economic crisis, the World Tourism Organization (UNWTO) forecasts 1.6 bln tourists travelling internationally by 2020. This impressive figure needs the attention of stakeholders in order for the tourism industry to make its contribution to sustainable development of economies (UNWTO, 2010).

The UNWTO and the World Travel and Tourism Council (WTTC) have been promoting the exchange of best practices for sustainable tourism around the world in order to create awareness among practitioners. Today, there are real cases in operation showing the links between tourism, economic development, biological diversity conservation and poverty reduction, providing good examples on how tourism can be more biodiversity friendly and more socially just (Convention on Biological Diversity, 2010).

The Brazilian Ministry of Tourism, formed in 2003, states the increasing recognition of the importance this industry has for the country's economic development. Hosting the Soccer World Cup in 2014 and the Olympic Games in 2016 will necessarily generate multimillion dollar investments to accommodate the events and also to comply with FIFA regulations and the Olympic Commission standards.

A financial institution's primary objective is to provide various forms of financial services associated with financial activities like debentures, loans, insurance, retirement plans, investments, bank account and many other functions, making money transactions possible in various tiers of economy. It performs the collection of funds from private and public investors using then in financial assets. Banks, insurance companies, stock brokerage firms, asset management firms and microfinance agents are the examples of financial institutions (Maps of World Finance, 2010).

*1.1. The challenge: barriers and opportunities.* The current scenario shows that Brazil has many challenges to overcome in order to enhance its tourism industry, but if the industry grows along a sustainable path it will help to reduce poverty and violence as well as preserve biodiversity and cultural heritage. The 2014 Soccer World Cup and the 2016 Olympic Games will generate the sense of urgency for the necessary changes.

The sustainability challenge in this case is to demonstrate how and why tourism can be a catalyst for sustainable development in Brazil and the role of a financial institution in this process. Therefore the main research question of this paper is "What business opportunities can a financial institution take from working proactively towards sustainable development of the tourism industry and which benefits may it derive from this positioning?"

The undeveloped stage of Brazilian tourism industry today will influence the level and quality of the information available. Considering that this is an unexplored approach towards sustainable development of the tourism industry, it will be a great opportunity for a financial institution to innovate and become a benchmark not only for the financial segment but for the whole tourism sector. This project can become a beneficial tool to develop a new strategy to foment the path for the next banking generation.

## **2. Scenario, research and analysis.**

### *2.1. The tourism industry as a tool for sustainable development — literature review.*

The statement above is part of the Guide for Policy Makers produced by the United Nations Environmental Programme and the World Tourism Organization and it represents a statement on how tourism can be a catalyst for sustainability. How important can the tourism sector be for the preservation of culture and traditions of host communities? Most importantly, what is the impact on biodiversity from an industry that forecasts to have 1.6 bln international tourists travelling by 2020?

*2.2. Tourism in the world scenario.* The role of business in developing a sustainable economy is paramount considering that the leading companies of tomorrow will be responsible for providing services and goods and reaching out for its clients in the ways that address the world's major challenges including: poverty, climate change, resource depletion, globalization, and demographic shifts (World Business Council for Sustainable Development, 2006). Policies to promote sustainable development should take fully into account the opportunities offered by tourism, considering its multisegmentation characteristics. Tourism represents today 30% of the world's exports of services and 45% of the total services exports in developing countries, providing millions of direct jobs all over the world (World Tourism Organization, 2010, p. 4). The WTTC estimates that from direct and indirect activities combined, the sector accounts for 9.9% of the global GDP; 10.9% of the world exports; and 9.4% of the world investment.

*2.3. Tourism under Brazilian scenario.* The tourism sector has repeatedly proved its ability to act positively and imaginatively in the face of major shifts in socio-political environments, to play a positive role in low carbon development pathways, and to create significant opportunities in achieving the Millennium Development Goals (MDG, 2010).

Brazil has the right combination to be one of the major tourism destinations in the world; however, inbound tourism makes little contribution to the country's total export earnings. With slightly over 5 mln visitors a year, tourism has small participation in the country's development and, most importantly, in its sustainability.

The World Economic Forum (WEF) assessed the Travel and Tourism Industry (T&T) of 133 countries to develop a comprehensive report to provide a cross-country analysis of the drivers of T&T competitiveness. The result of this research is the Travel & Tourism Competitiveness Index, where Brazil appears to be ranked 45th.

