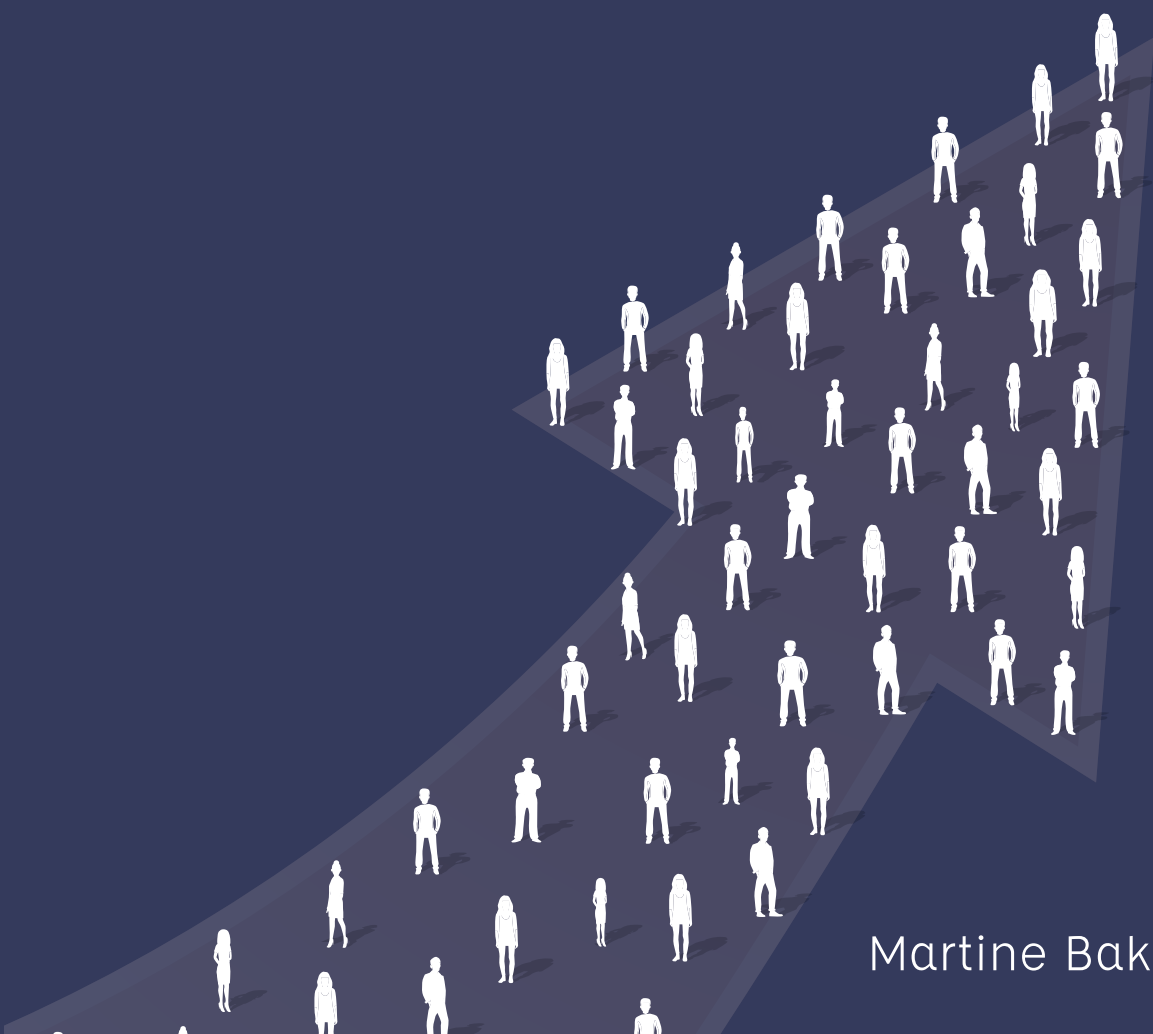


Tourism and Inclusive growth:

Towards a Diagnostic Framework



Martine Bakker

Propositions

1. Tourism-driven growth necessitates concrete governmental policies.
(this thesis)
2. A diagnostic tool is used to make conscious judgments, not predictions.
(this thesis)
3. Researchers need to formulate stories that fit the facts and not formulate facts that fit the story.
4. Labeling PhD candidates as 'external' obstructs inclusivity.
5. Islands foster inclusion through exclusion.
6. The switch from in-person to online meetings as a result of the COVID-19 pandemic has led to greater inclusivity.

Propositions belonging to the PhD thesis, entitled:

Tourism and Inclusive Growth: Towards a Diagnostic Framework

Martine Bakker

Wageningen, 19 October 2021

Tourism and Inclusive Growth: Towards a Diagnostic Framework

Martine Bakker

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Tourism and Inclusive Growth: Towards a Diagnostic Framework

Martine Bakker

Thesis

submitted in fulfilment of the requirements for the degree of doctor
at Wageningen University
by the authority of the Rector Magnificus,
Prof. Dr A.P.J. Mol,
in the presence of the
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As Anthony Bourdain noted, "Travel is about the gorgeous feeling of teetering into the unknown". Travelling widens one's perspective, stepping outside your comfort zone, unsure which path to take, yet knowing that you will end up somewhere where you will learn something valuable.

Most of my professional journey has been outside of academia, working as a practitioner in the field of tourism and international development. Being a practitioner for so many years both widened and narrowed my perspective. It's widened in the sense that your respect for the traditional boundaries between academic disciplines is undermined as tourism projects often require a multidisciplinary approach. The experience of being a practitioner also narrows your scope. My first disposition is always to try to solve problems and look for policy and action relevance when coming across issues. Whilst working on development projects, there are always deliverables and deadlines to deal with, and it often feels there is no time to take a step back and reflect. My PhD journey allowed me to deepen my knowledge by engaging with the theoretical background of issues I encounter while working in the field. My purpose is always to use tourism to help people to improve their livelihoods and make opportunities inclusive. In the past few years, work often prevailed over research. I frequently agonized while 'teetering', whether I would ever get to the conclusion. A completed thesis seemed to be a fleeting 'Fata Morgana' that always seemed to disappear just as I got closer. But now as I have completed my thesis, I know that this is not the end of my journey, but just a new junction.

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that perseverance pays off. If you set out to do something and you want it enough, fight for it. Even when it is tempting to quit, keep pursuing your dreams.

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List of Abbreviations

APST	Agency for Promotion and Support of Tourism
ADB	Asian Development Bank
AfDB	African Development Bank
CGF	Caribbean Growth Forum
DMO	Destination Management Organization
EBP	Evidence-based policy
EM	Emerging Market and Developing Economies
FDI	Foreign Direct Investment
FIGI	Framework Inclusive Growth Indicators
GDP	Gross Domestic Product
HDI	Human Development Index
HOTAM	Hotel Association of Macedonia
HRV	Hausmann, Rodrik and Valesco
IDO	International Development Organization
ILO	International Labour Organization
IPC-IG	International Policy Centre for Inclusive Growth
IMF	International Monetary Fund
ITC	International Trade Centre
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goal
NGO	Non-Governmental Organization
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PPT	Pro-poor Tourism
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goal
SME	Small and Medium Enterprises
SNV	Netherlands Development Organization
ST-EP	Sustainable Tourism-Eliminating Poverty
TLGH	Tourism Led Growth Hypothesis

T-DIGD	Tourism-driven Inclusive Growth Diagnostic
TTCI	Tourism & Travel Competitiveness Index
UN	United Nations
UNDP	United Nations Development Programme
UNESCO WIDE	United Nations Educational, Scientific and Cultural Organization – World Inequality Database on Education
UNU-WIDER	United Nations University World Institute for Development Economics Research
UNWTO	United Nations World Tourism Organization
USAID	United States Agency for International Development
WBES	World Bank Enterprise Survey
WBDI	World Bank Development Indicators
WEF	World Economic Forum
WIDE	World Inequality Database on Education
WTTC	World Travel & Tourism Council

Chapter 1

Introduction¹

As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest.

Nelson Mandela

¹ This chapter includes excerpts from: Bakker, M., & Messerli, H. R. (2017). Inclusive growth versus pro-poor growth: Implications for tourism development. *Tourism and Hospitality Research*, 17(4), 384-391.

1.1 Background

Tourism is one of the world largest industries and a sector that has a wide impact on the economy of many countries. Prior to COVID-19, the sector generated more than 10% of global GDP and one out of every ten jobs. There were 61 countries with more than 10 percent of their GDP from travel and tourism in 2019 (WTTC, 2020). For many emerging market and developing economies², the tourism sector has become an important contributor to their GDP, a job creator and a significant source of foreign exchange earnings. Emerging economies represented 46 % of all international tourist arrivals increase in 2018 (UNWTO, 2019a). Over the years 2010-2030, the United Nations World Tourism Organization (UNWTO) had forecasted emerging economies annual tourism growth at 4.4 percent which will double that of advanced economies (UNWTO, 2011b). However, the COVID-19 pandemic has disrupted that growth trajectory and showed that tourism not only can be an important contributor to jobs and GDP, but also a sector that is especially susceptible to external factors, including climate disruptions, economic crises and health concerns.

Economists have long recognized the importance of growth for the prosperity of a country (Barro, 1989; Romer, 1986). Studies based upon the Tourism Led Growth Hypothesis (TLGH) have found a positive relationship between growth of the tourism sector and overall economic growth in a country (Brida & Giuliani, 2013; Dritsakis, 2004; Durbarry, 2004; Gunduz & Hatemi-J, 2005; Schubert, Brida, & Risso, 2011). Economic growth itself, however, has proven to be insufficient in reducing poverty across countries as not all people might be included in the growth process or benefit equally from the outcome. Inequality and exclusion are two of the most pressing challenges facing the world today. High levels of inequality have been identified as one of the barriers in the quest of reducing poverty (Bourguignon, 2004). The realization by economists that growth itself is not a guarantee to reduce poverty and that inequality can negatively impact poverty reduction, has led to look for growth approaches that are more inclusive.

² Classification based on the International Monetary Fund (IMF) which divides the world into two major groups: advanced economies and emerging market and developing economies. See <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020#Statistical%20Appendix>

Debates on inclusive growth begun to rise among scholars and international organizations such as the Asian Development Bank (ADB) and the World Bank (de Haan, 2015) in the mid-2000s. Inclusive growth can be defined as “growth coupled with equal opportunities” (Rauniyar & Kanbur, 2010b, p. 457). Inclusive growth is seen as growth that i) will create and expand economic opportunities - the *pace*, and ii) ensure broad access to these opportunities so that members of society can participate in and benefit from growth - the *pattern* (Lee, 2019; McKinley, 2010). Inclusive growth “deals with policies that allow people from different groups – gender, ethnicity, religion – and across sectors – agriculture, manufacturing industry, services – to contribute to, and benefit from economic growth” (de Haan, 2015, p. 612). The inclusive growth approach focusses on productive employment opportunities for marginalized groups rather than income redistribution (Ianchovichina & Lundstrom-Gable, 2012). The United Nation’s mission reflects this heightened attention to poverty and inequality reduction and the pursuit for inclusive growth. Their Sustainable Development Goals (SDGs), which set development targets for 2030, include two goals that specifically refer to inclusive growth: Goal 8 promotes sustained, inclusive and sustainable economic growth, and full and productive employment and Goal 10 reduces inequality within and among countries (UN, 2015).

Organizations such as the UNWTO, the World Bank and the International Trade Centre (ITC) are now trying to determine what role the tourism sector can play in an inclusive growth strategy. To understand which policy measures, need to be addressed to achieve greater inclusion through tourism, there is a need to understand what is holding the sector back and which constraints are most binding. In this thesis, I will conceptualize tourism-driven inclusive growth as well as develop, test and evaluate a diagnostic that can help to assess and prioritize the binding constraints that need to be addressed to achieve a tourism sector that can contribute to an inclusive growth strategy. This chapter will start with an overview of the current theoretical debates on inclusive growth, growth diagnostics and tourism development. I will then discuss the aim of this thesis and present the research questions and thereby define the scope of this research. This chapter will close with an overview of the structure of the remaining chapters of this thesis.

1.2 Theoretical Debates

The relationship between tourism and inclusive growth is currently under-examined in the academic literature and in this thesis I will respond to this knowledge gap (Jeyacheya & Hampton, 2020). While academic output has been limited, several international development organizations (IDOs) have published inclusive growth studies. Hampton and Jeyacheya (2012), commissioned by the World Bank and Commonwealth Secretariat, published the report *Tourism and Inclusive Growth in Small Island Developing States*. While the publication describes the difference between inclusive growth and pro-poor growth, it did not fully conceptualize tourism in the framework of inclusive growth. International organizations such as the UNWTO have already been widely using the term 'inclusive growth' in the context of tourism since 2012 when they organized an event in Qatar titled *Towards Inclusive & Sustainable Growth & Development*. In 2017, they organized a conference in Jamaica titled *Conference on Jobs and Inclusive Growth: Partnerships for Sustainable Tourism*. In 2017, the Organisation for Economic Co-operation and Development (OECD) published a statement on *Tourism Policies for Sustainable and Inclusive Growth*. However, again, these organizations use the term inclusive growth in the context of tourism but do not define or otherwise conceptualize the concepts.

Besides the lack of academic literature on tourism and inclusive growth, I have continuously experienced the request for evidence-based tourism policy making when working on tourism projects in emerging economies as a practitioner. Planning for national and regional tourism development relies on master plans and other strategy type of studies. These studies typically make very limited use of the data that is available to policy makers and is then also often limited to basic statistics on visitor arrival trends (Stevenson, Airey, & Miller, 2008). The process of identifying the main constraints to tourism development is in most cases the result of interviews and workshops with key stakeholders combined with the expertise of the policy makers and their advisors. Evidence-based decision making could contribute to a more rigorous and systematic approach of making policy decisions (Tellings, 2017). In this thesis, I will also address this gap in evidence-based policy making by proposing and testing a diagnostic tool that can be applied to identify the constraints to tourism-driven inclusive growth.

The theoretical perspectives, approaches and methodologies that can help understand the role of the tourism sector in an inclusive growth strategy, as well as the development of a diagnostic that can be used to identify the constraints to tourism-driven inclusive growth, are embedded in a number of academic debates. The first debate is on the fundamentals of the inclusive growth approach including its origin, common definitions, and comparison to other economic development approaches. The second debate is on the design and implementation of (inclusive) growth diagnostics. The third debate is on the theoretical perspectives of tourism as a development tool and how the inclusive growth approach fits into this.

1.2.1 Inclusive growth

In the middle of the twentieth century, it was widely believed that economic growth would bring increasing wealth and higher living standards to all sections of society and growth would inevitably have a positive effect on overall development as the ‘trickledown effect’ would reduce poverty levels based on the presumption that ‘the rising tide would raise all boats’ (Aghion & Bolton, 1997). During the 1980’s the emphasis turned to the role of a free market and reforms that would release developing countries and spur growth. However, these reforms did not always have the desired effect and during the 1990s for many developing countries poverty remained a pressing issue and inequality levels increased (Milanovic, 2013). The growing disparity in wealth and living standards within countries showed that inequality, and not just absolute poverty, matters for a number of social outcomes and that this requires concrete steps to level the playing field (Ranieri & Ramos, 2013b).

In the early 2000s, institutions, donors and governments also started to realize that growth alone or growth that was simply in the form of redistribution of wealth would not solve the growth-poverty nexus. Studies also argued growth was needed to address poverty levels, but that inequality was harmful for growth (Persson & Tabellini, 1994). A country’s change in poverty was seen as determined by a function of income, income growth, distribution and change of the distribution also referred to as the *Poverty-Growth-Inequality Triangle* (Bourguignon & Chakravarty, 2003). According to this model, inequality exists when the benefits of growth are not being distributed evenly across all spatial and social groups

(Bauer et al., 2013). This realization shifted the focus from measuring progress in poverty reduction to including more people in the economic process through mechanisms such as job generation and entrepreneurship, and this strategy was referred to as inclusive growth (Ianchovichina & Lundstrom-Gable, 2012). The problem of rising inequality and the need for more inclusive growth has received increased attention over the last ten years as inequality has not only been recognized as affecting economic growth but also fueling political instability and social tensions. The rise in disparity across and within countries can threaten the political stability of a country (ADB, 2007; Balakrishnan, Steinberg, & Syed, 2013) and countries with high levels of inequality can experience a negative effect on crime and stability (Blau & Blau, 1982). Increasing levels of inequality is then also considered a challenge for emerging economies as well as high-income economies. For example, the *Occupy Movement* organized protests in advanced economies including *Occupy Wall Street* in New York City in 2011. In 2015, the World Economic Forum published 14 measures to address the rising levels of inequality (Brian, 2015). Piketty (2014), publication *Capital in the Twenty-First Century* focused on returns on capital as the main driver of inequality in the world and he advocated for a progressive wealth tax as a way to close the gap between the richest and the poorest in society. However, the inclusive growth approach focuses on reducing income inequality and not directly on reducing inequality through wealth redistribution (de Haan, 2015). In emerging economies, the lack of decent employment opportunities is considered one of the main causes of poverty (McKinsey Global Institute, 2012). The International Labour Organization (ILO) estimated that approximately 40 million new jobs a year need to be created globally to keep up with new entrants into the labor market between 2016 and 2030 (ILO, 2017).

The discussion on access to opportunities raises questions on the underlying root constraints to equal opportunities. Disparities in outcome can be explained by differences in individual efforts (which can be controlled by the individual) and differences in their circumstances (Roemer, 2009). The latter is similar to Sen's (2000) social exclusion thinking which has formed the basis of much of the inclusive growth thinking (Ali & Zhuang, 2007; Deshpande, 2013). Sen (2000) emphasized the structural differences within a society and explained how being excluded from opportunities can lead to exclusion and marginalization of groups and thereby lead to poverty. These differences in circumstances can be further

divided into individual level circumstances (gender, geographic location, ethnicity) and wider circumstances that are related to underlying social and institutional constraints. Kabeer (2000, p. 84) suggests that social exclusion captures “an important dimension of the experience of certain groups of being somehow ‘set apart’ or ‘locked out’ of participation in social life”. Inclusive growth attempts to address these differences in circumstances, for individuals as well as societal groups, through improving access to opportunities (Hakimian, Said, Karshenas, & Alami, 2014). Critics of the inclusive growth approach, however, consider it a neoliberal push for growth and argue that improving equality requires more substantial structural changes (Saad-Filho, 2010). Similarly, Scheyvens and Biddulph (2018) argue that the inclusive growth approach is similar to the inclusive business approach and consider both as too limited to economic dimensions and ignoring fundamental root causes of poverty and inequality. The important conclusion drawn from the above is that inclusive growth is seen by some as an approach that can address social exclusion, while others argue that the approach is just another attempt to promote growth without making a serious attempt to tackle inequality and existing power relations. In this thesis, I will present a diagnostic that can help identify both growth constraints as well as inclusion constraints.

