

Research Memorandum

USAID BiH Cluster Competitiveness Activity for the BiH Tourism Cluster

Subject:	<i>Estimating BiH Tourist Arrivals</i>
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The purpose of this memorandum is to develop a reasonable broad estimate of the true number of annual foreign tourist arrivals to Bosnia & Herzegovina.

BiH official tourism statistics are woefully inadequate. They come solely from reports on overnight stays from registered accommodation establishments, which even if accurate would leave out large categories of tourists. Comprehensive surveys that include tourism sector service establishments are not carried out. Other helpful indicators, such as employment and revenue levels in the tourism sector, are entirely unavailable. This means that policymakers have no accurate measure of the importance of the tourism sector to BiH economic growth, and no firm basis for budgetary decisions in support of tourism development.

A recent World Travel & Tourism Council report (WTTC 2007) estimates that almost 12% of the BiH economy is related to travel and tourism, employing over 100,000 (1 out of every 10.5 jobs), and one-fifth of BiH exports. These data are consistent with previous CCA estimates (CCA 2006), but probably still significantly understate the true impact, since the WTTC's assessment uses official tourism statistics as its starting point.

In a 2005 study commissioned by USAID CCA, the need to improve tourism statistics was cited as a key recommendation for improving the competitiveness of the sector (Saffery 2005). In early 2006 CCA engaged an international expert on the application of tourism satellite account (TSA) methodology to BiH tourism statistics (Falconi 2006). The advisor found that BiH tourism statistics "are at the most elementary level", and "do not comply with minimum standards of reliability". His report was presented to stakeholders, including representatives from the two Entity Bureaus of Statistics, the State-level Agency for Statistics, the BiH Tourism Association, MOFTER, and the entity Tourism Ministries. All agreed to work together develop a strategy for improvement of tourism statistics.

Following up on this, in late 2006 the Bureaus and the Agency formed an official *Tourism Statistics Coordination Group*. This group adopted an action plan to improve tourism statistics, and agreed that the entity bureaus would regularly report their tourism data to the Agency in a common format, which has started.

As Falconi (2006) observed, the best way accurately to collect tourism arrival statistics is through a continuous comprehensive border survey. This is fairly easy for airport arrivals, but far more difficult for arrivals by land. Developing improved methodologies will take time. The purpose of this memorandum is to develop a reasonable "working estimate" of

Collection of Tourism Statistics in BiH

Most statistical data in BiH, including those for tourism, are collected by the RS and FBiH Bureaus of Statistics via a single questionnaire administered monthly. The State-level BiH Agency for Statistics, while authorized to collect statistics, in practice serves as a coordinator and compiler of statistics collected by the Bureaus. The Federation Bureau's tourism statistics unit has 8-10 full time equivalent staff, the RS has up to 6, and the State Agency has one person assigned to work on tourism statistics.

total BiH foreign tourist arrivals that can be used in the meantime.

I. Categorizing Foreign Tourists

For statistical purposes, the official definition of a tourist used by the UN World Tourism Organization (UNWTO) and the World Travel & Tourism Council (WTTC) is:

Any person who travels to a country other than that in which s/he has his/her residence but outside his/her usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited.

Consistent with this definition, to understand and estimate foreign tourist arrivals, it is useful to break them down into four basic categories, as follows.

- **Leisure Tourists:** These come to BiH for (i) summer outdoor tourism, (ii) cultural tourism, and (iii) skiing. These arrivals are growing strongly. They include both regional tourists – those from central and southeast Europe who arrive by surface travel – and Western Europe and overseas tourists. They also include day trip tourists, an important category for BiH due to the accessibility of Mostar and other Herzegovina sites to summer visitors to the Croatian coast.
- **Business Tourists:** These are related to (i) private business and (ii) government and donor activities, including both regional and overseas travelers. These come mainly to the six major cities of BiH, and would generally stay in hotels and motels. Business trips for donor projects are probably leveling out (though EC accession-related technical assistance will grow), but private business-related business trips are expanding significantly.
- **Religious Tourists:** Essentially Međugorje, a class by itself. Most tourists to Međugorje are foreign, mostly arriving by airplane from overseas (including Western Europe), but there is also significant day trip tourism to Međugorje during the summer from the Croatian coast. There is a small but probably growing amount of Islamic religious tourism to Muslim heritage sites.
- **Diaspora Tourists:** BiH is among the most-affected countries in the world in this category, in view of the extremely large out-migration that occurred during the war. Data regularly compiled by the BiH Ministry for Foreign Affairs puts the present size of the BiH diaspora population at over 1.3 million people. Those who live in nearby European countries, including of course Croatia and Serbia but also the many in Germany, Austria, Switzerland, and Italy probably visit at least once a year, with others in the Netherlands, Sweden, North America, and Australia also visiting but less often.