The T&T Index is based on 3 broad categories of variables considered the driving forces of T&T competitiveness and these categories are summarized into 3 sub-indexes: regulatory framework; business environment and infrastructure; and human, cultural, and natural resources. Each of these subindexes is composed by a number of pillars of T&T competitiveness, which are:

1. Policy rules and regulations;
2. Environmental sustainability;
3. Safety and security;
4. Health and hygiene;
5. Prioritization of travel & tourism;
6. Air transport infrastructure;
7. Ground transport infrastructure;
8. Tourism infrastructure;
9. ICT infrastructure;
10. Price competitiveness in the T&T industry;
11. Human resources;
12. Affinity for travel & tourism;
13. Natural resources;
14. Cultural resources.

**Table 1. Brazil Travel & Tourism Competitiveness Index**

Travel & Tourism Competitiveness Index		
	Rank (out of 133)	Score (1–7 scale)
<b>2009 Index</b>	<b>45</b>	<b>4.3</b>
2008 Index	49	4.3
<b>T&amp;T regulatory framework</b>	<b>95</b>	<b>4.1</b>
Policy rules and regulations	94	4.0
Environmental sustainability	33	5.0
Safety and security	130	3.4
Health and hygiene	80	4.2
Prioritization of travel & tourism	84	4.1
<b>T&amp;T business environment and infrastructure</b>	<b>69</b>	<b>3.5</b>
Air transport infrastructure	46	3.8
Ground transport infrastructure	110	2.6
Tourism infrastructure	45	4.0
ICT infrastructure	60	3.1
Price competitiveness in the T&T industry	91	4.2
<b>T&amp;T human, cultural, and natural resources</b>	<b>4</b>	<b>5.4</b>
Human resources	55	5.2
Education and training	40	5.0
Availability of qualified labor	87	5.3
Affinity for travel & tourism	108	4.4
Natural resources	2	6.4
Cultural resources	14	5.6

Source: The Travel & Tourism Competitiveness Report 2009 © 2009 World Economic Forum, WEF 2009, p. 146.

Table 1 shows the index for Brazil and its overall position in the world ranking. The country ranked 2nd for its natural resources, 14th for its cultural resources and 33rd on environmental sustainability. It also shows the areas responsible for keeping the country out of the top tourism destinations: bureaucracy, safety and security, transport network, and price competitiveness (BNDES, 2010).

2.4. *The opportunity and the challenge.* Winning the bid to host the Soccer World Cup in 2014 and the Olympic Games in 2016 gave Brazil a new economic perspective. The critical areas in need for substantial reforms are exactly those pointed out by the Travel & Tourism Competitiveness Index.

The relation between tourism, sport and mega-events involves tourism stakeholders and demands a strong engagement and commitment from the industry in order to take this unique opportunity and transform it into positive results beyond 2014. From the moment a country wins its bid to host an event it begins to enjoy important benefits. "One of the tourism areas in which new opportunities have emerged is sports tourism and mega-events. In the past decade, we have seen these powerful vehicles for growth emerge as key areas of travel and tourism sector development", Minister of Tourism of South Africa, Marthinus Van Schalkwyk (World Tourism Organization, 2010).

With those immediate benefits come immediate responsibilities and planning. Brazil is now in the media spotlight where an increasing international awareness will naturally lead to a substantial increase in the country's profile as a tourism destination. This will also create substantial employment, training and qualification in order to attend to all necessary infrastructure and will benefit local small and medium-sized enterprises, which represent 98% of the companies and 20% of GDP (SEBRAE, 2010).

There is a consensus among academia and practitioners' opinions when it comes to the necessity of a long-term development plan using mega-events as a part of the strategy not just an end itself. One of the conclusions of the Tourism, Sport & Mega-events Summit, organized by the UNWTO and the Government of South Africa in February 2010, was that sports indeed stimulate the tourism economy and can also play an important role promoting sustainability and low-carbon lifestyle (World Tourism Organization, 2010).

Mega-events can display Brazilian cultural and natural heritage having positive and lasting effects on creative industries. It will also reinforce close relations between tourism, culture, peace and sustainable development, as visitors and local communities exchange knowledge while understanding and appreciating the roots of their existence (UNESCO, 2006).

*2.5. The opportunities for a financial institution.* The main challenge of this paper is to demonstrate why tourism can be an important tool for sustainable development and to shape the path to promote necessary changes in Brazilian society. This section aims to define how a financial institution can participate in this process and contribute to the sustainable development of the national tourism.