One of the main critiques on inclusive growth is still that it “remains a fuzzy concept which is often vaguely and inconsistently defined and is rapidly becoming a buzzword used to signal progressive intent but with relatively little evidence, to date, of actual implementation” (Lee, 2019, p.425). While scholarly research on inclusive growth is considered in its infancy (Ngepah, 2017), a few definitions have evolved. Across these, the underlying concept is the “growth coupled with equal opportunities” (Rauniyar & Kanbur, 2010b, p. 457). Ali and Son (2007) define inclusive growth as growth that not only creates new economic opportunities, but also one that ensures equal access to the opportunities created for all segments of society, particularly for the poor. It focuses on expanding the opportunities for all through elimination of distortions created by market, policy and institutional failures (Biswas, 2016). The World Bank defines inclusive growth as growth that allows people to contribute to and benefit from economic growth and this growth should be broad-based and inclusive of a large part of society (Ianchovichina & Lundstrom-Gable, 2012). The World Bank finds that inclusive growth should refer to both the pace as well as the pattern of growth (Ianchovichina & Lundstrom, 2009). Klasen (2010) recognizes two aspects of inclusive

growth: (i) the process and (ii) the outcome. The process aspect examines if everyone can participate in the growth process while the outcome aspect looks at whether everyone shares equitably the benefits of growth. The consensus is that inclusive growth requires increased opportunities through job creation and should not focus on redistribution (Ianchovichina & Lundstrom, 2009; Klasen, 2010). Systematic inequality of opportunity is considered toxic as it hinders the growth process and can cause political instability, unrest or conflict (Ravallion, 2001).

There are different ideas about the role of the public and the private sector as part of an inclusive growth strategy. The importance of the private sector to economic growth has long been recognized, but private companies were not seen as development actors addressing poverty and inequality as this was considered the role of the government (Stiglitz, 1998). However, in recent years, the private sector is regarded more central to development efforts, also in the tourism sector (Snyman, 2017). Policy discussions are now also increasingly addressing the importance of the private sector. It is argued that the public sector improving opportunities for a wider group of society, such as access to education, should be sufficient to allow the market forces to spread the benefits of inclusive growth (Ianchovichina & Lundstrom, 2009). Others dispute this and argue that government intervention is required for individuals to improve their outcomes and that it cannot be left to the private sector and that there is a need for social safety nets to ensure nobody is excluded (Ali & Son, 2007). In this thesis, I will apply the fundamentals of inclusive growth to provide insight into the role of both the private and the public sector in tourism-driven inclusive growth.

1.2.2 Growth diagnostics

While country-level economic growth approaches have changed over the last few decades, the endogenous growth theory has remained the dominant theory since the 1980's (Sharipov, 2015). The endogenous growth theory holds that growth is the result of endogenous factors such as investments in human capital and knowledge and not the result of external forces. It also holds that the growth rate is dependent on the country's policy measures (Aghion, Howitt, Brant-Collett, & García-Peñalosa, 1998). The most prevalent

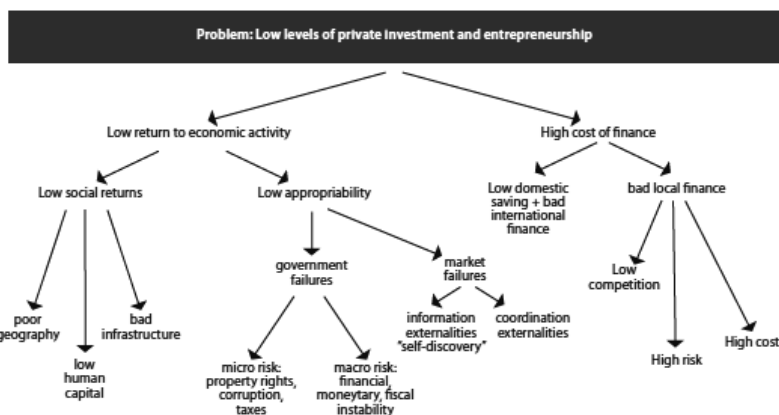
method to test the endogenous growth theory has been econometric models investigating the determinants affecting growth using cross-country regression analysis (Barro, 1989). Cross-country growth regressions are concerned with the variables that are causally associated with the rate of economic growth in the average country. Therefore, what is econometrically estimated is the marginal contribution to growth of each explanatory variable across countries. While it is useful to gain general understanding of the main underlying factors that determine growth, this quantitative methodology does not provide sufficient detail required by most policy makers as it is not country specific (Brock & Durlauf, 2001). Quantitative models are also typically unable to incorporate all potential constraints due to limited data availability and do not provide insights into the underlying issues (Misch, Gemmell, & Kneller, 2010). There has been increased recognition that development economists need to take a wider approach to analyze growth and tools have shifted from cross country growth regressions to country-specific growth diagnostics (Sen & Kirkpatrick, 2011).

In 2004 and 2005, the World Bank undertook 12³ Growth Diagnostic Studies as a ‘bold experiment’ with the goal to rethink their approach to growth diagnostics (World Bank, 2004a). The World Bank stated that “the challenge we want to address is whether taking a different perspective on country economic analysis will lead us to a different set of policy recommendations than those we typically come up with” (World Bank, 2004a, p.1). This was in response to the ‘*Economic Growth in the 1990s: Learning from a Decade of Reform*’ report (Zagha & Nankani, 2005) as well as the first work of Harvard University scholars Hausmann, Rodrik and Velasco on growth diagnostics. The research was done by World Bank economists overseen by a panel of external economists who helped formulate a common framework for growth diagnostics, and guided and reviewed the work of the Bank economists during the different phases (World Bank, 2004a). The results of this study led to the refinement of the growth diagnostics methodology and was reported by Hausmann, Rodrik, and Velasco, (HRV), in 2005 (Hausmann, Rodrik, & Velasco, 2005). Their HRV diagnostic framework provides a systematic process to identify binding constraints in order

³ The 12 countries included in the study were: Armenia, the Baltic States, Bangladesh, Bolivia, Brazil, Cambodia, Egypt, India, Madagascar, Morocco, Tanzania and Thailand.

to prioritise policy reforms. A binding constraint is defined as the constraint that, if relaxed, will boost growth in a given situation (Lipsey & Lancaster, 1956). This approach is based on the *Theory of Constraints* which says that an organization is a whole system of connected processes rather than a collection of independent processes (Goldratt, 1990). The framework is based on the idea that there are many reasons why an economy does not grow, but that each reason has a distinctive set of symptoms and the goal is to find the ‘missing link’ (Hausmann et al., 2005). “The strategy is aimed at identifying the most binding constraints on economic activity, and hence the set of policies that, once targeted on these constraints at any point in time, is likely to provide the biggest bang for the reform buck” (Hausmann et al., 2005, p. 2).

Figure 1: The HRV Framework



Source: Hausmann et al. (2005, p. 27)

The HRV Framework shows that development policy is country-specific and that a series of minor reforms in the correct sequence could relax binding constraints which could lead to positive welfare impacts (Ianchovichina & Lundstrom-Gable, 2012). The essential premise of the HRV growth diagnostics is that different countries do not face the same kinds of growth constraints; therefore, the subject of any growth diagnostics study is limited to one country. This is in contrary to the *Washington Consensus* economists who used to prescribe standard and wide-ranging reform packages to countries suffering from limited economic growth (Misch et al., 2010).

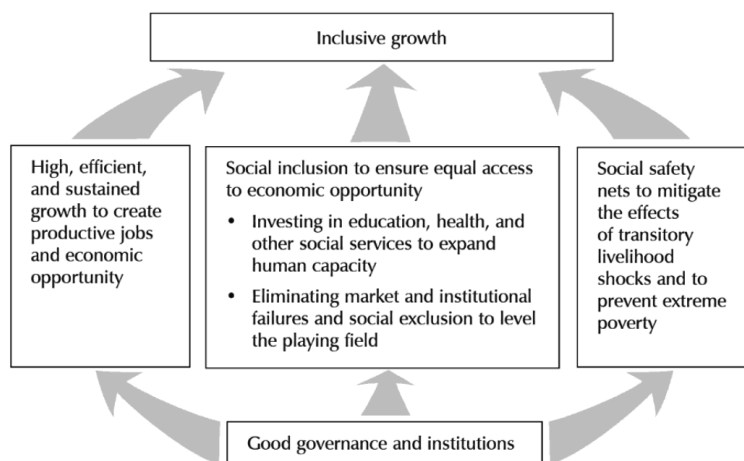
Development organizations such as the World Bank, the Millennium Challenge Corporation (MCC), United States Agency for International Development (USAID), and the ADB have used the model for country growth diagnostics extensively across the globe resulting in 30 published studies over the period 2005-2014 (ADB, 2010; MCC, 2014; World Bank, 2007). In addition to implementation by development organizations, academic studies have also applied the HRV method. The diagnostic was, among others, tested in Kosovo (Sen & Kirkpatrick, 2011), Grenada (Grenade, 2012) and Vietnam (Thanh & Van Dai, 2016). The HRV framework for a country comprises a series of econometric and benchmarking tests against a set of comparator countries to evaluate whether a factor constrains growth or not. HRV diagnostics generally start by looking at the country's historical growth patterns and the economic structure to understand past failures and possible growth opportunities. The next step is to search for potential growth drivers or constraints. This is done by combining qualitative research with quantitative indicators that can be used to monitor progress within the country as well as in comparison with benchmark countries (Rodrik, 2003). According to Lundström and Ronnås (2006), the advantages of the HRV methodology model are: i) it requires a situation-specific analysis and thus results in a country-specific identification of growth constraints; ii) it is an efficient tool for prioritizing and sequencing policies and reforms, and iii) it translates into a step-by-step approach combining the causal links and major bottlenecks in a given country. Dixit (2007) also recommends the model as it looks at multiple dimensions of economic outcome and tries to narrow the causes. Misch et al. (2010) commented that the growth diagnostic designers linked their diagnostics:

to standard economic theory and have exerted considerable influence in academia and among policymakers, in part because the HRV Diagnostic Framework is supported by evidence, it is intuitively appealing and it seems readily applicable in practice. (p.1)

Hausmann, Rodrik and Velasco had developed their framework to diagnose the constraints to growth in general. The ADB, the World Bank, USAID, and the ILO have adapted the HRV diagnostic framework to diagnose inclusive growth and have developed several models by expanding the original HRV framework (ADB, 2010; USAID, 2014; World Bank, 2011). The framework for inclusive growth, as developed by the ADB, is the most comprehensive to date and has been used as the basis to measure inclusive growth in Asian countries since 2007 (see Figure 2). The model is based upon three pillars: i) high and sustained growth to

create productive jobs and economic opportunity; ii) inclusion of all groups in order to ensure equal access to opportunity as well as equal outcome of opportunity; and iii) social safety nets to prevent extreme poverty. These three pillars need to be supported by good governance and effective institutions. This latter is measured by an effective, free from corruption and accountable government (Zhuang & Ali, 2011).

Figure 2: ADB's Policy Pillars of Inclusive Growth



Source: Zhuang and Ali (2011, p. 11)

The ADB incorporates the HRV Growth Diagnostic Framework as the tool to diagnose their first policy pillar, the lack of productive employment opportunities caused by low economic growth. While the HRV diagnostic has been widely used on a macro level, it remains questioned if the model can be adapted to identify sector-level binding constraints. Therefore, in this thesis, I will adapt the HRV diagnostic to the tourism sector and test and evaluate the adapted framework.

1.2.3 Tourism development

While the concept of inclusive growth in relation to the tourism sector is still under researched, the elements of the *Poverty-Growth-Inequality Triangle* model that forms the basis of inclusive growth have been extensively debated in the tourism development literature.

Poverty and tourism development

Through the benefits of tourism's direct and indirect employment opportunities and its relatively high economic multiplier, tourism is often considered a sector that can reduce poverty in less developed and developing countries (Mitchell & Ashley, 2010). Many developing countries, especially small island states and countries that do have not many other options for economic development, use tourism as a path to economic growth (Scheyvens & Momsen, 2008). Tourism is considered a labor-intensive market requiring relatively low skill levels and small investments and would therefore offer employment for low-skilled workers, ethnic minority groups and immigrants, unemployed youth, long-term unemployed as well as women with family responsibilities (UNWTO & ILO, 2014). The tourism sector is also characterized by a relative high economic multiplier feeding to a large and diverse supply chain including agriculture, handicrafts, transport and other services (Mitchell, 2012). Tourism expenditures can thereby benefit a wide range of sectors both directly and indirectly. Through the economic multiplier, the benefits from tourism are considered to trickle down and present potential for reducing poverty in developing countries (Mitchell & Ashley, 2010). For countries, such as the Maldives, The Gambia and Cape Verde, the tourism sector has played a key role in development (Kundur, 2012; Mitchell & Faal, 2007; Twining-Ward, 2010). This has stimulated other emerging economies to develop, and to focus more, on the tourism sector in their economic restructuring. Nevertheless, whether the tourism industry actually contributes to economic development and in turn, increase the standard of living in all destinations, is still debated and an overview article of empirical studies shows inconclusive results (Croes & Rivera, 2016). This inconclusiveness is partly based on the complexity of measuring the impact of tourism on development. It has not always been possible to produce results given the tourism sector's many intangible outcomes as well the differing outlook on success by the different stakeholders (Font, Goodwin, & Walton, 2012). Hummel and van der Duim (2012) studied the involvement of the Dutch Development Agency SNV in tourism development projects. They came to a similar conclusion when they stated that the SNV tourism advisors "were not able to produce evidence of 'success' in terms of quantifiable pro-poor impact beneficiary figures – such as numbers of jobs or increases in the income of the 'poor' – in a timely and convincingly manner" (Hummel & van der Duim, 2012, p.333). They found that

this lack of demonstrating the development impact of tourism has been part of the reason of the termination of SNV's tourism program.

Pro-poor tourism (PPT), which can be defined as "tourism that brings net benefits to the poor", has been one of the most recent widely used paradigms regarding tourism and its ability to reduce poverty (Harrison, 2008, p.851). While there are many local PPT projects that have contributed to poverty reduction in specific communities, PPT, however, has also received the critique that it often lacks economic sustainability, it is mostly small-scale and that the long-term impact of PPT projects has been minimal (Ashley & Goodwin, 2007). In addition, Hall (2007, p.116) argues, "Unless structural changes are made...the hopes for poverty- reduction in many parts of the developing world remains poor". Critics also claim that the potential of tourism will remain limited if the barriers at the macro level such as poor governance and unacceptable levels of inequality are not removed (Scheyvens, 2012; Schilcher, 2007). Rauniyar and Kanbur (2010a) define pro-poor growth as growth that reduces poverty and inclusive growth as an increase in real per capita income. This means that under a pro-poor growth strategy the increment of income accrues disproportionately to those with lower incomes and growth can be pro-poor but with rising inequality. Scholars such as Scheyvens (2012) and Burns (2004) doubt that a sector such as the tourism sector which is driven by profits can be expected to prioritize the interests of the poor or could address issues on a national level instead only on localized levels. Their skepticism would also apply to the ability of the tourism sector to drive inclusive growth. In chapter 2 of this thesis, I will further examine the differences between a pro-poor tourism and a tourism-driven inclusive growth approach.

Inequality and tourism development

Inequality and poverty, although interrelated, are not the same. Poverty measures a person's well-being while inequality measures the difference in well-being between people (Grusky, Kanbur, & Sen, 2006). Inequality can be looked at as inequality of outcome or inequality in access to opportunities (Shaffer, 2008). Studies on equal outcome of tourism opportunities focus mostly on the gender income gap (Figueroa-Domecq, Pritchard, Segovia-Pérez, Morgan, & Villacé-Molinero, 2015).

According to Atkinson (2015), it is not just the benefits or outcome that determines inequality, it is also the access to resources and other opportunities that determines or defines inequality. Tourism and inequality in access to opportunities has been a widely discussed topic and studied from different perspectives. Scholars such as Holden and Burns (1995), who stated that tourism development could lead to 'islands of affluence' in a 'sea of poverty,' have studied the role of tourism as a cause of inequality. Some scholars have indicated that the nature of the tourism sector reinforces existing political systems and economies causing inequality in developing countries (Britton, 1982; Brohman, 1996; Tosun, 2000). Brohman (1996, p.57) stated that "Essentially, tourism has reinforced the core-periphery structure of the traditional plantation economy." Britton (1982) found that foreign companies, who tend to control tourism in developing countries prefer to work with the local elite as this "is encouraged by the fact that, apart from expatriates, members of the local elites are often the only persons in the host society that have any appreciation of the recreational and lifestyle requirements of usually white, affluent, overseas tourists" (p. 345). While also much is said about the unequal relationship between core and periphery relations between the source markets and the visited developing countries (Bianchi, 2002), there was less research on tourism creating unequal access to opportunities for groups within a country (Weaver, 1998). More recent influential work which addresses the unequal distribution of tourism is by Mowforth and Munt (2008) and Scheyvens (2002). They, and others, argue that longstanding historical, political, religious and cultural unequal power issues are important root constraints for the ability of tourism to provide equal access to opportunities for all groups within a society (Hall, 1994; Scheyvens, 2002; Sofield, 2003). These and other studies argue that while tourism development does provide employment opportunities for lower social and economic classes, these jobs are often low paying and low status (Jamieson, Goodwin, & Edmunds, 2004).

Alam and Paramati (2016) and Li, Chen, Li, and Goh (2016) observed that tourism growth reduced income inequality within countries while Mahadevan and Suardi (2019) found that tourism had reduced poverty levels but failed to reduce income inequality. Tourism's negative impact on equality has also been confirmed by Torres and Momsen (2005) who stated that tourism reinforces the historical legacy of unequal relations between rural Mayan farmers and Hispanic-descent urban elites. Despite the before mentioned issues,

tourism has also proven to provide more options for inclusiveness than most other sectors. Lee and Kang (1998) compared tourism with eight other sectors in South Korea and the results showed that i) tourism industry appears to distribute more earnings to the low-income class than secondary/tertiary industry and ii) the tourism sector is advantageous for women as it provides more equal distribution of income than most other sectors. While much research on tourism and inequality has been done, Dredge (2019, p.43) recently stated that “a better understanding of the nature of resource (re) distribution, and who wins and who loses over time, are important questions for a research agenda in tourism and development”. One of the questions that rise from this debate and that will be addressed in this thesis is: which constraints limit the ability of the tourism sector to reduce inequality, and can these constraints be addressed or are they too deep-rooted in society?

Growth and tourism development

The relationship between tourism and economic growth of a country has been subject of extensive research in the tourism literature. The tourism led growth hypothesis (TLGH) has been one of the widest used methodologies to test the relationship between tourism development and economic development, but the results remain conflicting. A study by Ridderstaat, Croes, and Nijkamp (2014) on the relationship between tourism development and economic growth included 28 studies of which 18 verified that tourism had contributed to economic growth in the country under study. Most of the studies examine the relationship between tourism and macroeconomic variables such as GDP, exports, and the exchange rate in a specific country (Balaguer & Cantavella-Jordá, 2002; Durbarry, 2004; Katircioglu, 2007). Sánchez-Rivero, Pulido-Fernández, and Cárdenas-García (2013) argue that tourism growth does not always result into economic development, and they state:

Not all types of interventions in the pursuit of tourism growth are equally effective in promoting a country's economic development. Or, put another way, there are variables of tourism growth which are more strongly related to economic development than others, and therefore action should be directed primarily towards promoting these variables and not others. (p. 248)

While most of the before mentioned studies found a positive relationship between tourism growth and economic growth, these studies do not directly test the relationship between

tourism growth and poverty reduction as they assume that the effect of tourism will trickle down to the poor (Croes, 2014). Also, due to lack of available data, most studies on tourism and growth have focused on the relationship of tourist arrivals and GDP growth. As the tourism industry crosses multiple sectors (e.g., hotel, restaurant and transportation), it is very difficult to measure the impact of the tourism sector on employment in a country. There are a few studies that measure the impact of the hotels industry on employment but there are very limited number of academic studies that measure the effect of the entire tourism sector on employment numbers (Baum, Kralj, Robinson, & Solnet, 2016).