II. Measurement of Foreign Tourist Arrivals

In BiH foreign tourist arrivals (and overnights) are measured by one method: mandatory guest reports by registered tourist lodging facilities, mainly hotels and motels. These data are submitted monthly to the two entity statistics bureaus. This method produces the following official foreign tourist arrivals data for 1990 and recent years:

	1990	2003	2004	2005	2006	2007p
Arrivals (000)	851	167	218	213	250	300
Growth		4.0%	30.6%	-2.5%	17.5%	20.0%*
Overnight Stays (000)	2314	409	459	474	585	690
Overnights / Arrival	2.7	2.4	2.1	2.2	2.3	2.3

* Data through August 2007 show YTD year-on-year growth at 19.4% and 2.3 overnights/arrival

These data have serious shortcomings, including:

- Exclusion of major categories of foreign tourist lodging – especially non-business family homes, where almost all diaspora tourists would stay
- Exclusion of all unregistered tourist accommodation businesses. There are many of these in the sector, particularly pensions. This is an issue everywhere, but especially causes severe undercounting at Međugorje, where most tourists stay in unregistered pensions and private accommodations.
- The suspected substantial under-reporting by registered hotels and motels that do have to report, in order to reduce the tourist bed tax they are required to pay to their local tourism association.¹

Considering this methodology and these shortcomings, what can be said about the extent to which the BiH official tourism statistics measure foreign arrivals in the four tourist categories outlined above?

1. *Leisure tourists:* Because they mostly stay in hotels and motels, a reasonable number of extended-stay leisure tourists from Western Europe and overseas who come for summer outdoor activities, cultural tourism, and skiing are captured by the official statistics. However, day-trip tourists are entirely left out. Furthermore, regional leisure tourists are probably undercounted, to the extent that they stay in unregistered pensions or with friends and family.
2. *Business tourists:* Most are probably captured by the official statistics, since they stay mainly in hotels and motels (except the extent to which these establishments under-report).
3. *Religious tourists:* Mostly not captured by official statistics, because they stay in unregistered / under-reported pensions².
4. *Diaspora tourists:* Virtually entirely not captured – they stay at homes, with friends and family.

It can only be concluded that the BiH official tourism statistics severely understate true foreign tourist arrivals. Nevertheless, despite the fact that sizeable categories of tourists are left out of BiH official statistics, and that no methodology is applied to estimate the omitted categories, these data are the ones reported to the local press and to international agencies including the UNWTO and WTTC.

III. Estimating Total Arrivals

¹ The Sarajevo Tourism Board for example has reported that capacity utilization in Sarajevo Canton was only about 17 percent in 2006, barely reaching 20 percent even at the height of the tourist season. These figures do not comport with anecdotal evidence and are widely thought to be substantially understated. (*Pregled broja turista i nocenja, Sarajevo 2006*, Sarajevo Tourism Board; interview with Sarajevo Tourism Board, December 2006.)

² According to some estimates, Međugorje alone has a capacity of between 13,000 and 15,000 beds (rising at a rate of 1,000-1,500 annually), even though the official figure for the entire Federation is about 14,000. (The survey summarized in the text below estimates over 40,000 beds in BiH as a whole.) Except for two hotels, most of Međugorje's accommodations are not covered by the monthly survey conducted by the Federal Bureau of Statistics. It is commonly estimated that Međugorje receives at least 500,000 tourists annually, and possibly over 1,000,000. (The Church keeps statistics on the number of communion wafers given, which was approximately 1.5 million in 2006, which would include multiple communions by extended-stay visitors.) (Interviews with HNK Tourism Board, December 2006; *Pokazatelji turističkih kretanja u Međugorju*, HNK Tourism Board, 2006; www.medjugorje.org/stats)

Sources of data do exist which can be used as a basis for constructing broad estimates of these other tourist categories. Though there will be a margin of error, the one thing that is certain is that the number of tourists in these uncounted categories is not zero, as currently published data imply. These data sources are:

- A BiH-wide capacity survey of objects, rooms, and beds that was carried out by the BiH Tourism Association in June of 2007 with the cooperation of the entity and cantonal tourism associations.
- Selective interviews of tour operators carried out by CCA to obtain data on day trips from the Croatian coast.
- Analysis of BiH diaspora populations by country and frequencies of their visits back to BiH.

(a) *Estimating Tourists in Commercial Accommodations*

The following table provides summary data from the comprehensive survey of objects, rooms, and beds organized by the BiH Tourism Association in June 2007. The “objects” consist of hotels, motels, pensions, lodges / guest houses, and private rented accommodations.