Most financial institutions around the world look at the tourism industry without understanding the complexity of its value chain. Tourism is hardly perceived as an industry by a bank and often treated as a holiday or recreation sector. Besides this misperception there is also a concern related to reputational and credit risks, especially in developing countries. The research with legal and compliance departments of 3 banks in Brazil showed that money laundering and business informality were the main reasons for keeping the tourism industry at a safe distance.

After a close examination of Brazilian financial market in order to benchmark best practices, we did not find any relevant or innovative programme related to the tourism sector. Financing specific projects and equipment or transactional banking branded with a tourism appeal are the most common products and services offered by banks. Organizations established to support economic and social development, similar to The International Finance Corporation, The World Bank Group and The

Inter-American Development bank, do have institutional programmes designed to encourage sustainable development of value chains, including tourism, but they usually depend on local banks in implementing their projects. The Inter-American development Bank and the Government of Belize for example, are funding through a loan of US\$ 13.3 mln the Belize Sustainable Tourism Program (STP) in response to the challenges of the tourism sector to grow in a sustainable manner. The main objective is to reinforce tourism contribution to the local economy (STP, 2010).

In another funding example, the Brazilian Development Bank (BNDES) and the Brazilian Ministry of Tourism launched in February 2010 a program for tourism, assigning BRL 1 bln for improvement and/or construction of new hotels for the 2014 World Cup. The maximum term loan for projects is 8 years for reform, modernization and expansion; and 10 years for new buildings. If the projects are certified as green buildings they get a 12-to-18 years loan (BNDES, 2010).

Namibia's First National Bank (FNB) states that "recongises the vital role of tourism on the development of Namibian economy" and is proud to be the first bank in the country to show commitment to this industry establishing a dedicated Tourism Desk offering loans, insurance, foreign currency account and other financial products to business within the tourism sector (FNB, 2010).

How can a financial institution use this massive opportunity to profit and create added value to society? 12 host cities of the World Cup are also the major capitals in the country where most branches are concentrated. Street branches are the most important assets for a bank, considering the close contact it has with local businesses and community. It can be used as a powerful communication tool to disseminate concepts and also create awareness towards sustainability issues. Regarding safety and security, Brazil is ranked 130th out of 133 countries at the T&T Index. Reliable tourist information and multiple-language support can help to minimize the sense of insecurity and the branches could become a safe port for specific information related to the surroundings, like hotels, restaurants, cultural and historical sites, local festivals etc.

"Javelin Strategy and Research" consulting firm expects the number of online financial transactions taking place over alternative payment systems, to grow by 30% in the next 3 years (Roth, 2010). Banks can provide reliable and trilingual tourist information with the focus on sustainable business management, responsible tourism, sustainable practices, eco-destinations and so forth, connecting the need for reliable information with online travel and tourism business.

Lastly, the Federation Internationale de Football Association (FIFA) requires a Green Goal Programme from the host country in order to minimize environmental and social impacts within the event (FIFA, 2010). This is also one of the requirements for organizations to have their businesses related to FIFA's brand, especially the hotel industry. Banks can finance "green" building and also foment projects related to renewable energy, accessibility, energy efficiency, water, transport, landscape and biodiversity. With the same perspective, a financial institution can create investment funds to stimulate sustainable tourism projects in 12 regions where the games will take place.

### **3. Rationale and theoretical analysis.**

*3.1. Academic and practitioner theory used as information for the paper.* There is extensive and numerous resources available to inform this strategy paper and many

were accessed and have been indicated in the bibliography. However, in order to summarize the theory and practice, we would like to mention the material that has been used as a base for all analysis leading to most of the research and conclusions:

- The United Nations World Tourism Organization website is an online publication available and is the official UN indicator for the tourism industry. Its definition of sustainable tourism was the basis and guidance for this paper:

"Sustainable tourism should make optimal use of environmental resources; respect the socio-cultural authenticity of host communities; provide socioeconomic benefits to all stakeholders; maintain a high level of tourist satisfaction, raising their awareness about sustainability issues and promoting sustainable tourism practices amongst them. Sustainable tourism development requires the informed participation of all relevant stakeholders, strong political leadership and constant monitoring of impacts" (UNWTO, 2004).

- The World Economic Forum published several reports about the tourism industry in order to provide useful tools for governments and business leaders. The Travel & Tourism Competitiveness Report (WEF, 2009) was used several times as a reference for this paper as well as many economies around the world.

- Brasil Sustentavel (Sustainable Brazil) is a thorough report produced by Ernst & Young and Getulio Vargas Foundation (FGV) showing the probable socioeconomic impacts of the 2014 World Cup on Brazil. All different and important aspects from the actual scenario and necessary infrastructure to the legacy beyond 2014 were systematically analysed.