The concept of growth in the development context is nowadays very challenging as it generates a diversity of positions. There are those that feel that economic growth is a precondition for the improvement of living standards for those living in poverty (Rodrik, 2014). Others are striving for 'zero-growth' or 'degrowth' as they argue that continued growth will ultimately deplete the earth's resources (Martínez-Alier, Pascual, Vivien, & Zaccai, 2010). Degrowth has become a prominent point of discussion among tourism scholars especially since the pressure of the increased number of tourists is causing friction and 'overtourism' in some destinations (Milano, Cheer, & Novelli, 2018). The concept of inclusive growth is more widely embraced by policy makers in countries with high levels of inequality, unemployment, and poverty where growth is used to create employment opportunities (Ali & Son, 2007).

1.3 Rationale for the Study

The main goal of this study is to increase the knowledge base around tourism and inclusive growth by examining the origins and principles that have contributed to the idea of inclusive growth and use these to develop, test and evaluate a diagnostic framework to identify the binding constraints to tourism-driven inclusive growth. It is important for tourism researchers to continue to look for theories and methodologies developed in other disciplines and apply these to tourism. As mentioned in the previous section, governments and development organizations have been using the term inclusive growth in the context of tourism since 2012 while it is still relatively undertheorized in the academic literature. One of the main concerns is that inclusive growth is a 'fuzzy' term and there is insufficient

agreement on the definition of the concept. This is especially the case when the term inclusive is connected to topics in tourism studies ⁴. In this thesis, I will develop, test and evaluate a diagnostic framework to identify the binding constraints to tourism-driven inclusive growth.

This thesis also responds to the call from policymakers and their advisors in emerging economies, which would like to use the tourism sector to increase productive employment and entrepreneurial opportunities for marginalized communities. Achieving tourism-driven inclusive growth will require policy changes. There has been an increased desire for policy making which is based on evidence allowing the government and other stakeholders to better understand the effect of the policy changes and provide the opportunity to make strategic choices based upon well-researched information (Sanderson, 2002). Evidence-based policy (EBP) making has evolved from evidence-based medicine and provides a “paradigm for making decisions that integrate the best available research evidence with decision expertise and client/customer preferences to guide practice toward more desirable results” (Rousseau, 2006, p.258). Davies (2004, p.3) describes evidence-based policy making as a “rigorous approach that gathers, critically appraises and uses high quality research evidence to inform policy making and profession practice”. Newman distinguishes between rationalists who believe that policies should be based on objective evidence and constructionists who believe that evidence is always a “matter of subjective interpretation” (Newman, 2017, p.212). An EBP approach could inform the policy making process regarding tourism-driven inclusive growth and identify the constraints based on quantitative and qualitative evidence. It is an alternative to making decisions based mainly on judgments or professional wisdom (Clegg, 2010). This need is confirmed by Hall and Jenkins (2004, p. 536) who state that “Governments and their critics have become more aware of and interested in the study of the process, outcomes, and impacts of tourism public policies. Hence, the evaluation of government decisions, actions, and programs, and therefore of tourism public

⁴ The terms tourism and inclusive or inclusiveness are currently referring to several very different concepts. First, the term inclusive tourism can refer to providing the opportunity for people with a disability to be a tourist. Second, inclusive tourism can also refer to social tourism including initiatives to include economically weak into being a tourist. Third, the term inclusive tourism is sometimes also used to describe the type of tourism where tourists purchase a pre-paid package which includes flight, accommodation, meals and sometimes also activities.

policies, is receiving growing recognition". However, there are currently just a few tourism studies that are specifically referring to evidence-based tourism policy making (Katselidis, Schofield, Stamou, Dimopoulos, & Pantis, 2013; Mangion, Cooper, Cortés-Jimenez, & Durbarry, 2012; Siow, Ramachandran, Shuib, & Afandi, 2015). In this thesis I intend to contribute to the need of evidence-based policy making by bridging the 'great divide' between academic research and public policy making (Melissen & Koens, 2016). A diagnostic tool to identify the constraints to tourism-driven inclusive growth that uses both qualitative as well as quantitative data could contribute to this before mentioned need.

1.4 Aim and Research Questions

The main objective of this research is **to develop a diagnostic framework to identify the binding constraints to tourism-driven inclusive growth** which can support policy making, with specific attention to tourism in emerging economies. The study will also contribute to the more general understanding of the concept of inclusive growth in relation to the tourism sector.

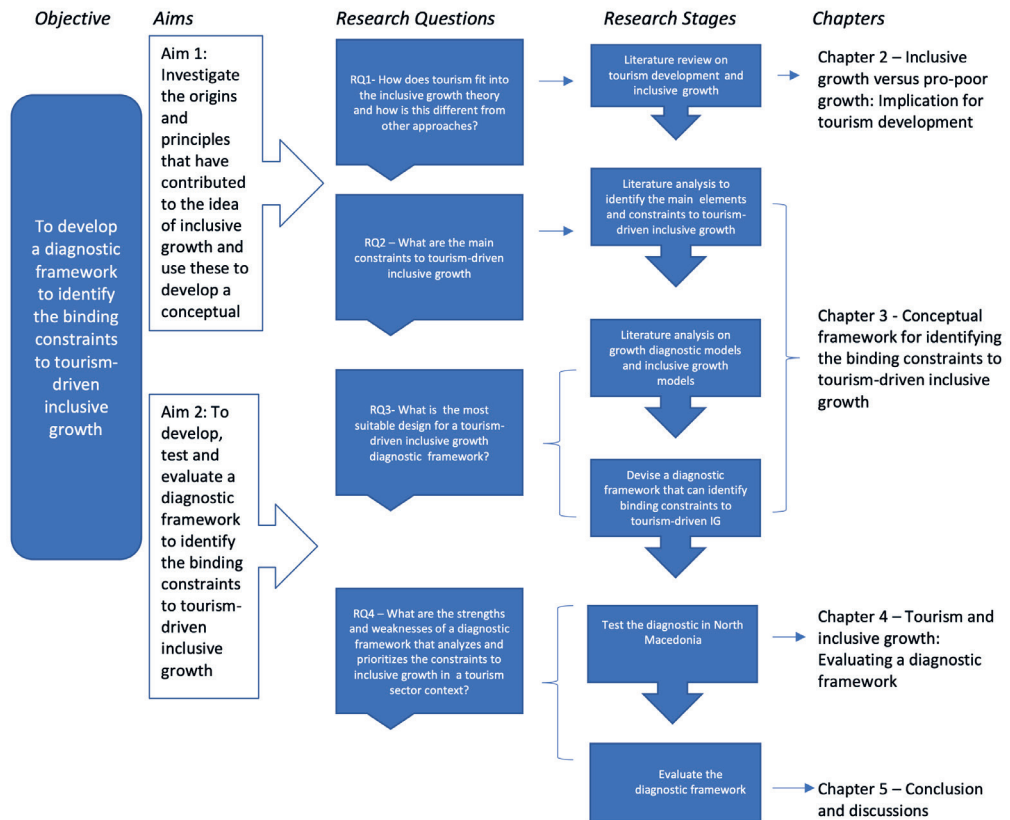
The study has therefore the following two sub-aims:

1. Investigate the origins and principles that have contributed to the idea of inclusive growth and use these to develop a conceptual foundation for the understanding of tourism-driven inclusive growth
2. To develop, test and evaluate a diagnostic framework to identify the binding constraints to tourism-driven inclusive growth

The following four research questions have been formulated in order to address these aims:

1. *How does tourism fit into the inclusive growth theory and how is this different from other approaches?*
2. *What are the main constraints to tourism-driven inclusive growth?*
3. *What is the most suitable design for a tourism-driven inclusive growth diagnostic framework?*
4. *What are the strengths and weaknesses of a diagnostic framework that analyzes and prioritizes the constraints to inclusive growth in a tourism sector context?*

Figure 3: Structure of the Thesis



Research question 1 will be addressed through a review of the academic literature related to tourism development and inclusive growth. Research questions 2 and 3 will be answered through a thorough analysis of the literature on tourism development and growth diagnostics which will lead to the development of an inclusive growth diagnostic framework that is tourism sector specific. Research question 4 will be answered using North Macedonia as a case study. The reasoning to choose North Macedonia is that the country is defined by the International Monetary Fund (IMF) as an emerging market and developing economy (IMF, 2018). The country has a relative high level of inequality (Tevdovski, Filipovski, & Ivanovski, 2014), balanced regional development is a government priority (Government of North Macedonia, 2016) and the tourism sector has been identified by the government as one of the key growth sectors (Kohl & Partner, 2016).

1.5 Structure of the Thesis

This thesis consists of five chapters and is presented in a publication-based format which means that chapters 2, 3 and 4 are separately written as scientific papers, all three published in international scientific peer-reviewed journals. This first chapter comprises an introduction which, in addition to listing aims and research questions, has also described the theoretical background of the research.

Chapter 2: *Inclusive growth versus pro-poor growth: Implications for Tourism Development*, discusses the main concepts of inclusive growth and their implication for tourism development in emerging economies. It compares inclusive growth versus pro-poor approaches and indicates the differences between both approaches in a tourism context and I propose a definition for tourism-driven inclusive growth. I also discuss the implications of applying the inclusive growth approach to the sector including the focus on long-term impact and the need for the tourism sector to be part of a country's overall inclusive growth strategy. Chapter 2 also provides a first step towards the design of a diagnostic framework to identify the constraints towards tourism-driven inclusive growth that could be based on the HRV Growth Diagnostic model. As such, this chapter addresses the first research question. This chapter was published in the peer-reviewed journal *Tourism and Hospitality Research* in 2017.

In Chapter 3: *A Conceptual Framework for Identifying the Binding Constraints to Tourism-Driven Inclusive Growth*, I first build upon Chapter 2 by identifying how the principles of inclusive growth can be applied to tourism development. Then I also further discuss how the growth diagnostics methodology that was first introduced by Hausmann, Rodrik, and Velasco (HRV) can be applied and adapted to the tourism sector. Based on this, I describe how the ability of the tourism sector to drive inclusive growth depends on the combined impacts and interaction of three different elements: i) Growth of productive employment opportunities, ii) Equal access to these opportunities and iii) Equal outcome of tourism opportunities. For each of the three elements or pillars, I identify the main constraints as discussed in the literature. Based on the three components required to achieve inclusive growth through tourism and the constraints under the three pillars, I propose the Tourism-Driven Inclusive Growth Diagnostic (T-DIGD) framework. This chapter was published in the peer-reviewed journal *Tourism Planning & Development* in 2019.

Chapter 4: *Tourism and Inclusive Growth: Evaluating a Diagnostic Framework*, tests the proposed T-DIGD on the tourism sector of North Macedonia. The goal of this case study approach is i) to understand the application of the diagnostic and its limitations and ii) to identify the binding constraints to tourism-driven growth in North Macedonia. Testing the diagnostic and evaluating its strengths and weaknesses shows that it is a promising approach as it can identify the possible binding constraints to tourism-driven inclusive growth out of a large selection of possible factors and thereby contribute to a way of systematically and transparently prioritizing policies to formulate a context-specific development strategy in the presence of limited resources. This chapter was published in the peer-reviewed journal *Tourism Planning & Development* in 2020

In Chapter 5, the concluding chapter, I address the four research questions and critically evaluate the proposed diagnostic. In this chapter I also return to the debates that I referred to in this introduction chapter. Lastly, this chapter presents the research implications and limitations of this research and suggests avenues for further research.

As this thesis consists of three publications, there is some overlap and repetition between the chapters. Chapter 4, the application of the T-DIGD on the tourism sector of North Macedonia, includes a summarized version of the T-DIGD analysis. The full list of indicators and the results are included in the Annex.

Chapter 2

Inclusive Growth versus Pro-poor Growth: Implications for Tourism Development⁵

Inclusive growth should not be a mere slogan but a fundamental driving force for sustainable development.

President Pranab Mukherjee, India

⁵ This chapter is adapted from, but largely published as, Bakker, M. & Messerli, H. R. (2017). Inclusive growth versus pro-poor growth: Implications for tourism development. *Tourism and Hospitality Research*, 17(4), 384-391.

Abstract

Inclusive growth and pro-poor growth are terms embraced but not fully understood in the tourism community. This paper discusses the main concepts of inclusive growth and their implication for tourism development across the developing world. Is inclusive growth simply another term for pro-poor in tourism? Discussion of current approaches utilized by the development community and its institutions highlights differences and notes a shift from pro-poor thinking to inclusive growth efforts. Within that context, the authors suggest the need for an improved understanding of the inclusive growth approach in tourism development, particularly for emerging countries.

Keywords: Poverty, inclusive growth, pro-poor, tourism, development

2.1 Introduction

Despite the economic progress made over the last 15 years, poverty remains one of the world's largest and most vexing issues. In 2012, 12.7% of people in the world lived at or below \$1.90 a day, a total of an estimated one billion people (World Bank Group, 2015). Income inequality, a disparity in relative income across the whole population, has increased over the last 20 years in most Organization for Economic Co-operation and Development (OECD) countries, South Africa, Indonesia and many other countries (OECD, 2015). Globalization, skill-biased technical changes and decreases in the bargaining power of workers are some of the contributors to this situation (Balakrishnan et al., 2013; Saad-Filho, 2010). Economic growth alone has proven to be insufficient in reducing poverty since not all people are included in the growth process nor do they benefit equally from it (Bourguignon, 2004). When growth bypasses the poor or other marginalized groups, it may even increase inequality. Growth that is not inclusive can be both a danger to social and political stability and a threat to the sustainability of the growth (Ali & Son, 2007; Jones, 2013). The realization that growth itself is not sufficient to reduce poverty has led policy makers to look for alternative strategies. The inclusive growth concept is the latest approach used by international institutions to improve living standards in the developing world. This paper reviews the concept of inclusive growth in the context of tourism development that aims to contribute to poverty alleviation.

Many developing countries see tourism as integral to their path out of economic hardship or as an opportunity for further growth and diversification. Yet very little is known about the specific role and impact of the tourism sector within a country's inclusive growth strategy. Inclusive growth and inclusive development are relatively new concepts and often used loosely in policy documents and tourism development discussions (Suryanarayana, 2008). There is currently very limited academic literature on tourism and inclusive growth. However, the World Bank Group (WBG), the Asian Development Bank (ADB), the African Development Bank (AfDB) and other institutions have started to link tourism to inclusive growth strategies in Asia, the Caribbean, South America, the Middle East and Africa. While these development banks and organizations have embraced inclusive growth concepts, academic researchers have been skeptical, calling inclusive growth a way to reintroduce the neo-liberal thinking of the Washington Consensus (Saad-Filho, 2010). Hampton and Jeyacheya (2012), commissioned by the World Bank and Commonwealth Secretariat, published "Tourism and Inclusive Growth in Small Island Developing States". While the publication does address inclusive growth briefly in the first chapters, the remainder of the book discusses how tourism can contribute to the economy without specifically addressing its role in job generation and entrepreneurship at a micro level. There is simply a very limited number of non-academic papers by development organizations addressing the role of tourism in inclusive growth. However, there are a number of publications on inclusive growth that can assist in understanding how tourism could fit into an inclusive growth paradigm. This paper provides an analysis of the concept of inclusive growth, the difference from pro-poor growth, and the current status of its application to tourism. It also clarifies the implications of the inclusive growth development approach for tourism particularly in emerging countries. Through this discussion, the practical usefulness of the concept in tourism development is highlighted.

2.2 From the Trickle-down Theory to Inclusive Growth

During the 1950s and 1960s, it was widely believed that the advantages of economic growth in a country would benefit all layers of society. Growth alone was considered enough to lift developing countries out of poverty. The 'trickle-down effect' would follow a time lag but in the long term the growth process would have a positive effect on overall development

based on the presumption that ‘the rising tide would raise all boats’ (Aghion & Bolton, 1997). Kuznets (1955) found that in the early stages of development, growth produces inequality, but as per capita income rises, a turning point causes inequality to decline. In this context, tourism offered a particularly important role as it enabled diversification away from agriculture, supported infrastructure improvements and encouraged social development (Harrison, 2001; Scheyvens, 2002; Sharpley & Telfer, 2002). In the 1970s, the World Bank invested in infrastructure projects to support large-scale tourism development in countries such as Indonesia, Mexico and the Dominican Republic (Hawkins & Mann, 2007). In the 1980s, the so-called Washington Consensus, labeled as a neo-liberal approach, was considered the way forward for developing countries (Schilcher, 2007). The Consensus advocated policy recommendations such as trade liberalization, competitive interest rates, tax reform and liberalization of foreign investment for countries suffering from underdevelopment and economic crisis. This was supported by US-based institutions including the International Monetary Fund (IMF) and World Bank. The Washington Consensus considered the free market as the driver of growth and development (Williamson, 1993). For developing countries, tourism was seen as an excellent way of trading their way out of poverty.

Despite implementing many reforms in the 1990s, growth was slow and often accompanied by an increase in inequality, especially in Latin America and the Caribbean. Not only was growth slow, it was often also accompanied by an inequality increase. It became clear that the one-size-fits-all approach under the Washington Consensus did not always work (Sharpley & Telfer, 2002). The rise in inequality brought forth the need to study the distributional consequences of growth and methods for active intervention to manage distributional issues (Ranieri & Ramos, 2013b). The main report that initiated this way of development thinking was the 1974 study entitled ‘Redistribution with Growth’ written by the Vice President for Development Policy at the World Bank (Chenery, Ahluwalia, Duloy, Bell, & Jolly, 1974). The study addressed the faults of the Bank’s then current strategy of focusing on large projects while expecting the market to resolve the problems of poverty and inequality (Saad-Filho, 2010). Consequently, the new development thinking began to focus on how to promote not just growth but growth with equality.

Development organizations started to use the term pro-poor growth towards the end of the 1990s. Since then, there have been different definitions of the term, which have emerged in a broad, and a narrow definition of pro-poor growth. The broad definition of pro-poor growth or absolute pro-poor growth is any growth that benefits the poor and, thus decreases absolute poverty (Ravallion 2004). Under the broad definition, inequality could rise as the absolute income of the nonpoor might be increasing at a rate faster than the poor's income. Under the narrow definition of pro-poor growth, also called relative pro-poor growth, the poor should benefit proportionally more from growth than the nonpoor so that inequality is reduced (Kakwani & Pernia, 2000). Beginning in the 1990s, numerous institutions and nongovernmental organizations started projects under the heading of pro-poor growth with the intention to improve the livelihoods of people in developing countries. At this time, most of the focus was on measuring the effects of growth on poverty.