Table 2: Commercial Tourist Accommodation Capacities in BiH			
	Objects	Rooms	Beds
<u>Canton</u>			
1 Una-Sana	30	627	1,317
2 Posava	7	114	231
3 Tuzla	33	802	1,627
4 Zenica-Doboj	39	633	1,240
5 Bosna-Podrinja	8	76	186
6 Middle Bosnia	42	1,155	3,185
7 Herzegovina-Neretva	68	7,489	17,025
8 West Herzegovina	15	221	516
9 Sarajevo	70	2,448	5,107
10 Herzegovina-Bosnia	18	528	1,973
<u>Total FBiH</u>	<u>330</u>	<u>14,093</u>	<u>32,407</u>
<u>RS</u>	<u>143</u>	<u>3,937</u>	<u>8,540</u>
<u>DB</u>	<u>12</u>	<u>249</u>	<u>549</u>
TOTAL BiH	485	18,279	41,496

These data can be used to analyze possible foreign tourist arrivals, using certain assumptions. If, for example:

L = the average length of stay in a room = 2.3 days (using official data), and

N = the average number of people in a room = 1.5

Then, based on a total of R = 18,279 rooms reported in the table, the total annual tourist lodging capacity of BiH is:

$$(R \times 365 \times N) / L = 4,351,197$$

Now, we need to estimate S = the share of foreign to total tourists that stay in these kinds of accommodations. We assume that S = 33% for all areas of BiH except Federation canton #7. This canton includes Neum, Mostar, and Međugorje, whose foreign tourist shares are completely different from each other. We have assumed:

S (Neum) = 5%
 S (Mostar) = 33%, and
 S (Međugorje) = 75%

Multiplying the assumed foreign tourist shares by the tourist lodging capacities for all locations, and summing over all locations, the total annual *foreign* tourist lodging capacity of BiH comes to approximately 1,715,000 visitors.

Now, finally, in order to estimate arrivals, we need to assess the occupancy rate:

If the Occupancy Rate is . . .	Then Foreign Tourist Arrivals are approximately . . .
66%	1,132,000
50%	858,000
33%	566,000
15%	257,000

For the officially-reported number of foreign tourist arrivals in 2006 reported in Table 1 to be correct (250,000), the tourist accommodation occupancy rate in BiH would have to be *less than 15%*. This is not credible, given the difficulty of finding a room at a number of hotels from time to time, and the pace at which new hotels and tourist accommodations are being built by the private sector.

It is conservative to assume an occupancy rate of 33%. In this case, total BiH foreign tourist arrivals must be at least 566,000 – more than twice the official number that is supposed to survey the same facilities. Furthermore, this still measures only those foreign tourists who stay *overnight in hired accommodations*. While it is therefore better than the official estimate because it (i) covers religious tourists staying mostly in pensions and private accommodations³, (ii) includes unregistered tourist businesses, and (iii) overcomes the under-reporting problem, it still entirely leaves out (a) day trips, and (b) the diaspora.

Of the four tourists categories listed in Section I above, the estimated minimum 566,000 staying in these commercial accommodations would include all of:

- Category 1, leisure tourists, other than day trips
- Category 2, business tourists, and
- Category 3, religious tourists, other than day trips

In order to provide estimates organized in the four tourist categories, we can make some further assumptions about the breakdown of all tourists staying in commercial accommodations, as follows, continuing to assume a 33% overall occupancy rate:

Tourist Category	Assumption	Number
Religious	All Međugorje	261,900
Leisure	67% of non Međugorje	200,700
Business	33% of non Međugorje	103,400
TOTAL		566,000

³ Of the 4,500 rooms recorded in Međugorje, 3,900 are in private accommodations.

(b) *Estimating Day Trips*

Croatia receives some 8 million foreign tourist arrivals annually, with three-fourths of them coming during the summer months. Croatian and Bosnian tour operators actively market day trips to these seasonal visitors, and it is well-known that many thousands of them take the opportunity during their extended stays on the Croatian coast to come up to tourist attractions in BiH, many of which are within a two-hour bus trip from major Dalmatian tourist centers, including Mostar, Počitelj, Trebinje, Hutovo Blato, and Međugorje.

Virtually all of these day-trippers arrive by bus or car, and none of them are counted. There is no continuous border survey of arrivals at land entry points, and since these tourists do not spend the night, they cannot be picked up in the regular accommodation survey.

The best source of indicative data for these arrivals is the tour operators themselves. The two largest operators of these tours are Atlas Tours, a Croatian operator with offices in Dubrovnik, Split, and Makarska, and Fortuna Tours, a BiH operator headquartered in Mostar. We have surveyed these operators, who report handling the following numbers of tourists for day trips to BiH during 2007 summer season:

<i>Table 5: Estimating Day Trip Arrivals</i>	
Tour Operator	Number of Clients on BiH Intraday Tours – Summer 2007
Atlas Tours	200,000
Fortuna Tours	100,000
Other	50,000
Total	350,000

We have added a line for “Other”, to account for the many tourists who take their own vehicles into BiH for day trips during their holidays on the Croatia coast, and for those tourists transiting BiH who stop while driving from East and Southeast Europe to the coast.