- PriceWaterhouseCoopers LLP (PwC) organised a Sustainable Finance workshop at the Brazilian Association of International Banks (ABBI) in Sao Paulo, and presented the report "Financing the Future: the Brazil model", with the challenges for Brazil's economic future, showing the gaps and necessary investments related to the World Cup in 2014, and the opportunities for sustainable business development.

- The implementation of this project requires changes from the organisational perspective, in order to fully understand where and how the sustainable development of tourism can take a bank to a higher level of sustainability leadership. Change management for sustainable development (Walker, 2006) helped to shape the rationale of how change happens and the ways to make it happen.

- The World Travel and Tourism Council (WTTC) works alongside the UNWTO to provide public and private sector decision makers from the tourism industry with forecasts and estimates for the impacts of travel and tourism activity, identifying the industry's contribution to 181 countries across the globe.

*3.2. Theory and practice rationale.* This paper takes into consideration business opportunities that the tourism industry is able to generate for 3 major business units (divisions) within a financial institution with the objective of enhancing their client portfolio and also their lending/credit portfolio.

Travel and tourism is one of the world's largest industries providing a major stimulus to economic growth and job creation. This is the sentence that begins the World Travel and Tourism Council climate change report (WTTC, 2010), indicating how the long-term commitment between the public and private sectors can tackle one of the most challenging issues of our times. The report also mentions how the council,

represented by major global organisations, can work actively with governments, industry associations and international bodies to ensure that the tourism industry becomes a leading player in a sustainable economy.

WTTC report emphasises 5 steps that can help shape the sustainable development of tourism which are in line with the rationale of this strategy paper as proposed in section 2.3 of this document. The cross-analysis of the themes mentioned by the WTTC report helps to visualise the alignment between practice and rationale:

1. Accountability and responsibility.

Financial institutions can become an important reference to the industry with its responsible business practices and transparency in reporting results.

2. Local community sustainable growth and capacity building.

This project aims to generate more business for the wholesale and retail divisions, from microfinance to project finance, SME lending, advisory and support to entrepreneurship at community level to foment local sustainable development.

3. Educate customers and stakeholders.

This strategy plan is based on educational incentives and awareness programmes to engage all stakeholders towards the sustainable development of the tourism industry, but most importantly, banks' customers and employees.

4. Greening supply chains.

Developing and implementing simple and effective tools to help businesses to achieve sustainable management is also essential to fulfil the growing demand from responsible consumers and to comply with local and international regulations.

5. Innovate capital investment and infrastructure.

By creating sustainability criteria and standards for lending money, a bank can act as a catalyst in incentivising companies towards sustainable economy, financing the projects related to clean energy, water, solar power, waste management etc., to foment the sustainable infrastructure for the travel and tourism industry.

**4. Conclusions and recommendations.** There is an enormous opportunity for financial institutions to take leadership and become an important business partner for the sustainable development of the tourism industry in Brazil. The next 4 years will be decisive for the country's future, where Brazil can either enhance its tourism competitiveness and foment the path for the sustainable development of this industry, or miss this unique opportunity and even have it backfire in terms of promoting the country's image.

The analysis of Brazil's Travel & Tourism Competitiveness Index (WEF) shows an interesting fact: the attributes that are the main attractions for tourism - human, cultural and natural resources - are very well ranked and mainly require awareness and education programmes. On the other hand, the sectors that are holding up the development of the industry are the ones in need of financial resources.

**Recommendations:**

1. Develop an integrated strategic plan with all commercial areas in order to understand the opportunities within the tourism industry and create innovative products and services for tourists and the tourism industry;

2. Focus on the 65 tourism destinations (from the National Tourism Plan 2007-2010. Brazilian Ministry of Tourism) defined by the National Tourism Plan (Brazilian Ministry of Tourism, 2007) prioritizing 12 World Cup host cities to prepare, adapt and

redesign the street branches to become community focus points and "tourism friendly", with tourist support/information and products/services for the tourism sector (BEP, 2004);

3. Develop a trilingual Internet-based travel and tourism information and business centre;

4. Partner with the government, NGOs and development agencies in order to stimulate the necessary investments in green/sustainable projects for 2014;

5. Implement awareness and educational programmes towards sustainable and responsible tourism, involving clients and employees having the sustainable tourism project as part of a long-term institutional positioning.

These recommendations are a part of a long-term strategy focusing beyond 2014.

In 2015 the world will know what legacies the World Cup left for the country. It can be an historical year considering that it might become a "mutation point" for Brazil.

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