In the mid 2000s, institutions, donors and governments started to explore inclusive growth as they realized that growth alone or growth that was simply in the form of redistribution would not solve the growth-poverty nexus. This realization shifted the focus from measuring progress in poverty reduction to including more people in the economic process through mechanisms such as job creation and entrepreneurship (Ianchovichina & Lundstrom-Gable, 2012). Inequality was thus seen as a challenge for emerging economies as well as high-income economies. The Occupy Wall Street movement in New York City in 2011 illustrated the rising frustration with increased inequality in a developed country. In 2014, the World Economic Forum (WEF) identified income inequality as the top global societal risk for the next decade. The recent publication by Piketty (2014), *Capital in the Twenty-First Century*, has caused controversy among economists in the western world as he argues that wealth inequality has risen over the last 30 years because the returns on capital have been higher than the pace of economic growth. From his perspective, a progressive wealth tax would be the preferred remedy to prevent a further rise of inequality.

As researchers and economists have focused on inclusive growth, a number of definitions have evolved. Across these, the underlying concept is "growth coupled with equal opportunities" (Rauniyar & Kanbur, 2010b, p. 457). The World Bank defines inclusive growth

as the growth that allows people to contribute to and benefit from economic growth. Specifically, growth should be broad-based across sectors and inclusive of the large part of the country's labor force (Ianchovichina & Lundstrom-Gable, 2012). The World Bank also states that inclusive growth refers to both the pace and the pattern of growth: growth should be both extensive and intensive (Ianchovichina & Lundstrom, 2009). Klasen (2010) sees inclusive growth as a subset of the concept of economic growth. He recognizes two aspects: (i) the process and (ii) the outcomes. The process approach examines the number of people who participated in the growth process. The outcome approach looks at whether inclusive growth benefits many people. Many believe that inclusive growth is not about growth through income redistribution and taxes but about creating productive employment opportunities (Ianchovichina & Lundstrom, 2009; Ianchovichina & Lundstrom-Gable, 2012; Klasen, 2010).

This shift in thinking about the role of growth in poverty reduction can also be seen in the United Nations' post-2015 approach. The Millennium Development Goals (MDGs) were developed in 2000 as a reaction to the growth-first policies of the Washington Consensus and did not include growth as one of the goals to be achieved by 2015. In the last decade, there has been a growing consensus among governments and donor organizations that inclusive growth should be more prominent as a development goal (Bergh & Melamed, 2012). Today, the lack of jobs is considered as one of the main causes of poverty and creating more productive employment opportunities is a requirement for inclusive growth (McKinsey Global Institute, 2012). The Sustainable Development Goals (SDGs), which set development targets for 2030, include two goals that specifically refer to inclusive growth: Goal 8 promotes sustained, inclusive and sustainable economic growth, and full and productive employment and Goal 10 reduces inequality within and among countries (United Nations, 2015). This change signals the shift from a strong focus on social outcomes to one that also recognizes the need for economic growth.

2.3 Inclusive Growth versus Pro-poor Approaches

One of the main criticisms of the inclusive growth approach is that it represents no substantial difference from the pro-poor growth approach. There are, however, a few

significant differences. Rauniyar and Kanbur (2010a) identify one difference by defining inclusive growth as an increase in real per capita income and pro-poor growth as the growth that also reduces poverty. The latter means that the increment of income accrues disproportionately to those with lower incomes. According to this definition, growth can be pro-poor but with rising inequality. Ianchovichina and Lundstrom (2009) argue that while pro-poor growth solely focuses on people below the poverty line, inclusive growth aims to benefit people from a large proportion of a country's labor force through productive employment and entrepreneurship. Inclusive growth is the growth that reduces the disadvantages of the poorest while benefitting everyone, whereas "pro-poor growth may be obtained either in the absence of benefits to one or more groups or at the expense of one or more groups" (Ranieri & Ramos, 2013a, p. 1). Inclusive growth is about widening the size of the economy and not about redistributing existing resources as pro-poor growth sometimes is. The 2008 World Bank *Growth Report Strategies for Sustained Growth and Inclusive Development*, suggests that the inclusive growth approach takes a longer term perspective since it focuses on generating productive employment rather than on direct redistribution of income as a means of improving the financial well-being of the excluded groups (Commission on Growth and Development, 2008). Inclusive growth analysis focuses on integrating poverty, business environment and other types of micro-level indicators with growth analysis at the macro-level (Ianchovichina, Lundstrom, & Garrido, 2009). Pro-poor growth programs, on the other hand, have mostly focused on creating opportunities at the micro-level. They are about poverty alleviation and not always focused on economic growth strategies at a macro level.

2.4 International Development Banks and Inclusive Growth Programs

Presented below is an overview of the utilization of the inclusive growth development approach by some major development institutions and where notable, their application in the area of tourism. Besides the three development banks mentioned here, the European Union, the UN Development Programme's International Policy Centre for Inclusive Growth, the OECD, the WEF, the Caribbean Growth Forum and the International Trade Centre are also exploring inclusive growth as a development strategy.

World Bank

The April 2004 meeting of the Joint Ministerial Committee of the World Bank and the IMF on the progress of the MDGs was one of the first instances where the World Bank referred explicitly to inclusive growth. They stated that ‘Sustainable and inclusive growth needs to be accelerated in many developing countries’ (World Bank, 2004b). In April 2013, the World Bank set two new goals: i) to end extreme poverty and ii) promote shared prosperity. The philosophy behind the dual goals is that reducing inequality needs to come from growing the economy while at the same time increasing the share of the bottom 40% of the population. The target is to reduce extreme poverty (people living on less than US\$1.25 a day) to 3% of total population by 2030. The second goal does not just focus on the poorest developing countries but on raising the income of the poor in every country. The World Bank announced a new ‘Shared Prosperity Indicator’, which will track per-capita income growth of the bottom 40% in each country annually where survey data is available (World Bank Group, 2015). The World Bank has recently started programs supporting inclusive growth in Myanmar, Republic of Georgia, Pakistan and the Philippines. The Bank’s growing use of a systematic country diagnostic in defining growth approaches is contributing to greater consideration of inclusive growth strategies. However, there have been no programs specifically identifying tourism as a driver for inclusive growth yet.

Asian Development Bank

The priorities of the ADB (2007):

moved from principally eradicating absolute poverty to generating and sustaining rapid and more inclusive growth, creating well paying job opportunities in adequate numbers, and improving living standards in sophisticated and complex economies—while at the same time confronting the challenges of economic success. (p.12)

While markets are central in generating growth, the ADB’s inclusive growth strategy incorporates economic policies and government programs that address market failures and permit all segments of the society to participate more fully in the new economic opportunities (ADB, 2007). For example, the ADB is funding US\$50 million for the *Mekong sub-region tourism infrastructure for inclusive growth project* that is being implemented from 2014 to 2018. The project aims to stimulate economic growth across the economic

corridors in Vietnam, Laos and Cambodia through improving infrastructure facilities, connecting tourism routes and destinations and improving environmental conditions (ADB, 2014b).

African Development Bank

In their 2013- 2022 strategic plan, the AfDB announced its dual objectives towards growth:

i) inclusive growth and ii) green growth. The plan states that:

The first and overarching objective is to achieve growth that is more inclusive, leading not just to equality of treatment and opportunity but to deep reductions in poverty and a correspondingly large increase in jobs. (AfDB, 2013, p. 1)

The AfDB defines inclusive growth as “economic growth that results in a wider access to sustainable socioeconomic opportunities for the majority, while protecting the vulnerable, all being done in an environment of fairness, equality and political plurality” (Kanu, Salami, & Numasawa, 2014p. iii). In 2014, the AfDB conducted a comprehensive study of agriculture’s role in inclusive growth (Kanu et al., 2014). No tourism-specific inclusive growth projects have been announced yet.

2.5 Shifting from Pro-poor Tourism to Tourism-driven Inclusive Growth

Pro-poor growth has been a widely accepted approach for using tourism to eradicate poverty since the late 1990s and pro-poor tourism is often defined as tourism that generates net benefits for the poor (Roe, Ashley, Page, & Meyer, 2004). Pro-poor tourism has been considered a viable development option for the poor in developing countries as these countries possess assets such as wildlife, landscape and cultural heritage experiences in which tourists are interested. The poor can potentially use these assets through developing tourism even if they lack financial resources (Ashley, Roe, & Goodwin, 2001). The United Nations World Tourism Organization (UNWTO) used the pro-poor tourism approach to develop the Sustainable Tourism-Eliminating Poverty initiative in 2003 (Nawijn, Peeters, & Van der Sterren, 2008). Other organizations that have embraced pro-poor tourism and initiated relevant projects are ADB, SNV Netherlands Development Organization and the Overseas Development Institute (ODI).

Ashley and Goodwin (2007), in an opinion paper for ODI, discuss what has “gone right and what has gone wrong” with pro-poor tourism. One of their main concerns is that pro-poor tourism has had a limited focus noting that it has been very much restricted to the micro level. It has often focused on community-based tourism projects, and has, therefore, not been able to reach the scale required for achieving significant impact. Harrison (2008) agrees with this notion and he argues that in order to use tourism as a tool for creating productive employment, rather than just a few local projects, a country’s entire tourism strategy should be part of the country’s inclusive growth strategy for poverty alleviation. Ashley and Goodwin’s second concern is the lack of focus on the market. From their perspective, much effort has been exerted to provide to infrastructure development and provision of training but not to find consumers for the tourism products. This deficiency has caused many projects to be unsuccessful in achieving their goals to be sustainable and provide community benefits. The review of 218 community-based tourism enterprises operating in 12 southern African countries identified severe business capacity constraints in such projects (Spenceley, 2008). Their third concern is the lack of mechanism to document and monitor changes. The deficiency in monitoring procedures for pro-poor tourism projects has also been pointed out by other tourism scholars (Chok, Macbeth, & Warren, 2007; Hall, 2007; Hummel & van der Duim, 2012; Scheyvens, 2012). Chok et al. (2007) critique the pro-poor tourism approach for ignoring structural issues and power issues as well as inequality. In the end, if structural inequalities are not addressed, pro-poor or other tourism, might not always provide long-term benefits for the poor (Hall, 2007).

Another challenge for pro-poor tourism is caused by the term itself. Poor and pro-poor can be value-laden labels and contribute to stigmatization (Moncrieffe & Eyben, 2013). These terms are also difficult to define as poverty has become more than an economic concept and is now rather multi-dimensional and multi-disciplinary in nature (Bourguignon & Chakravarty, 2003; Levitas et al., 2007).

Based on the discussions about inclusive growth which specify the need to create equal access to productive employment opportunities to achieve growth that is broad-based, I argue that tourism-driven inclusive growth should attempt to achieve the need for greater inclusion. Tourism-driven inclusive growth should do this by increasing access to

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opportunities for marginalized groups by removing barriers to equity across the tourism sector. I therefore define tourism-driven inclusive growth as economic growth through tourism that creates long-term productive employment as well as economic opportunities for entrepreneurs while also ensuring equal access to these generated jobs and opportunities.

There are in principle three significant differences between tourism-driven inclusive growth and pro-poor tourism. First, tourism-driven inclusive growth should also benefit, beyond those living below the poverty line, other disadvantaged and marginalized groups such as women and people living in rural areas. Second and related, tourism-driven inclusive growth should move away from a project-driven focus to opening up opportunities across the sector as well as beyond small-scale community-based tourism initiatives. Therefore, a tourism inclusive growth approach should explicitly use a sector wide approach to achieve the scale required to make significant measurable impact. Third, most of the pro-poor tourism projects so far have not addressed structural inequities with long-term solutions, but instead focused on temporary fixes. An inclusive growth approach in the context of tourism predominantly should aim to address structural inequalities, just as some of the more generic pro-poor strategies as for example designed by the World Bank. See also section 5.2.1 where I also discuss differences between tourism-driven inclusive growth and pro-poor tourism.

2.6 Diagnostic Frameworks for Inclusive Growth and Tourism

There is limited literature on tourism and inclusive growth as mentioned before. Furthermore, there are very few theoretical frameworks on inclusive growth. The ADB proposes a diagnostic framework for inclusive growth along the following three policy pillars: (i) promoting high, sustained economic growth, (ii) broadening inclusiveness through greater access to opportunities, and (iii) strengthening social protection (ADB, 2011). These three pillars need to be supported by good governance and strong institutions. This framework has been used by the ADB to operationalize a development strategy geared towards inclusive growth. ADB has also developed a set of 35 indicators to measure inclusive growth that can be divided into the following eight groups: (i) poverty and

inequality (income and non-income), (ii) economic growth and employment, (iii) key infrastructure endowments, (iv) access to education and health, (v) access to basic infrastructure utilities and services, (vi) gender equality and opportunity, (vii) social safety nets, and (viii) good governance and institutions (ADB, 2011). This framework and the indicators measure inclusive growth on a macro level and not on a sector level.

The ADB evaluated its inclusive growth agenda between 2000 and 2012 and found that 60% of its total financing, or more than US\$81 billion, was classified under pillar one (growth), 30% under pillar two (access to opportunities) and 10% under pillar three (social protection) (ADB, 2014a). None of the evaluated projects focused on a specific sector except for agriculture. The ADB's *Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project* has not yet been completed. The majority of the program is focused on removing physical and capacity constraints impeding tourism in areas that are currently excluded from tourism development to decrease geographic inequality. Much of the project involves large infrastructure improvements opening up new regions.

In the next chapters, I will develop (Chapter 3) and test (Chapter 4) a framework to identify the specific binding constraints to tourism-driven inclusive growth, based on the *Hausmann-Rodrik-Velasco (HRV)* framework developed by Rodrik, Hausmann, and Velasco (2004) combined with the inclusive growth model as developed by Ianchovichina and Lundstrom (2009). The HRV approach is based on the idea that there can be many reasons why an economy does not grow, but each reason generates a distinctive set of symptoms, such as government failures, information asymmetries and distortions in finance opportunities for diversification and poor project selection or poor policies. Through a systematic approach using the growth diagnostic tree, the binding constraints to growth can be identified (Hausmann, Klinger, & Wagner, 2008a). However, many of the current binding constraints that contribute to the exclusion of certain groups to benefit from tourism are not sector specific. Improved health, infrastructure and employability through better education will lead to inclusive growth among all sectors including tourism (Hausmann et al., 2008a). While special programs to help the poor and providing safety nets will still be needed, the inclusive growth diagnostic's focus is on removing constraints and increasing access to the labor markets as well as providing equal opportunities to entrepreneurs (Ianchovichina &

Lundstrom-Gable, 2012).

2.7 Implications and Next Steps

There is currently a shift in the development thinking paradigm to further embrace inclusive growth. It is still too early to determine how this change will impact the role of tourism in development or how tourism can best contribute to poverty alleviation. Particularly in today's dynamic global environment where terrorism and political shifts can be unpredictable, rapid and of high impact, inclusive growth efforts in tourism will need to be agile in order to benefit the full spectrum of participants at various stages of economic development. While the principles of inclusive growth and pro-poor growth are similar, the desired scaling up for broad impact in the specific instance of pro-poor tourism has not happened yet (Harrison, 2008). Most pro-poor tourism projects have been small-scale and excluding the mainstream tourism sector while they could potentially impact a much larger group of beneficiaries (Mitchell & Ashley, 2010). The question to be addressed is how tourism can have a larger impact on reducing inequality and fostering development. While pro-poor tourism projects have mostly been short- to medium-term, tourism-driven inclusive growth requires a longer-term approach (two to three decades). This perspective means that results from the majority of the interventions will take much longer to be evident and could be a risk to the further application of inclusive growth to tourism. When following the inclusive growth approach, the tourism sector should be prepared to be part of a country's overall inclusive growth strategy in order to benefit from synergies. This means the tourism sector should be developed by the private sector while the government plays a facilitating role offering complementary investments that could also benefit other sectors. Governments could for example i) make cultural investments in heritage areas that can attract tourists; ii) invest in roads, water and sanitation, and health facilities, which will benefit tourism and other sectors as well as the overall livelihood of the country; iii) invest in education, especially language training and other hospitality areas enabling jobs in tourism and other service activities and iv) address information asymmetries through tourism.

Both policy makers and governments are currently trying to understand just exactly how tourism can contribute to inclusive growth. It is clear that tourism is a labor-intensive sector and can provide employment opportunities to youth, women and those living in rural areas. Tourism can also be an effective intervention point for achieving reforms, which can later be generalized over the total economy (e.g., land reforms or business policies). Additionally, tourism investment in infrastructure can be designed to benefit not only tourists but also local populations and provide access to communities that previously have been excluded from the economic process (Christie & Crompton, 2001; Christie, Fernandes, Messerli, & Twining-Ward, 2014; Mitchell & Ashley, 2010; Scheyvens, 2002). However, the steps and best-defined approach for poverty alleviation and shared prosperity continue to grapple with how to also achieve inclusive growth. In order to move forward the academic discussion about the concept of inclusive growth, tourism researchers and development stakeholders should further explore the role of tourism as a driver of inclusive growth and to engage with policy makers for utilizing tourism's potential to contribute to a more equal world. In this paper, I took the first step in understanding the concept of inclusive growth in the context of tourism, its difference from pro-poor tourism and its current status of application across the tourism sector as well as provided a working definition for tourism-driven inclusive growth. To contribute to the exploration of the role of tourism as a driver of inclusive growth, in the next chapter I will further develop a Tourism-Driven Inclusive Growth Diagnostic (T-DIGD).

Chapter 3

A Conceptual Framework for Identifying the Binding Constraints to Tourism-driven Inclusive Growth⁶

*Rather than utilize a spray-gun approach, in the hope that we will somehow hit the target,
focus on the bottlenecks directly.*

Ricardo Hausmann, Dani Rodrik and Andrés Velasco

⁶ This chapter has been adapted from, but largely published as, Bakker, M (2019). A Conceptual Framework for Identifying the Binding Constraints to Tourism-Driven Inclusive Growth. *Tourism Planning & Development*, 16(5), 575-590.

Abstract

Continued discussions concerning the adverse effects of high levels of inequality require a better understanding of tourism's contribution to inclusive growth. If tourism is to be supportive of inclusive growth, it must create productive employment opportunities, while also ensuring equal access to these opportunities. This paper aims to analyze the constraints that prohibit the tourism sector from being a catalyst for inclusive growth, by developing a Tourism-Driven Inclusive Growth Diagnostic (T-DIGD). This conceptual framework is adapted from the HRV Growth Diagnostic to the specific needs of the tourism sector and can support practitioners through a structured knowledge building process, in the design of policies and interventions that can promote inclusive growth. The T-DIGD departs from conventional and mainly quantitative approaches of the drivers of tourism growth and focuses on the 'deep determinants' of tourism-driven inclusive growth.