It appears that even the smallest reasonable number for foreign tourist arrivals for day trips is considerably larger than the total official number of reported arrivals. The total in the table represents less than 5 percent of annual tourist arrivals to Croatia, so if anything is conservative.

Again, so that we can organize the data for day trips according to our four categories of foreign tourists, we need to make an assumption as to how they are divided between leisure and religious tourists. We assume 33%, or 115,500, are religious, and the balance, 67%, or 234,500, are leisure tourists.

(c) *Estimating Diaspora Tourists*

During the war in BiH of 1991-95, up to 2 million Bosnians emigrated (Čar and Papić 2007, UNHCR 1997). After the war was over, many of were repatriated, but according to data compiled from BiH consular offices worldwide by the BiH Ministry for Foreign Affairs (presented in Table 6 below), approximately 1.4 million remain abroad – over 20% of the prewar population. With marriage and family growth over the past 12 years, the prospective BiH diaspora-related tourist universe is even larger. How many of these travel to BiH annually?

For this we must rely on anecdotal evidence and reasoned data analysis, since there is no border survey, and the great majority of them stay with their relatives and friends still in BiH, or in their second homes, are not captured by the accommodation survey. Some indicators:

- Local observers would say that the great majority of the Bosnian diaspora living within a reasonable driving distance of BiH – i.e., those in the countries of ex-Yugoslavia and in Germany, Austria, Italy, and Switzerland – would very likely visit BiH at least once per year. For example, in smaller cities such as Livno and Prijedor, where the effect is more obvious, it is anecdotally suggested that population size doubles during the summer holidays. Conservatively we assume that this diaspora group visits only once every two years.
- The majority of those living in other European countries with large Bosnian diaspora populations – mainly the Netherlands and the Scandinavian countries – would also visit frequently, probably at least once every two years. Conservatively, we assume once every three years.
- Those living in overseas countries – mainly the U.S., Australia, and Canada – would probably visit once every 2-3 years. We conservatively assume once every five years.

We can these numbers together in the following analytical table:

Country	Diaspora Population 000	Visiting Annually %	Arrivals 000
Nearby - Surface Travel	682		341
Germany	157		79
Austria	132		66
Italy	40	50%	20
Switzerland	51		25
ex-Yugoslavia	298		149
Other Eastern Europe	4		2
Europe - Air / Surface Travel	169		56
Netherlands	25		8
Sweden	75		25
Denmark	21	33%	7
Norway	16		5
UK	10		3
Other Western Europe	23		8
Overseas	500		100
USA	350	20%	70
Canada	50		10
Australia	70		14
Asia & Africa	6	20%	1
Total	1,357		498

Source: BiH Ministry for Foreign Affairs Diaspora Report, October 2007

Again, it can be seen that even under these most conservative assumptions, diaspora tourism alone is likely to be twice as large as the total official arrivals number.⁴

IV. Combined Estimate

We can now collect the numbers developed above to obtain a comprehensive combined estimate of total BiH foreign tourist arrivals:

<i>Table 7: Combined Arrival Estimate by Foreign Tourist Category</i>	
Tourist Category	Estimated Arrivals
Leisure Tourists	436,000
Overnight	201,000
Day Trips	235,000
Business Tourists	103,000
Religious Tourists	378,000
Overnight	262,000
Day Trips	116,000
Diaspora	498,000
Total	1,415,000

This estimate, *1.4 million annual foreign tourist arrivals to BiH*, is built from conservative assumptions and reasonable analysis of available base data for room capacity, tour operator customers, and diaspora population. We can with confidence say that it is likely to be much closer to the true number of arrivals than is the official data.

These estimates suggest that the BiH travel and tourism economy is significantly bigger than currently measured. The estimates that we have developed in this report are a reasonable starting point for prioritization and development of BiH tourism policy and strategy.

Statistical offices have acknowledged that the current system of tourism statistics is inadequate and have begun to address the problem. A formal action plan was finalized in early February 2007 and is now an integral part of the official government statistics improvement program. Proposed upgrades will include indicators tracking the contribution of tourism to overall economic growth. Commitment is needed from other key stakeholders including the Indirect Tax Authority, Border Police, relevant line ministries, municipal authorities, tourism associations, and tourism businesses themselves.

⁴ A tangential indicator of the size of diaspora arrivals is the behavior of foreign currency reserves reported by the Central Bank of BiH. The CBBiH reported last summer record levels of foreign currency reserves, naming tourism as the primary reason for the increase. Diaspora tourists tend to leave money with families and spend on many routine activities such as doctor visits, restaurants and cafes, and other “home country” goods and services.

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