Key words: Inclusive growth, tourism, diagnostic, inequality, constraints

3.1 Introduction

Inequality and the persistence of poverty within societies has become a significant subject of study. Disparity within countries can be detrimental to long-term growth (Bourguignon & Chakravarty, 2003); can threaten the political stability of a country (Balakrishnan et al., 2013); and can have an adverse effect on crime, stability, and investments (Blau & Blau, 1982). The realization that growth itself is not sufficient to reduce poverty and that persistent inequality can negatively impact poverty reduction efforts has led policymakers to look for different strategies. The inclusive growth concept is the latest approach advocated by policy-makers to improve living standards in the developing world. Rauniyar and Kanbur (2010b, p.457) defined inclusive growth as 'growth coupled with equal opportunities'. The United Nation's new Sustainable Development Goals (SDGs), have set development targets for 2030, and include two goals that specifically refer to inclusive growth: Goal 8 – Promote sustained, inclusive and sustainable economic growth, and full and productive employment and Goal 10 – Reduce inequality within and among countries (United Nations 2015). The inclusive growth approach considers creating productive

employment opportunities for marginalized groups as the primary means to reduce inequality within countries (Ianchovichina & Lundstrom-Gable, 2012). Tourism is considered a labor-intensive sector and includes requiring the utilizations of low skills and small investments and can, therefore, offer employment for low-skilled workers, ethnic minority groups and immigrants, unemployed youth, long-term unemployed as well as women with family responsibilities (UNWTO & ILO, 2014). Moreover, the tourism sector has a relatively high economic multiplier feeding into a vast and diverse supply chain including agriculture, handicrafts, transport and other subsectors (Mitchell & Ashley, 2010). The potential benefits of tourism's direct employment opportunities and economic multiplier are a reduction of poverty in emerging market and developing economies (EMDEs); although an overview of empirical studies shows mixed results (Croes & Rivera, 2016). Alam and Paramati (2016) and Li et al. (2016) observed that tourism growth reduced income inequality within countries while (Mahadevan & Suardi, 2019) found that tourism had reduced poverty levels but failed to reduce income inequality.

While the concept of inclusive growth receives much attention from development organizations and governments, the relationship between tourism and inclusive growth is under examined in the academic literature. This paper builds upon the work of Hampton and Jeyacheya (2012), Bakker and Messerli (2017) and Hampton, Jeyacheya, and Long (2017). For tourism to support inclusive growth, it must create productive employment as well as economic opportunities for entrepreneurs while also ensuring equal access to these generated jobs and opportunities (Bakker & Messerli, 2017). One of the first steps to achieve this, is the identification, understanding, and prioritised removal of constraints that inhibit the growth and equal access of tourism opportunities, as well as the equal outcome (wage and non-wage) of these opportunities.

The aim of this paper is to analyze the tourism sector and its contribution to inclusive growth by presenting a Tourism-driven Inclusive Growth Diagnostic Framework (TIGDF) for analyzing and prioritizing the constraints to inclusive growth in a tourism sector context which may be useful for policy makers and governments. The methodology used for this conceptual paper includes a critical review of the literature on tourism and inclusive growth,

the constraints to tourism-driven inclusive growth and existing growth diagnostic models. Findings identify the key constraints for the tourism sector to contribute to an inclusive growth strategy and the study proposes a framework to assess and prioritizes these constraints.

3.2 Tourism and Inclusive Growth

While there appears not to be a universally accepted definition, the concept of inclusive growth generally focuses on the link between economic growth, inequality and poverty reduction. The poverty-growth-inequality triangle supports the idea that a country's change in poverty is determined by a function of income, income growth, distribution and change of the distribution (Bourguignon & Chakravarty, 2003). This had led policy makers to realize that to reduce poverty, inclusive growth policies must "allow people from different groups – gender, ethnicity, religion – and across sectors – agriculture, manufacturing industry, services, to contribute to, and benefit from economic growth" (de Haan & Thorat, 2013, p. 8). This is similar to McKinley's (2010) approach to inclusive growth which involves two dimensions: sustainable growth that i) will create and expand economic opportunities, and ii) ensure broad access to these opportunities so that members of society can participate in and benefit from growth. Klasen (2010) recognizes two aspects: i) the process or opportunity approach which examines the number of people who participate in the growth process and ii) the outcome approach which looks at whether inclusive growth benefits people equally. Both approaches consider the creation of productive employment opportunities as the primary way to reduce inequality within countries and thereby achieve inclusive growth, which matches the belief that the primary concern of most people around the world, in developed as well as in developing countries, is to have a job (Melamed, Hartwig, & Grant, 2011). Klasen (2010), McKinley (2010) and de Haan and Thorat (2013) all consider inclusive growth a long-term approach to development because the focus is to create productive employment rather than to redistribute income. The concept of inclusive growth can be considered a policy response to Sen's capability approach (Sen, 1993). The capability approach is about "improving and enhancing the quality of life and capabilities of all individuals by striving for a level of equitable parity within a community" (Hasmath, 2015, p. 3). With the attention on inclusive growth in the development debate, focus has then also

shifted from inequality of outcome to inequality of assets and opportunities. The discussion on redistribution and inequality has moved hereby beyond outcome to include social opportunities especially participation in the economic process (Ngepah, 2017). Critics of the inclusive growth approach consider it a neoliberal push for growth and argue that improving equality requires more substantial structural changes (Saad-Filho, 2010). Similarly Scheyvens and Biddulph (2018) argue that the inclusive growth approach is similar to the inclusive business approach and considers both as too limited to economic dimensions and ignoring fundamental root causes of poverty and inequality. The concept of inclusive growth is more widely embraced in countries with high levels of inequality, unemployment, and poverty where growth is used to create employment opportunities (Ali & Son, 2007).

3.2.1 Growth diagnostics

There has been increased recognition that development economics needs to take a wider approach to analyze growth, inequality and poverty reduction. As a result, tools have shifted from cross-country growth regressions to country-specific growth diagnostics (Sen & Kirkpatrick, 2011). The growth diagnostics methodology was first introduced by Hausmann, Rodrik, and Velasco, (HRV) in 2005 (Hausmann et al., 2005). Their HRV diagnostic framework is grounded in the theory of endogenous economic growth and provides a systematic process to identify binding constraints and prioritizing policy reforms. It is based on the idea that there are many reasons why an economy does not grow, but that each reason has a distinctive set of symptoms (Hausmann et al., 2005). The model shows that development policy is country-specific and that a series of minor reforms in the correct sequence could relax binding constraints which could lead to positive welfare impacts (Ianchovichina & Lundstrom-Gable, 2012). Although the growth diagnostics approach was initially developed to identify the binding constraints to growth, the approach has also been applied to identifying critical constraints to the inclusiveness of growth. The Asian Development Bank (ADB), the World Bank, USAID, and the International Labour Organization (ILO) have developed several models to diagnose inclusive growth by expanding the HRV framework (Asian Development Bank, 2010; USAID, 2014; World Bank, 2011). HRV diagnostics generally follow the analytical country narrative as suggested by Rodrik (2003) who recommends a combination of qualitative research methods to gain a deeper understanding of the

underlying issues and the use of quantitative indicators to produce generalizable evidence that can be used to track progress and benchmark performance.

3.2.2 Constraints to tourism-driven inclusive growth

Based on the concepts of inclusive growth, the ability of the tourism sector to drive inclusive growth depends on the combined impacts and interaction of three different elements:

1. Growth of productive employment opportunities
2. Equal access to these opportunities
3. Equal outcome of tourism opportunities (income and non-income)

Following the HRV methodology, the three elements act as the pillars of the proposed framework. These pillars are associated with the general constraints and each of them addresses more specific issues. Following, is an overview of the identified constraints for each of the three pillars as discussed in the literature.

Pillar I. Constraints to growth of tourism opportunities

Inclusive growth requires long-term increase of additional productive jobs and other economic opportunities (Ali & Son, 2007). It is important to note that the first pillar is defined as “Growth of tourism opportunities” and not “Tourism growth”. The critical goal is therefore not to increase the number of arrivals but the ability of the tourism sector to increase the volume and value of direct and indirect employment and self-employment opportunities. While this can be a result of increased number of arrivals, it can also result from increased per trip expenditures, reduction of leakage, increased number of linkages within the economy or a combination of these factors (Mitchell & Ashley, 2010). Dieke (1989) identified external and internal factors affecting tourism development. External or exogenous factors affect the demand of the tourism generating countries. These external factors include GDP growth in the tourism generating countries, international competition, and global security issues in addition to others (Crouch, 1994). Issues such as the country’s distance from the main generating countries and climate are also outside the control of countries. Conversely, internal factors are principally within the control of the destination

and relate mostly to the supply of tourism products (Inskeep, 1991). Based on an extensive review of the literature, the following ten internal factors are identified as the most important potential constraints to the growth of tourism opportunities:

Insufficient human resource capacity. Tourism workers are widely portrayed as the critical dimension in the successful operation of tourism businesses and shortage of skilled labour is considered one of the main explanations of the poor performance of the tourism industry as exemplified by studies in Sub-Saharan Africa (Ankomah, 1991), Solomon Islands (Lipscomb, 1998), Turkey, China, Thailand and the Philippines (Liu & Wall, 2006), Central Asia (Baum & Thompson, 2007) and the Gambia (Thompson, O'Hare, & Evans, 1995).

Inadequate infrastructure. A country's infrastructure, including domestic transportation network (roads, airports, trains) as well as energy and communication technology (ICT), are critical determinants to the attractiveness of a destination (Inskeep, 1991). According to Henderson (2009, p.200) 'countries with poor safety records and without an appropriate transport infrastructure and set of operators and services will be disadvantaged as tourist destinations.' The lack of infrastructure has also been noted by Graci and Dodds (2010) as they discuss the problems which small islands may have concerning fresh water supply, sewage disposal, and electrical supply. A survey among Southern African community-based tourism enterprises (CBTEs) showed that the most important (for 91% of all respondents) limitation was accessibility to road networks (Spenceley, 2008). Limited ICT infrastructure can also inhibit enterprises from being successful (Karanasios & Burgess, 2008).

Safety, insecurity, and health. Over the past ten years, the influence of safety and insecurity on tourism has received increased attention (Ghaderi, Saboori, & Khoshkam, 2017). The prevalence of outbreaks of infectious diseases has also had an impact on the tourism sector's ability to create employment (McKercher & Chon, 2004) as well as the acts of terrorism such as the attack on 9/11 and the bombings in Bali (Thompson, 2011). Political instability can have both short as well as long-term effects on tourism growth as supported by Richter and Waugh (1986).

Limited accessibility. The level of transport connectivity with other countries determines the frequency and the cost of traveling to the destination. Connectivity is especially important for islands as they are often entirely dependent on adequate airlift (Bieger & Wittmer, 2006). The strong interdependence between air transport and tourism means that high prices for tickets or the absence of direct flights directly affects the competitiveness of a destination (Papatheodorou & Zenelis, 2013).

Restrictive business policy environment. Restrictive business policies can affect all economic sectors but some explicitly hinder the tourism sector. Examples are tourism related taxation policies, strict regulations preventing seasonal labor as well as restrictive health and safety policies (Jenkins & Henry, 1982). Loureiro and Sarmento Ferreira (2015) noticed a lack of continuity of policies and planned activities combined with deficient legislation regulating hotel classification as factors hindering tourism growth in Sao Tome and Principe. According to Thompson et al. (1995), tourism in The Gambia in the 1980's suffered from high tourism-related taxes. Subbarao (2008) concludes from his study that the multitude of taxes in India is one of the main reasons international hotel chains are hesitant to open a property in the country.

Limited access to land. Tourism development requires access to suitable land to build accommodation or other types of tourism businesses. Rao (2002) studied tourism development in Fiji and concluded that issues around land tenure and property rights have been the major constraints facing tourism development in the country. The fact that it is impossible to freely buy and sell land in the marketplace due to the land tenure system had caused increased risk and uncertainty for hotel investors. Loureiro and Sarmento Ferreira (2015) noted that in Sao Tome and Principe poor land management was a hindrance to tourism development. The government had allowed the cluttered use of space and has ignored areas reserved for tourism development and coastal areas as well as violated laws and standards.

Lack of tourism prioritization. While in most countries, tourism is primarily a private sector initiative, the sector is also dependent on the support of the public sector (Kubickova, 2017).

Government's role in prioritization of the tourism sector goes further than creating the supporting organizations as these bodies require political mandate and adequate resources (Dieke, 2003). For example, in The Gambia, tourism has suffered from chronic underfunding by the government (Thompson et al., 1995). Lack of sector focus by the government manifested through lack of strategic vision, lack of research and lack of control was considered one of the issues facing B&B owners in South Africa (Nuntsu, Tassiopoulos, & Haydam, 2004). Traditional bureaucracy might not be able to handle the tourism sectors' need to be cross-governmental. As a result, "lack of co-ordination and co-operation between governmental departments can be very damaging to not only the quality of the tourism product but also to the efficacy of a participatory tourism development approach" (Tosun, 2000, p. 620)

Poor environmental quality. Issues around environmental management such as air and water pollution, beach erosion, illegally dumped waste and litter can have a negative impact on the tourism experience and thereby limit the sector's opportunity to grow employment opportunities (Hu & Wall, 2005). Mustika, Stoeckl, and Farr (2016) showed a negative correlation between environmental deterioration and expenditure by leisure tourists in the Australia's Great Barrier Reef. Air pollution in Beijing has negatively impacted the city's attractiveness from a leisure travelers perspective (Zhang, Zhong, Zxu, Wang, & Dang, 2015).

Lack of market coordination and responsiveness. Failure to coordinate private sector stakeholders reduces the ability to innovate and meet the overall needs of the market. Carlisle, Kunc, Jones, and Tiffin (2013) consider the fragmented nature of the industry as the main cause for the lack of collaboration. A study amongst B&B owners in South Africa showed that 80% of the respondents felt that a lack of communication and cooperation caused "fragmented institutions, the individualistic behavior of operators and unwillingness to cooperate" (Nuntsu et al., 2004, p. 521). Lack of responsiveness such as limited entrepreneurship (Wilson, Fesenmaier, Fesenmaier, & Van Es, 2001), and mismatch of supply and demand (Benur & Bramwell, 2015) can result in weakened market competitiveness and missed opportunities.

Limited access to finance. Financial institutions are reluctant to provide loans to local tourism business, especially SME's, often due to a lack of collateral and the fluctuating income of the businesses (Carrillo-Hidalgo & Pulido-Fernández, 2016). Surveys among tourism SME's in Trinidad (Roberts & Tribe, 2005) and a study among small hotels in Tanzania by Sharma and Upneja (2005) confirmed this. Ndabeni and Rogerson (2005) indicated the lack of access to finance due to high-interest or high collateral requirements as one of the leading constraints for further tourism development in South Africa.

Pillar II. Constraints to equal access to tourism opportunities

The relationship between tourism and inequality has been a widely discussed topic and studied from different perspectives. Scholars such as Holden and Burns (1995), who stated that tourism development could lead to 'islands of affluence' in a 'sea of poverty,' studied the role of tourism as a cause of inequality. Britton (1982) indicated that the nature of the tourism sector reinforces existing political systems and economies causing inequality in developing countries. These and other studies indicate that complex economic, historical, political and cultural conditions are root constraints on the ability of tourism to provide equal opportunities for all groups within a society (Hall, 1994). Also, the concept of inequality is based on western norms of equality rights and might not fit all societies and groups (Deveaux, 2000). That notwithstanding, tourism policymakers can develop policy and program responses to specifically mitigate the causes and effects of undesired inequalities. Tourism studies have identified differences in race, gender, ethnicity, geographic location and socio-economic status as the leading explanations for inequality of access to tourism opportunities (Scheyvens, 2002). Based on an extensive literature review, the author identified the following six factors as the primary constraints to equal access to tourism opportunities for marginalized groups:

Unequal access to education. To increase the chance of securing decent employment opportunities, people need skills and knowledge. The tourism literature focuses mostly on the lack of skills of the local population versus people from outside the community (Liu & Wall, 2006). For example, Schellhorn (2010) found that in Lombok poor foreign language

skills hindered access to tourism jobs for locals and in Elmina, Ghana the lack of general education was holding the locals back from opportunities (Holden, Sonne, & Novelli, 2011). Geographic location is identified as another constraint causing unequal access to (tourism) education. Due to the specialized nature of hospitality and tourism education, institutions that offer these tend to be in urban areas which limits easy access by students in rural communities (Thapa, 2012). Low socioeconomic status and associated low income was identified as the main constraint to tourism education by Meyer (2007).

Unequal access to infrastructure. Tourism development tends to concentrate around the (international) transportation gateways and nodes with a concentration of attractions and can thereby lead to regional concentrations. The farther away a destination is from these gateways or nodes, the less likely it becomes for tourists to visit an area as Kundur (2012) showed in his study on the Maldives. The availability of road infrastructure affects people's access to economic opportunities as well as to key public services (Koo, Wu, & Dwyer, 2012). Unequal access to drinking water, electricity, telecommunication services and sanitation also limits the opportunities for tourism development (Holden et al., 2011). The distance from the hubs makes it difficult for the tourism entrepreneur in rural areas to establish relationships with distributors such as travel agencies and tour operators needed to promote their products (Forstner, 2004).

Unequal access to finance. Access to finance for tourism enterprises is already problematic in developing countries, but for some groups, it is even more challenging. The literature discusses unequal access to finance for ethnic minorities, women, entrepreneurs based in rural areas, indigenous groups and locals. A survey of locally-owned bed and breakfast establishments in South Africa showed that the majority of businesses were started using the entrepreneur's own or family savings due to lack of access to external funding (Rogerson, 2004). It is clear that it is more difficult for women than men to obtain financing in tourism (Meera, 2014) and also for tourism entrepreneurs in rural areas (Badulescu, Giurgiu, Istudor, & Badulescu, 2015). Land tenure systems are often an obstacle for access to finance for indigenous groups as banks are hesitant to provide finance to businesses that use communal land as collateral (Buultjens et al., 2010). In some cases, locals have less

access to finance than foreigners as a survey among tourism SME's in Trinidad found (Roberts & Tribe, 2005).

Unequal access to land. Hall (2004) and Long and Kindon (1997) found that women have consistently less access to land than men. While indigenous communities such as in the Solomon Islands (Sofield, 1993) might have access to communal land, banks do not allow loans on this type of land. Tourism initiatives that require significant investments are therefor difficult to realize on communal land. Sirima and Backman (2013) found that there are limited opportunities for local indigenous communities to benefit from tourism opportunities around the national parks in Africa as land use regulations are complex.

Unequal access to information and knowledge. Tourism-related information and knowledge of the sector is unequally spread over groups and groups with better access will have more opportunities to be included (Scheyvens, 2002). Lack of information concerning tourism development leaves groups vulnerable to exploitation, limits their access to participation (Ashley et al., 2001) and can exclude them from business opportunities (Rogerson, 2004). Cole (2006) found that lack of knowledge of the tourism development process was a hindrance to villagers' self-esteem needed to develop tourism in Indonesia.

Unequal access due to institutional barriers. Institutional barriers including overregulation, bureaucracy and a centralized government can affect some groups more than others. Strict regulation can exclude specific regions from actively participating in tourism, as was the case in Upper Mustang in Nepal. The regulations in Nepal to protect local cultural and natural heritage meant that travelers were not allowed to travel to the area independently but had to organize their trip through a tour operator. Regulations also required porters to be recruited before reaching Upper Mustang leaving no opportunity for employment of the local population (Shackley, 1994). Constraints such as excessive bureaucracy can prohibit the poorest access to the market and to be involved in the tourism industry (Holden & Burns, 1995). Central governments often provide low priority to developing tourism in sparsely populated areas (Tosun, Timothy, & Öztürk, 2003).

Pillar III. Constraints to the equal outcome of tourism opportunities

Much of the relevant research focuses on unequal monetary outcomes (wages), and this is discussed related to gender (Ferreira Freire Guimarães & Silva, 2016); age (León, 2007); proximity to tourism hotspots (Spiteri & Nepal, 2008); and socio-economic situation (Blake, 2008). The non-monetary outcome approach which includes factors such as childcare and access to in-house training has received limited attention (Sandbrook & Adams, 2012). Besides discussions on the gender pay gap, tourism also sees a disproportional distribution of some jobs- referred to as “occupational crowding” (Sparrowe & Iverson, 1999). Given that women tend to work in less desirable and lower paid positions combined with the gender pay gap, it is found that women have disproportionately lower paid jobs in tourism than men (Campos-Soria, Garcia-Pozo, & Sánchez-Ollero, 2015).

3.2.3 The Tourism-driven Inclusive Growth Diagnostic Framework

Based on the three components required to achieve inclusive growth through tourism, I propose the Tourism-driven Inclusive Growth Diagnostic (T-DIGD) framework (Figure 4). For the tourism sector to drive inclusive growth as a societal outcome, the sector should create productive employment opportunities that are accessible for everyone in the country and that have equal outcome. For tourism to achieve this, all three pillars need to be supportive of this goal. The three pillars are closely linked to each other. Both Pillars I and II analyze factors concerning infrastructure, education, access to land and finance. For example, under pillar I the overall tourism-related infrastructure in the country is analyzed, while under pillar II the access by specific groups within society is analyzed. This means that the effects of these constraints to growth of tourism opportunities, and access to these opportunities needs to be analyzed jointly as increased access to infrastructure can create virtuous circles of increased opportunity.

Figure 4: Tourism-driven Inclusive Growth Diagnostic Framework



Obviously, inclusive growth requires a comprehensive and long-term approach because improvements in areas such as access to education and infrastructure require time to advance (Ali & Son, 2007). In addition, it is imperative that effect of growth on inclusiveness should be maintained over the long term (Ramos, Ranieri, & Lammes, 2013). Sustainability is especially relevant for the tourism sector as it is one of the few sectors where there is inseparability between production and consumption of the product as both take place in the same location (Inskeep, 1991). McKercher (1993, p. 9, p.9) argues that 'the greatest challenge facing sustainable tourism development is to ensure that tourism's assets are not permitted to become degraded. The success of the three pillars needs to be then also supported by the ability of the sector to be sustainable from an economic, social and environmental perspective. While the framework's main objective is to assess the ability of the tourism sector to contribute to SDG8 and SDG10, to achieve this long-term inclusive growth the pillars of the T-DIGD also address other SDG's including SDG5 (gender equality) and SDG6 (environmental sustainability).

The T-DIGD can be operationalized by using it as a diagnostic to assess and prioritize the different constraints systematically using a mixed-methods approach. Quantitative methods, in the form of a set of indicators for each of the constraints, allow benchmarking with comparative countries as well as trend analysis. Benchmarking is an important part of the HRV diagnostic process and the operationalization of the proposed T-DIGD will also rely heavily on the comparison of the country under study with similar countries. A selection of comparator countries is useful in order to benchmark a specific country in terms of the development of its tourism sector and its ability to generate inclusive job opportunities relative to countries with similar socioeconomic and tourism sector characteristics, including geography, income per capita, and available tourism resources. Trend analysis using specific indicators can be used to analyze historical patterns and the effect of policy changes. Qualitative methods, including interviews and document analysis, will be used to gain deeper understanding of the underlying issues and allow validation of the quantitative data.

3.3 Discussion and Conclusion

This paper has proposed a diagnostic framework to identify and prioritize the constraints to tourism-driven inclusive growth by linking the discussion on inclusive growth to the specific characteristics of the tourism sector. The research identified three elements that contribute to the tourism sector's ability to contribute to an inclusive growth strategy: (i) growth of tourism opportunities; (ii) equal access to tourism opportunities; and (iii) equal outcome of tourism opportunities. Assessing, prioritizing and addressing the constraints to each of these elements can contribute to a more inclusive tourism sector.

This paper has proposed a diagnostic framework to identify and prioritize the constraints to tourism-driven inclusive growth by linking the discussion on inclusive growth to the specific characteristics of the tourism sector. The research identified three elements that contribute to the tourism sector's ability to contribute to an inclusive growth strategy: i) growth of tourism opportunities; ii) equal access to tourism opportunities; and iii) equal outcome of tourism opportunities. The literature showed that most of the barriers to equal access to tourism opportunities are grounded in long-standing causes including economic, cultural, and political conditions. The diagnostic focuses on mitigating the effects of these root

causes and identifying the constraints that prohibit growth from being more inclusive. The result was a practical tool, the Tourism-driven Inclusive Growth Diagnostic Framework (T-DIGD) that can be used by policymakers and researchers alike to recognize barriers and prioritize policies.

The design of the T-DIGD draws heavily from the HRV diagnostic framework; it has, however, been adapted to the tourism sector as well as include factors that assess the inclusiveness of the sector. The first adaptation was that I changed the approach from a purely private sector focus to also including an analysis of the public sector and added factors that are specific to the tourism sector. While the HRV diagnostic is limited to examining the constraints to private investment and entrepreneurship on a cross-sectoral level, the T-DIGD considers both the private and the public sector on a tourism-sector level when diagnosing constraints. Although the private sector is the driver of growth in the tourism sector, the government still plays a key role (McKercher, 1993). First, the public sector plays an important role in employment generation as it provides employment opportunities through public sector managed resources such as museums and natural parks. Second, the government plays a key role in private sector access to publicly owned resources. The private sector is then also highly dependent on the ability and interest of the public sector to support tourism. For example, the ability of the private sector to generate jobs in a country known for its natural and cultural heritage is dependent on public-sector efforts to maintain the quality and access to natural and cultural attractions as well as other common pool resources. Mowforth and Munt (2008, p. 293) stated that “It is the governments that have a pivotal role and possess the potential power to control, plan and direct the growth and development of tourism”. As a result, the T-DIGD includes factors such as ‘Lack of tourism prioritization’ and ‘Poor environmental quality’.

The second adaptation is that the T-DIGD is restricted to factors that are controllable. In comparison, the HRV diagnostic is based on the endogenous growth theory and focusses on identifying constraints that obstruct the increase in private investments. For example, one of the branches of the HRV diagnostic analyzes ‘geography’ which include location, topography and climate. Although factors such as geographic location and weather predetermine the competitiveness of a destination and can be considered a hindrance to

achieve tourism-driven inclusive growth, they cannot be controlled or easily changed by policy makers. The T-DIGD is limited to those factors policy makers can control and address.

The third adaptation was the relaxation of the binding constraints concept. The factors inhibiting inclusive tourism growth are more diverse and context-specific than those inhibiting aggregated growth, and a decision tree capturing these factors thus would be more complex than that developed for economy-wide growth diagnostics. The T-DIGD should be used as a tool for structuring analysis, but with without too restrictive rules for application. Rodrik has stated that “because the framework cannot be applied mechanically and requires an inquisitive, detective's mindset” (Rodrik, 2007, para 2), it can be used for a process of elimination of less important factors and a disentanglement of causal chains. The ILO refers to their diagnostic model for inclusive and productive employment as a ‘reference tree’ instead of a ‘decision tree’ describing their less restrictive approach (ILO, 2012). The main feature of the ILO diagnostics is that of the stepwise exclusion of non-relevant aspects. The sequence of the analysis is to be followed level by level, although some flexibility is needed. The attention and importance accorded to each branch and sub-branch of the T-DIGD will depend on the significance of the constraint to enhancing inclusive growth. This significance will vary from one country to another, and not all factors need be explored at the same level, leaving the user with the freedom to eliminate factors when deemed necessary. See section 5.2.3 for more detail how I used the principles of the HRV diagnostic and how I adapted the model to apply to develop a framework to diagnose the constraints to tourism-driven inclusive growth.

The adaptations have some consequences. First, in almost all applications, the HRV diagnostic is used to systematically prioritize the constraints towards inclusive growth at an economy-wide level while the T-DIGD analyzes a single sector and operationalization is likely to require fine-tuning of the diagnostic. Sector-specific adaptation of the HRV diagnostic is still in an early stage, and only a few studies on inclusive growth by the World Bank and USAID involved a partly sector-specific diagnosis of the garment and tourism sectors (USAID, 2014; World Bank, 2016). Second, through the sector-specific adaptations, the T-DIGD methodology shifted from a mainly quantitative focus (as per the HRV) to a combined

quantitative/qualitative approach. The specific tourism constraints require more in-depth examination and often lack the precise indicators to allow a purely quantitative approach. The more information-intensive sectoral approach will require an analyst to understand cross-cutting constraints as well as tourism-sector specific issues. Third, the concept of binding constraints was also relaxed as factors inhibiting inclusive tourism growth are more diverse and context-specific than those inhibiting aggregated growth. The T-DIGD hereby has become a tool for structuring analysis, but without overly restrictive rules and it can still be used for a process of elimination of less important factors. Fourth, determining causal relationships between growth and inclusiveness is expected to be challenging. It will most likely raise questions such as “Do changes in inclusiveness result from growth or does more inclusiveness enable growth?” Finally, when applying the T-DIGD framework, it should be acknowledged that each country has its specific circumstances and, yet the framework can be applied to both developed as well as emerging economies.

The characteristics of the tourism sector make that it may contribute to greater inclusion in developed as well as developing countries. Though most of the barriers to increased inclusion are grounded in long-standing causes including economic, cultural, and political conditions, the proposed framework can nevertheless be applied by tourism policymakers and researchers to focus on mitigating the effects of these root causes and identifying the constraints that hinder the path to a more inclusive tourism sector. It contributes to the understanding of tourism planning in the context of an inclusive growth strategy by providing a tool to guide evidence-based decision-making regarding tourism development issues by the government, tourism policymakers and development agencies and provide guidance in formulating effective tourism policies. The systematic approach acknowledges the value of both qualitative as well as quantitative input for the understanding of constraints concerning equal access and outcome of tourism opportunities. The diagnostic developed in this study provides an opportunity for future empirical research and conduct case studies to test the framework in different contexts including in countries that are grappling with limited access to reliable quantitative data.

Chapter 4

Tourism and Inclusive Growth: Evaluating a Diagnostic Framework⁷

*There the sunrise warms the soul; the sun gets bright in mountain woods
Yonder gifts in great profusion, richly spread by nature's power
See the clear lake stretching white or blue, darkened by the wind
Look at the plains or mountains
Beauty everywhere divine.*

From the poem T'ga za Jug by Konstantin Miladinov

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Abstract

This paper aims to further advance the theoretical and practical understanding of tourism and inclusive growth by evaluating the Tourism-Driven Inclusive Growth Diagnostic (T-DIGD) framework in practice. This was done by defining a mixed-method methodology including identifying 96 indicators and applying the framework to the tourism sector of North Macedonia. Testing the diagnostic and evaluating its strengths and weaknesses showed that this is a promising approach as it can identify the possible binding constraints to tourism-driven inclusive growth out of a large selection of possible factors. It can thereby contribute to a way of systematically and transparently prioritizing policies to formulate a context-specific development strategy in the presence of limited resources. This paper is timely and relevant for tourism policy makers as there is an increased demand for tools that can be used for evidence-based policy making for tourism development.

Keywords: inclusive growth, tourism planning, diagnostic, inequality, evidence-based

4.1 Introduction

The debate about the role of the tourism sector in development has recently moved from an approach that focuses solely on the tourism sector's role in reducing poverty, to a tourism sector that is also more inclusive (Hampton et al., 2017; Scheyvens & Biddulph, 2018). While global poverty and inequality levels between countries have fallen, inequality levels within countries have tended to increase (Summers & Balls, 2015). It has been found that inequality levels within a country can contribute to societal unrest, hamper growth and can impede development (Anand & Kanbur, 1993; Bourguignon & Morrisson, 1998). Debates on inclusive growth and development have begun to rise among scholars and international organizations such as the Asian Development Bank (ADB), the World Bank and the United Nations World Tourism Organization (UNWTO) (de Haan, 2015). Inclusive growth “deals with policies that allow people from different groups – gender, ethnicity, religion – and across sectors – agriculture, manufacturing industry, services – to contribute to, and benefit from economic growth” (de Haan, 2015, p. 612). Inclusive growth is seen as sustainable growth that i) will create and expand economic opportunities, and ii) ensure broad access to these opportunities so that members of society can participate in and

benefit from growth (Lee, 2019; McKinley, 2010). (Rauniyar & Kanbur, 2010b, p. 457) define it as “growth coupled with equal opportunities”. Tourism is considered a way to support job growth and thereby support to the well-being of people in many emerging economies (Mitchell & Faal, 2007; Snyman, 2012; Twining-Ward, 2010). However, the theoretical basis for the link between tourism development and inclusive growth has not yet been fully developed. Tourism in relation to inclusive growth was first mentioned by Hampton and Jeyacheya (2012) and Hampton et al. (2017). Bakker and Messerli (2017) build upon this first research and claimed that to support inclusive growth, tourism must create productive employment as well as economic opportunities for entrepreneurs while also ensuring equal access to these generated jobs and opportunities. Following ILO (2009, p. 3), productive employment can be defined as “employment yielding sufficient returns to labor to permit workers and their dependents a level of consumption above the poverty line”. For tourism to be considered inclusive it should then also “contribute to the process of improving the terms for individuals and groups to take part in society” (Bakker (2019, p. 576), which particularly refers to increasing the ability of marginalized groups to take part in the economic process of the tourism sector.

If there is an assumption that tourism has the potential to contribute to inclusive growth, then the question for many countries is which factors constrain the tourism sector from increasing the number of inclusive job and entrepreneurial opportunities? In tourism research, the main approach to diagnose the impact of tourism on the wider economy is the tourism-led growth hypothesis (TLGH) (Schubert et al., 2011). The main strand of TLGH studies examines the relationship between tourism and macroeconomic variables such as gross domestic product (GDP), exports, and the exchange rate in a specific country where the number of international tourism arrivals is often used as a proxy for tourism development and the change in GDP as a proxy for the impact on economic development (Brida & Pulina, 2010). Cross-country panel studies are used to determine which variables are most likely to be related to the ability of tourism to contribute to economic growth (Holzner, 2011). Sánchez-Rivero et al. (2013) found that tourism growth does not always result in economic development: “not all types of interventions in the pursuit of tourism growth are equally effective in promoting a country’s economic development. Or, put another way, there are variables of tourism growth which are more strongly related to

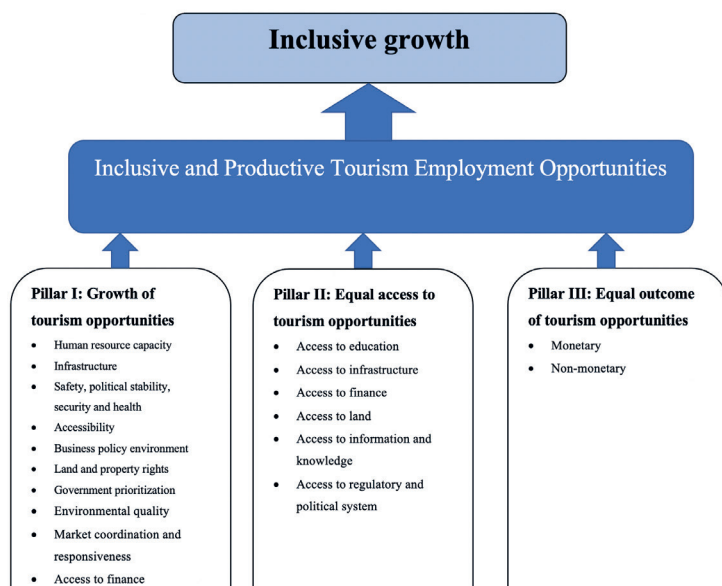
economic development than others, and therefore action should be directed primarily towards promoting these variables and not others” (Sánchez-Rivero et al., 2013, p. 248). Thus, while these studies identify the variables that correlate with the ability of tourism to drive economic growth, the methodology does not allow deeper understanding of the how and why of these variables (Croes, 2014). These tourism growth studies also do not include factors that address inclusion of marginalized groups. Within tourism research, case studies are frequently used to examine the contribution of tourism to reduce poverty and provide insights into the sector’s ability to provide opportunities for marginalized groups. These case studies are predominantly qualitative in nature and often focus on a small geographic area or a particular marginalized group such as women or ethnic groups (King & Dinkoksung, 2014; Wilkinson & Pratiwi, 1995). Neither of these types of studies provide a comprehensive framework to identify the tourism-driven inclusive growth constraints on a national level.

As a response to the limitations of the traditional empirical economic growth studies, especially relating to the appropriateness and applicability of growth promoting policies in emerging economies, Hausmann et al. (2005) developed the Hausmann Rodrik and Velasco (*HRV Growth Diagnostic*). The HRV method is not designed to identify general policy prescriptions for growth but proposes a specific approach to each setting. The HRV framework for a country calls for a set of statistical methods and benchmarking tests against a set of comparator countries to evaluate whether a factor constrains growth or not (Ianchovichina & Lundstrom, 2009). Academics, development organizations and governments have applied the HRV diagnostic and it is widely considered as a useful framework to diagnose macro-economic growth constraints (Felipe & Usui, 2008; Habermann & Padrutt, 2011). Since the HRV diagnostic was introduced in 2005, international organizations have adapted it to also address the ability of the economy under study to address the inclusiveness of growth (ADB, 2010; McKinley, 2010). There have been few growth diagnostics that offer sector specific insights (USAID, 2014).

Based on the principles of the *HRV Growth Diagnostic*, and an extensive literature study, a *Tourism-driven Growth Diagnostic* (T-DIGD) framework was adapted to the tourism sector (Bakker, 2019). The purpose of the framework is to assess and prioritize the binding constraints that need to be addressed to achieve a more inclusive tourism sector and

contribute to a policy-making process that is based on evidence-based decision making. This diagnostic is based on the following three pillars: i) Growth of productive employment opportunities; ii) Equal access to these opportunities; and iii) Equal outcome of tourism opportunities (income and non-income). Included under each of the pillars are specific factors that could hinder the ability of the tourism sector to stimulate the growth of productive and inclusive employment opportunities (see Figure 5).

Figure 5: The Tourism-driven Inclusive Growth Diagnostic (T-DIGD)



Source: Adapted from Bakker, 2019, p. 584

This resulted in a total of 18 factors under three pillars. The T-DIGD acknowledges that a tourism sector which has a goal to contribute to inclusive growth needs to be supported by the ability of the sector to be sustainable from an economic, social and environmental perspective. Since sustainable tourism indicators have been widely studied (Miller & Twining-Ward, 2005) and implemented (Choi & Sirakaya, 2006; Roberts & Tribe, 2008), they are not further discussed in this article.

The article contributes to the debate on tourism and inclusive growth by evaluating the T-DIGD in practice. It does so by examining the strengths and weaknesses as well the challenges of a diagnostic framework that analyzes and prioritizes the constraints to inclusive growth in tourism sector context. North Macedonia was selected as a case study since this country has a relative high level of inequality (Tevdovski et al., 2014), it has one of the highest percentage of its population living under the national poverty line in Europe (World Bank, 2019), tourism development can be considered regionally unbalanced (Government of North Macedonia, 2016) and the tourism sector has been identified by the government as one of the key growth sectors (Kohl & Partner, 2016). The country is defined by the International Monetary Fund (IMF) as an emerging market and developing economy (IMF, 2018).

The results of the application of the diagnostic by means of a case study, therefore, contribute to the existing literature on tourism development by giving insights in two ways: the possibilities of executing a tourism-driven growth diagnostic, and identifying the binding constraints for tourism related growth in a specific case like North Macedonia. This study is also timely and relevant for tourism policy makers as there has been an increased desire for tools that can be used for evidence-based policy making (Siow et al., 2015). This paper is structured as follows. Section 2 explains the methodology and analysis of the data. Section 3 describes the tourism sector in North Macedonia. Section 4 discusses the main findings and section 5 evaluates the findings and discusses the strengths, weaknesses and challenges of the T-DIGD.

4.2 Methodology

The T-DIGD used the HRV diagnostic approach as its starting point on how to collect and analyze the different types of data. The initial paper by Hausmann et al. (2005), where they first presented the diagnostic, “left many open questions about how to proceed in practice” (Hausmann, Klinger, & Wagner, 2008b, p. 2). In their 2008 publication, (Hausmann et al., 2008b) systematized how the implementation of the HRV was done in practice and found that the framework benefits from bringing together different data sources, tests and diagnostics. They found that international benchmarking, descriptive statistics and qualitative data collection combined can “come up with a coherent story that can be the

basis for a consideration of therapeutic strategies” (Hausmann et al., 2008b, p. 95). To analyze the factors under each of the three pillars of the T-DIGD, a similar approach was developed. Since the T-DIGD is a sector-level inclusive growth diagnostic and the HRV an economy-wide growth only diagnostic, the methodology to implement the T-DIGD framework was modified to adapt to a sector-specific growth diagnostic that also addresses inclusiveness factors. Employing Hausmann et al. (2008b) ‘Mindbook’ as the fundamental methodology, the application of the framework in North Macedonia used four methods for collecting qualitative and quantitative data.

First, we performed an analysis of strategic documents including national and regional tourism plans, and tourism trade reports to examine identified constraints to tourism sector growth and inclusiveness in the country. Documents are an interpretation of reality as written by authors with a specific point of view. Most of the public reports represent the viewpoints of the government, the development organizations and other actors. While at first glance these reports seem objective representations of findings, there also might be a certain bias from each of the publishing organizations (Bowen, 2009), which necessitates triangulation of data.

In the second step, a total of 96 indicators from public databases including the World Bank, United Nations World Tourism Organization (UNWTO), and World Economic Forum were used to measure the 18 factors under each of the three pillars. An indicator is an instrument “that helps you to understand where you are, which way you are going and how far you are from where you want to be” (Hart, 1995, p.67). The selection of these indicators was based on the following criteria as suggested by Prescott-Allen (2001): i) feasibility (data is readily available), ii) comparability (data must be available for large number of countries), iii) measurability (data must be available for multiple years), iv) reliability (dependable source), and v) representability (data must provide insights into the factor that is analyzed). The most recent data for each indicator was used and the latest available year for which data was available ranged from 2013 to 2018. The indicators under pillar II that analyze access to tourism opportunities were categorized by gender, region, ethnicity, socio-economic status and age wherever appropriate and available. National data was also sourced from the North Macedonia State Statistical Office. To understand the performance of North Macedonia in a

wider context, data was also collected for five benchmark countries (Albania, Bulgaria, Montenegro, Serbia and Slovenia) wherever comparison was relevant, and data was available. Benchmarking is a systematic tool that uses metrics to compare the performance of one entity against similar others (Camp, 1989) The five comparable countries selected are i) all located in the Balkan peninsula, ii) have a similar recent history (Croatia, Montenegro, Serbia and Slovenia were also part of the former Republic of Yugoslavia), iii) some are also landlocked (Serbia) or virtually landlocked (Slovenia), iv) have a comparable population size, and v) are all actively pursuing tourism development. The countries in this set include countries that can be considered at a similar stage of development (Albania and Serbia). Croatia and Slovenia have significantly higher GDP per capita, lower poverty rates and lower unemployment rates and can be considered 'aspirational' countries for North Macedonia in terms of economic performance (World Bank, 2017).

Next, 20 key informant interviews were carried out with tourism sector stakeholders including international tour operators (5), local tour operators (5), hotels (4), and attractions (6). Data was collected using semi-structured interviews, and the interviews were conducted face to face, with duration ranging between 20 and 120 minutes in 2017 and 2018. A flexible interview protocol allowed use of pre-determined questions but also allowed for additional questions in response to new information or the specific insight of the interviewee (Bryman, 2015). The questions probed interviewees to identify and explain the barriers to growth of the tourism sector as well as how these barriers were holding back specific groups within the country. The participants for these interviews were selected using purposive sampling techniques (Gunn & Var, 2002). The goal was to identify 'knowledgeable' people on the tourism sector in the country and who could provide and communicate this more effectively than other people (Tongco, 2007).

Finally, qualitative research through site visits in 2017 and 2018 at attractions and sites including wineries, museums, monasteries and waterfalls provided insights of visible constraints and also informed interview discussion.

After collecting the data, the next phase was to analyze the different data sets under each of the 18 factors to identify those factors that could be constraining inclusive growth. The

HRV diagnoses across sectors, where quantitative data has typically good availability (Hausmann et al., 2008b) and much of the constraint analysis focuses on analyzing statistical data using trend analysis and benchmarking. However, availability of quantitative data for the tourism sector in North Macedonia was limited and required a concurrent triangulation design for mixed method data collection that allowed for a step-by-step process of identifying the factors that can be considered binding using the four types of collected data. This type of design employs different types of data to validate the results and is used to combine quantitative and qualitative data (Creswell & Clark, 2007). The first step was to examine North Macedonia compared to the benchmark countries by measuring the distance to the mean score of each indicator similar to the distance-to-target (DTT) method (Seppälä & Hämäläinen, 2001). An indicator score within a 90th percentile of the mean for the benchmark countries would qualify a constraint as non-binding; between 90th and 80th percentile as moderately binding; and any score below the 80th percentile from the mean would qualify a constraint as possibly binding. Next, the qualitative data collected through the interviews, document analysis and site visits, was used to validate this scoring. For a few factors, there was no quantitative data available, and the analysis was fully dependent on the available qualitative data. In the other cases, the qualitative data was used to validate the quantitative data. In cases where the qualitative data did not support the quantitative findings, the information obtained through the interviews was weighted over that derived from the indicators. This since the qualitative data provided tourism sector specific insights, while most of the available indicators were limited to economy-wide data and reflecting the situation prior to the 2017-2018 study period. This process of elimination resulted in the identification of those constraints that are considered most binding for the tourism sector to contribute to inclusive growth in North Macedonia. The T-DIGD methodology should, just as the HRV diagnostic, not be seen as a rigid approach and according to Hausmann et al. (2008b, p.28) “one should not force a country to fit a particular existing model. Maybe the best model for that country still needs to be written, and Growth Diagnostics should be viewed as the process of unveiling that model through an iterative process of deduction and induction, data and theory; but contextual to the country”. The methodology as described above was tested in North Macedonia with the aim to examine the strengths, weaknesses and challenges of the T-DIGD.

4.3 Tourism in North Macedonia

Officially known as the Republic of North Macedonia, North Macedonia is landlocked and located in the center of the Balkan Peninsula and has a total land area of 25,700 square kilometers. North Macedonia has had a tumultuous history with its borders being disputed many times. While the country has been a candidate EU member for several years, it was not able to join neither NATO nor the European Union due to a name dispute with Greece. In July 2018, the country received an invitation to join NATO and discuss EU accession talks, after steps were taken to resolve the dispute (Pamuka, 2018). On February 12, 2019, the country formally changed its name to Republic of North Macedonia following the June 2018 Prespa Agreement with Greece.

Since the 1990s, North Macedonia has transitioned from a socialist to an open and market-based economy of which privatization of state-owned companies played a significant role. The transition from a socialist country resulted in a significant drop in income during a short period of time for a large group of people (Jaklic & Svetlicic, 2017). Shortly after independence, the economy suffered from an economic embargo from Greece. Other setbacks to the economy were the crisis in neighboring Kosovo, the internal war conflict in 2001 and the two-year domestic political crisis in 2015 and 2016, leading up to the elections in December 2016 (Morris, 2019). Despite the setbacks, GDP per capita more than tripled since 1992 and was at US\$5,414 (current US\$) in 2017 (World Bank, 2017). However, GDP per capita is still less than 50% of the EU average and is one of the lowest in the Balkans (World Bank, 2017). Other former Yugoslavia countries, Slovenia and Croatia, have a GDP per capita that is respectively quadruple and double that of North Macedonia.

North Macedonia also has one of highest levels of income inequality and other socio-economic disparities in Europe and struggles with high unemployment rates (Micevska, 2008; Sadiku, Ibraimi, & Sadiku, 2015), and emigration as well as rural-urban migration (Bornarova & Janeska, 2012). Persistence and fundamental spatial inequality can be identified as one of the reasons for the high inequality levels within the country even though the government has put policies in place for more balanced regional development (Petrevska & Ackovska, 2015). Concentration of economic activity is a challenge, with the urbanized Skopje region responsible for 43% of all gross domestic product in the country

(State Statistical Office North Macedonia, 2017). The government considers tourism as a growth sector for its economy (Kohl & Partner, 2016).

The capital city of Skopje and the town of Ohrid, located 180 kilometers southwest from Skopje, are the main tourist sites in the country. Skopje is the largest city in the country, and most of its historic buildings were destroyed during the earthquake of 1963. One of the main attractions for international visitors is the museum dedicated to Mother Theresa who was born in Skopje in 1910. The Old Bazaar is another site of interest within the city. Just outside of Skopje are several popular tourist sites. Lake Matka offers hiking, kayaking, and caving. Vodno Mountain is home to the Millennium Cross that can be reached by cable car. The UNESCO World Heritage Committee listed city of Ohrid and its adjacent Lake Ohrid, is a popular destination for domestic and international visitors. Lake Ohrid has several small, pebbled beaches and there are tour operators offering boat rides and scuba diving. Additional attractions are the ski resorts in Mavrovo and Popova Shapka, rural villages as well as Lake Dojran. Compared to other former Yugoslavia countries, the number of international arrivals in North Macedonia is relatively low; the country received 707,000 foreign arrivals in 2018 compared to 4.4 million in Slovenia and 2.1 million in Montenegro (UNWTO, 2019b). In 2018, foreign and domestic arrivals generated 3.2 million overnight stays in North Macedonia. Domestic visitors remain the primary market generating 53% of all overnight stays. The regional markets including Turkey, Greece and Serbia consisting of VFR, business, transit and leisure travelers generate most of the international demand. The Netherlands is the main Western European holiday and leisure market which consists of mainly package tours including charter flights directly to Ohrid (State Statistical Office North Macedonia, 2018). North Macedonia is also included in most Balkan tours (organized multi-country group tours), mostly driven by demand from Asian origin markets. These groups usually spend only one or two nights in the country visiting Skopje and Ohrid.

4.4 Results

The summarized results of the full T-DIGD for North Macedonia are presented in a heat map (Figure 6) where the different constraints are visualized with the use of colors (Bojko, 2009).

Red indicates a binding constraint, yellow a constraint that is moderately binding and green indicated that constraint is not considered to be binding at this moment.

Figure 6: T-DIGD Heat Map for North Macedonia

Pillar I: Growth of tourism opportunities					
Human resource capacity	Difficult to find skilled staff, especially skilled guides				
Adequacy of infrastructure	Poor quality of road infrastructure; poor signage				
Safety, political stability, security and health	The political instability and associated unrest as well as the perceived issues around the refugee crisis has affected tourism growth				
Accessibility	Direct and indirect air connectivity is not entirely meeting the needs of market and the subsidies are creating an artificial demand situation				
Business enabling environment	High ease of doing business, easy licensing and registering of a business procedures				
Access to land and property rights	Good access to land and procedures to transfer land titles				
Government prioritization	While government is prioritizing tourism development, resources are lacking to implement all necessary actions				
Environmental quality	Air pollution and poor waste management (garbage) have negative impact on the quality of the tourism product				
Market coordination and responsiveness	The private sector is properly organized but there is a lack of entrepreneurship and understanding of customer needs				
Access to finance	No significant constraints except limitations for women				
Pillar II: Equal access to tourism opportunities					
	Gender	Geographic	Age	Ethnicity	Socio-economic
Access to education	No significant constraints	People living in rural areas are less likely to have completed secondary and tertiary education	No significant constraints	Minorities less likely to have completed secondary and tertiary education	Lower socio-economic groups less likely to have completed secondary and tertiary education
Access to infrastructure	No significant constraints	Road infrastructure less developed in rural areas	No significant constraints	No significant constraints	No significant constraints

Access to finance	Women less likely to have access	No significant constraints	No significant constraints	No data available	No significant constraints
Access to land	Women are less likely to have access to land	No data available	No data available	No data available	No data available
Access to information and knowledge	No significant constraints	No significant constraints	No significant constraints	No significant constraints	No significant constraints
Access to regulatory and political system	No specific actions towards greater inclusion by government	Entrepreneurs in rural areas feel ignored	No specific actions towards greater inclusion by government	No specific actions towards greater inclusion by government	No specific actions towards greater inclusion by government
Pillar III: Equal outcome of tourism opportunities					
Monetary outcome	There is a small gender pay gap	No data available	No data available	No data available	No data available
Non-monetary outcome	No data available	No data available	No data available	No data available	No data available

To illustrate the applied methodology, the following section describes the detailed data collection and analysis for one of the factors under each of the three pillars. The selection was based on methodological considerations as the three factors comprehensively illustrate the overall approach that was used for all 18 factors. The factor ‘Human resource capacity’ under Pillar I, is an example of a factor that was considered binding based on comparing the data from different indicators with the qualitative data. It shows how the interviews provided the sector-specific insight that was not available through the benchmarking process. Under Pillar II, the process to analyze the factor ‘Access to infrastructure’ was selected as it had good availability of both qualitative and quantitative data. It also showed the important role of tourism-specific qualitative data in analyzing constraints that hinder inclusion as quantitative tourism data on inclusion is generally lacking. ‘Monetary outcome’ was selected under Pillar III as there was no data availability for the other factor, ‘non-monetary outcome’, under this pillar.

4.4.1 Pillar I - Human Resource Capacity

This factor analyzes the availability of an educated and skilled tourism workforce and is measured by eight benchmark indicators. North Macedonia scores significantly below for two of them and below average for one (see Table 1). The World Bank Enterprise Survey (WBES) indicator, that measures the share of enterprises who consider inadequately educated workforce as a major constraint, indicates that entrepreneurs in North Macedonia consider the educational level of the workforce much more of a problem compared to entrepreneurs in the benchmark countries (World Bank, 2013). The World Bank Development Indicators (WBDI) used for the benchmark also show that North Macedonia has the lowest enrollment in secondary as well as tertiary education within the region. The enrollment rate in tertiary education is especially low (World Bank, 2017). However, on the World Economic Forum (WEF) benchmark indicators measuring human resources and labor markets, North Macedonia scores above the benchmark countries. This includes the WEF indicator 'Ease of finding skilled employees'. There is no explanation for the discrepancy between the World Bank and WEF indicators. There is no data available for the number of graduates from tourism schools nor are there any tourism-specific benchmark indicators available for the availability and quality of the workforce.

Table 1: Results for the benchmark indicator 'Human Resource Capacity'

Indicator	Source	Year	Albania	Bulgaria	Croatia	Monte negro	Serbia	Slovenia	N.Macedonia	Mean	Distance from mean (%)
% of enterprises who consider inadequately educated workforce as a major constraint	WBES	2013	2.1	5	3.5	2.7	6.1	0.9	6.8	3.4	- 50.0
Gross enrollment rate in secondary education (%)	WBDI	2013	93	93	100	91	94	98	82	94.8	- 13.0
Gross enrollment rate in tertiary education (%)	WBDI	2015	63	67	65	55	56	85	39	65.2	- 40.0
Extent of staff training	WEF	2017	3.9	3.5	3.4	3.4	3.2	4.2	3.7	3.6	+3.0
Ease of finding skilled employees	WEF	2017	3.7	3.4	3.7	3.5	3.5	4.6	4	3.7	+ 8.1

Ease of hiring foreign labor	WEF	2017	5.6	4.2	3.1	3.7	3.8	3.7	4.4	4.0	+ 10.0
Pay and productivity	WEF	2017	4.4	4	4	3.7	3.5	3.9	4.3	3.9	+ 10.3
Number of graduates from tourism schools	--	2018	n/a	n/a	n/a	n/a	n/a	n/a	-	-	-

Supplementary statistics showed that North Macedonia's 26% unemployment rate (State Statistical Office North Macedonia, 2018), indicate that shortage of workforce is not a constraining factor to the country's growth. Also, limited human resource capacity does not appear to be constrained by a lack of education facilities as stakeholders indicated that the six vocational schools and four universities are offering sufficient number of programs. Both the vocation schools and the universities are geographically spread around the country and private sector stakeholders did not indicate the number of tourism education institutions as a constraint. Interviewees did mention that, despite the high unemployment rate in the country, it is difficult to hire qualified and skilled people. Tour operators specified that this is most visible in guiding where there is currently a lack of properly trained and skilled guides. Tour operators indicated a high demand for guides of international standard who possess the required technical, social and language skills and indicated that current guide training courses do not adequately address the demand of the market. Shortage of skilled staff was also identified by hotel managers who mentioned the issue of 'brain drain' - young people with dual nationality (Bulgarian) work for a relatively short period to gain experience and then emigrate to an EU country. Qualitative data then also validated the WBES indicators that tourism-specific human resource constraints, especially the mismatch of skills and available jobs, could be considered binding to the growth of the tourism sector.

4.4.2 Pillar II - Access to Infrastructure

This factor analyzes the access to a country's infrastructure including its road transportation network as well as energy, water and communication technology (ICT) and was analyzed using five benchmark indicators. In addition, access to infrastructure in terms of ethnicity, gender, urban–rural residence, and socioeconomic status was analyzed wherever national-level data was available and relevant. Tourism sector-specific indicators on access to infrastructure were not available.

Table 2: Results for the benchmark indicator 'Access to Infrastructure'

Indicator	Source	Year	Albania	Bulgaria	Croatia	Monte negro	Serbia	Slovenia	N.Macedonia	Mean	Distance from mean (%)
Health and survival, women/men index	WEF-Gender	2017	0.968	0.979	0.98	0.974	0.98	0.98	0.976	0.98	-0.1
Access to health services by socio-economic strata (% for poorest)	WHO	2010	57.2	n/a	n/a	55	n/a	n/a	70.5	56.1	+25.7
Paved roads as part of total road network (%)	CIA	2016	39	99	n/a	92	63	100	68	79	-13.5
Access to electricity, (% of rural population)	WBDI	2014	100	100	100	100	100	100	100	100	0.0
% of population using at least basic drinking water services, rural/urban index	WHO	2015	91	99	100	98	91	100	97	96.5	+0.5

Note: WHO =World Health Organization; CIA= Central Intelligence Agency

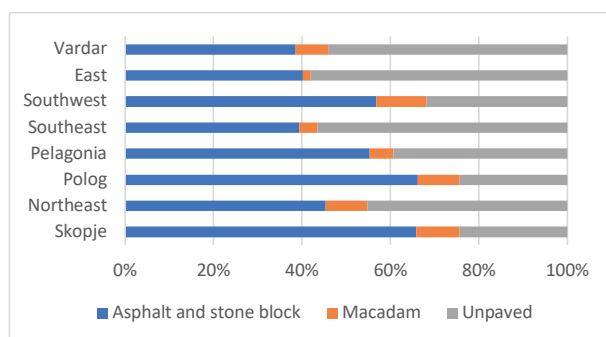
Health

North Macedonia scored within the non-binding range for both of the benchmark health indicators. Further analysis of the WHO data on access to health by socio-economic strata showed that while there is still a small gap in access to health by socio-economic status in North Macedonia, the gap has become smaller between 2005 and 2011. Qualitative data showed that tourism sector stakeholders did not indicate that access to health services is a barrier to opportunities in the tourism sector.

Roads

North Macedonia scores below average compared to its benchmark countries on the indicator that measures the share of paved roads over total road network. This indicator provides information on the possibility of physical access to destinations in rural areas. This indicator was further analyzed using national level statistics. Figure 6 shows that while more than 60% of roads in the Skopje region are asphalt, in the more rural eastern part of the country, less than 50% of the roads are asphalt. In the Vardar region, less than 40% of the roads are asphalt and 40% of the roads are dirt roads.

Figure 7: Road network in North Macedonia, by region, 2015



Source: North Macedonia State Statistical Office

This was validated by the qualitative data as tourism stakeholders in the Vardar region stated that there are tourism assets, such as wineries, that cannot be developed more for tourism as they are located on dirt roads. Tour operators have indicated that certain attractions in rural areas have tourism potential but getting to the sites with buses is too difficult due to the poor state of secondary roads. A North Macedonian ground operator commented on roads in the Northeast region that *“The road infrastructure, especially in the east of the country, needs to be improved. To go from Skopje to a monastery near Kratovo and back takes an entire day, these trips are not worthwhile”*. Many of the current tourists travel in small or large tour groups on buses which require paved roads. The quality of the road infrastructure also hinders independent travelers from exploring certain parts of the country. The lack of signage and roadside information has also been identified as a constraint both by stakeholders as well as through site observations. There is limited and inconsistent visitor signage within towns, settlements, recreational areas and around attractions, hindering easy navigation by independent travelers.

Currently, the road infrastructure can, at this time, be considered a constraint to opening rural areas for tourism development and, thereby, limiting access to tourism opportunities and economic growth for people living in these areas.

Water and electricity

The benchmark indicator measuring access to at least basic drinking water, did not indicate this factor as a possible binding constraint to tourism opportunity access. There was no

official data available on access to water and electricity by region, socio-economic status, ethnicity or gender. Interviews with tourism SMEs in rural areas indicated that access to electricity is a constraint only in some very isolated areas.

In summary, the quantitative and qualitative data indicate that from all of the subfactors for access to infrastructure, only access to the road network can be considered a binding constraint in some of the rural areas. None of the baseline indicators, nor national data on horizontal inequality groups, measure access to tourism opportunities explicitly. This means that analyzing this factor required strong reliance on qualitative data.

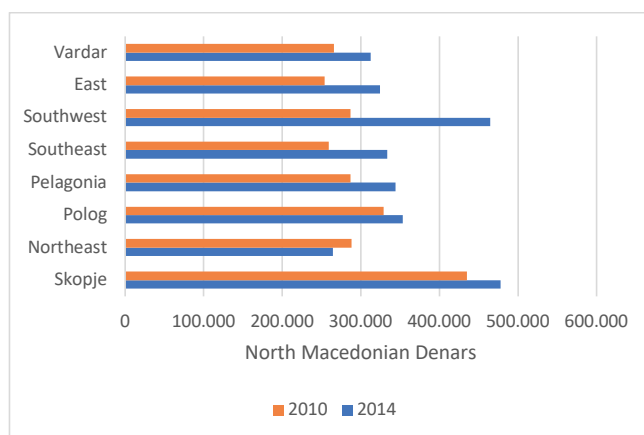
4.4.3 Pillar III – Equal monetary-outcome of tourism opportunities

This factor captures constraints towards inequalities of the monetary outcome of tourism employment across religion; gender; ethnicity; and region. Monetary outcome includes wages and self-income. Under this pillar there are no benchmark indicators available, only indicators on the outcome of tourism opportunities within the country. In North Macedonia, data on gross earnings is only available by region and gender.

Regional inequality

There is no data on gross earnings per region for the tourism or hospitality sectors but the cross-sector data by region shows that average gross earnings have increased between 2010 and 2014 in almost all regions. The northeast was an exception as there was a decline in the average income of the employed. The data also shows that the average income is significantly lower in predominantly rural areas such as the east and northeast region. Thus, no conclusions can be made on the regional inequality of gross earnings in the tourism sector.

Figure 8: Average gross earnings, by region, 2010 and 2014

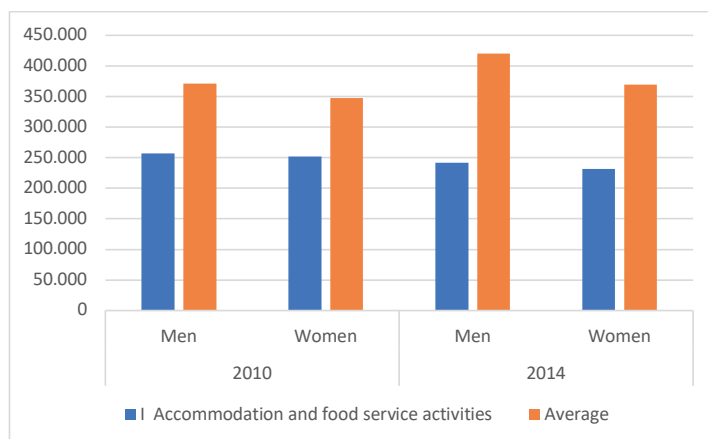


Source: North Macedonia State Statistical Office

Gender inequality

In 2014, the average income gender gap- the difference between what men and women are paid in average gross earnings - was 12% across all sectors. For accommodation and food service activities, the gender gap was just 5%. This indicates that the tourism sector provides a significant increase towards equal outcome of opportunities for women compared to the average for all sectors. In 2010, the average was 6% for the average job and 2% for jobs in accommodation and food services, thus showing a slight decline of the gender gap compared to 2014.

Figure 9: Average gross earnings, taxes and social contributions (in North Macedonian Denars) by sectors of activities and gender, 2010 and 2014



Source: North Macedonia State Statistical Office

There is limited data available for this factor. Cross-sectoral data indicates that the monetary outcome for jobs is lower in rural areas however this cannot be confirmed for the tourism sector. However, the indicator on average gross earnings indicates that tourism sector jobs have the opportunity to reduce the gender pay gap in North Macedonia. There was no qualitative data collected for this factor, as interviewees were reluctant to share income-related information.

4.5 Discussion

The main aim of this study was to test and evaluate the strengths, weaknesses and challenges of the T-DIGD. The diagnostic is a promising approach as its main strength is that it can contribute to systematically and transparently prioritizing policies to formulate a context-specific development strategy in the presence of limited resources. Other commonly recognized approaches such as the benchmarking tool Tourism and Travel Competitiveness Index by the World Economic Forum (WEF) exclude factors that diagnose the inclusiveness of the sector and do not provide insights beyond rating each factor on a scale. TLGH studies focus solely on economic growth and do not provide the deeper understanding of constraining factors required for policy making. The T-DIGD can bridge the gap between purely quantitative approaches and purely qualitative approaches, allowing data triangulation which can overcome limitations associated with reliance upon one single source of data (Johnson & Onwuegbuzie, 2004). In addition, it provides a systematic approach to diagnose the constraints to a more inclusive tourism sector without being rigid. The findings of applying the T-DIGD in North Macedonia demonstrate that the T-DIGD can support identifying binding constraints out of a large selection of possible factors. This concurs with Bluhm and Szirmai (2012, p.49) analysis of the HRV diagnostic who stated that “The framework captures the simple idea of intertwined and differently sized distortions”.

Despite the analytical strengths of the T-DIGD framework, the tourism sector approach and adding inclusion factors resulted in some weaknesses of the diagnostic compared to the HRV including prioritization of the constraints, causal relationships, and underlying root constraints. Challenges such as lack of availability of data, indicator discrepancy and data

dissonance are not inherent to the T-DIGD but are problematic issues for other types of diagnostic tools as well.

The first signaled weakness is the challenge of deciding which constraints are 'binding' and which are 'non-binding' and which constraints should be prioritized over the others. The lack of a 'scientific formula' for this analytical decision, as Sartor (2007) refers to it, makes that the task of identifying the binding constraints "rely on the creativity of the analyst and his or her ability to formulate hypotheses and create plausible stories that can be verified empirically" (Leipziger & Zagha, 2006, p.2). The lack of data for part of the indicators in North Macedonia made the process of prioritizing even more difficult. The lack of benchmark indicators for the factors that analyze the constraints to inclusivity made it challenging to prioritize the factors under Pillar II. As a result of this, we did identify the binding constraints yet did not prioritize within the binding constraints identified. Using benchmarking as an instrument to determine if a factor for the country under study is binding or not, and the distance-to-target (DTT) method, can hide constraints that are evident across all benchmark countries. For example, if all countries score low on an indicator, the DTT method will not identify this factor as constraining. This could be addressed by adding the mean score for the wider region or the global average which would allow verification of the cross-benchmark performance against a larger set.

The second weakness of the T-DIGD is its challenge to determine the interrelation between growth and inclusiveness as it raises questions such as "Do changes in inclusiveness result from growth" or "Does more inclusiveness encourage growth?" Applying the diagnostic suggests that the factors under Pillar I and II exert considerable influence on each other and are inter-related. The analysis showed that the constraints to growth of tourism opportunities influences access to these opportunities and vice versa. The identified constraints to the growth of opportunities affect already marginalized groups more than the average population which is known as the 'inequality trap' (Bourguignon, Ferreira, & Walton, 2007). This generally has two implications: first, the absence of equal opportunities for marginalized groups will further widen the inequality levels within the country and second, this negatively affects the aggregate dynamic of growth and development. For the tourism sector, this means that the lack of quality roads in rural areas not only prohibits local people

to gain an income from tourism but also prevents the tourism sector from expanding. This means that the effects of these constraints to growth of tourism opportunities, and access to these opportunities needs to be analyzed jointly since, for example, increased access to infrastructure can create virtuous circles of increased opportunities. However, the opposite can take place as well whereby increased tourism activity can exacerbate existing inequality. For example, if infrastructure improvements make existing tourism hotspots more accessible, other regions can start to lag even more (Wen & Tisdell, 1997). These issues of possible mutual causality in both directions require the researchers to have significant background knowledge to understand and analyze the causalities.

Finally, applying the T-DIGD to North Macedonia provided an indication of the constraints that are currently hindering further fostering of inclusive tourism development in the country. These constraints, however, are most likely related to deeper root issues or underlying factors that give rise to it. This requires an analysis of these root causes to understand what is causing the problems (Lee & Chang, 2012). This is in line with the critique by Habermann and Padrutt (2011) of the HRV diagnostic. North Macedonia's socialist past has exacerbated regional inequality (Bartlett, 2013; Lyon, 2015); the relatively slow post-socialist transition is hindering entrepreneurship (Ramadani, Gërguri, Dana, & Tašaminova, 2013); and the political instability is affecting the business climate (Ceka, 2018). As an example, uneven access to resources in North Macedonia has resulted in regional inequality. This is also observed in many other countries (Rey, 2004). The seminal work by Williamson (1965) found that regional disparities are larger in less developed countries and smaller in more developed economies. He also found that continuous economic growth can bring a reduction of regional inequality. The concentration of tourism activities or growth poles where high levels of activity take place in a small number of regions is not uncommon in emerging economies (Torres & Momsen, 2005). Further growth of tourism can lead to congestion in these concentrated areas as well as provide the required capital to expand, and growth is then directed to a broader area, which can support a decrease in regional inequality. Besides the economic reasoning behind spatial inequality, there are also political and historical reasons why rural regions are lagging and much of this can be directed back to the core-periphery paradigm (Borgatti & Everett, 2000) and the power relations in a country. The centralization of state authority and the consequent power dynamics tend to

favor the core areas. Economic activities in the peripheral regions in emerging economies still tend to be mostly agricultural or in industries that provide mostly low-skilled employment opportunities (Gradus, 1983). Policy decisions are made at the central level, and in most countries, especially post-socialist countries, the implementing local authorities have very little decision-making powers (Scherpereel, 2007). Given the low density of the population in rural areas, the urban areas are overrepresented in the positions of power. North Macedonia is experiencing further depopulation of rural areas due to the migration of people which is exacerbating the demographic structure and the power position of the people living in these peripheral regions. People in rural areas, especially those further away from the political capital, are less likely to benefit from large infrastructure projects or investments to improve the education system (Rocheska, Angel, Milevska, & Kostoska, 2014). This example of a deeper root constraint shows that the factors that need to be analyzed as part of the T-DIGD require a profound understanding into the underlying deep-rooted issues or the local socio-political context. This means that applying the T-DIGD is limited to people who have deep understanding of the country who, at the same time, can also distance themselves from local political and social structures.

The T-DIGD also has a few challenges that are not inherent to this diagnostic but that are issues for other type of analysis as well. The first challenge is the limited availability and quality of tourism sector data as well as sector specific and general data on inclusion factors. Application of the T-DIGD to North Macedonia showed that for some of the factors, the availability of quantitative data is limited. This is especially apparent for data that is tourism-specific or requires specification by gender, region, age, income level and ethnicity. The different time-points for which data was available also makes triangulation problematic. The qualitative data collected during the interviews reflected the current situation at that time while for some of the indicators the data reflected the situation three or four years prior. The T-DIGD is modeled after the HRV diagnostic which was designed to identify economy-wide binding constraints towards growth. A sector-specific approach such as the T-DIGD, as opposed to a macro-level, was expected to be more challenging as evidenced by USAID's experience with their sector-level growth diagnostic on the garment and textiles industry (USAID, 2014). Compared to other sectors, the tourism sector is more problematic to capture as "tourism does not exist as a distinct sector in any system of economic statistics

or national accounts. Tourism is an industry that cuts across many sectors of the economy, with tourists consuming goods and services sourced from multiple industries such as retail trade, accommodation and food services, transport, arts, entertainment, and personal and recreational services” (Dwyer, Forsyth, & Dwyer, 2020, p. 215). The lack of tourism-sector data is also apparent for indicators measuring income. Indicators measuring gross earnings in North Macedonia were only available for people working in ‘accommodation and food services activities’ and not for the entire tourism sector. This lack of indicators measuring the full sector means there is a need for qualitative data to supplement the indicators.

The HRV diagnostic does not address inclusion aspects and applying the T-DIGD in North Macedonia showed that indicators measuring this, even economy-wide, are limited. Without data, analyzing access to opportunities constraints relied on anecdotal evidence. The significance and reliability of the qualitative data depends on the choice and quality of stakeholders interviewed. Stakeholders may not be truly knowledgeable, can have their own agenda, not be transparent or base their view on preconceptions they may have (Alshenqeeti, 2014). It is then also important to have understanding of the political, geographical and socio-economic context when gathering input for the diagnostic. The lack of availability of tourism-specific and inclusion data increases the role of the researcher to make critical assessments. This can increase the risk of researcher bias or falling into an ‘availability bias trap’. This is a situation where researchers find it easier to accept or reject a variable as a binding constraint, for which data are available, as opposed to another variable where data are limited (Felipe & Usui, 2008)

The second challenge is that in a few cases the findings of the diagnostic in North Macedonia indicated a discrepancy between the different benchmark indicators. For example, WBES results showed that entrepreneurs experience an inadequately educated workforce as a major constraint while similar indicators published by the WEF showed no sign of a constraint. Analysis of the different methodologies used by WBES and WEF is needed. The difference could also be explained by the year the indicators were measured; the WBES was last conducted in 2013, while the WEF is from 2017.

The final challenge, for a few of the indicators there was a significant difference between the quantitative and the qualitative data. For a large number of factors, data was only available on an economy-wide level while the qualitative research provided sector specific insights. For example, in North Macedonia, the indicators for 'Ease of finding skilled employees' on a national level implied no constraints while qualitative data indicated human resource constraints on the sector level. This dissonance is not unusual when using methodological triangulation in a mixed-method study (Creswell, 1994). In this case, it is assumed that the qualitative data provides the sector-specific insights required to analyze the factor and determines if it is restricting or not.

4.6 Conclusion

In this paper, a model that can identify the constraints to tourism-driven inclusive growth was applied to the tourism sector of North Macedonia. The adaptation of the HRV diagnostic into a tourism sector specific growth diagnostic that also incorporates inclusion aspects resulted in a tool that provides opportunities for researchers. The main advantage of the T-DIGD is that it provides a systematic approach for researchers through its framework that enforces a step-by-step process of considering all factors that can constrain the tourism sector from contributing to inclusive growth. With its mixed-method approach, the T-DIGD bridges the gap between purely quantitative approaches, such as the TLGH studies, and qualitative methods, including case studies. In addition, it contributes to the needs of policymakers for a tool that supports evidence-based decision making. The main challenges of the T-DIGD are the difficulty of prioritization of the constraints, analyzing the causal relationship between growth and inclusion, and understanding the underlying root constraints. The inherent complexity of the tourism sector makes a diagnostic challenging. There are different and many factors that play a role in delivering a competitive tourism product which is further complicated by the dynamics between public and private sector stakeholders (Dredge & Jenkins, 2007; Inskeep, 1991). In addition, unlike most other industries, the product of the tourism sector needs to be consumed on site (Font & Ahjem, 1999). The sector approach of the T-DIGD also makes using quantitative data challenging as there are limited indicators available that are sector specific especially in the case of the tourism sector which is not included as an industry in the national accounts. Furthermore,

application of the T-DIGD in North Macedonia showed that there is limited availability of indicators measuring inequality for the different marginalized groups. This makes the T-DIGD more reliant on qualitative data than the HRV diagnostic in this case. As a consequence, the process of identifying binding constraints is less structured than that of the HRV diagnostic for a country. This means that the researcher applying the T-DIGD is required to have a profound understanding of the deeper root constraints as well as the political and socio-economic context of the country under study and, yet must also be unbiased and without pre-determined opinions. The Nobel Laureate economist, Michael Spence, appraised the HRV diagnostic but mentioned that the process of identifying binding constraints to growth is "a 'disciplined art' more than science" (Leipziger & Zagha, 2006, p. 2). Applying the T-DIGD in North Macedonia showed that this is also the case for this diagnostic.

Applying the T-DIGD in North Macedonia identified several constraints deriving from country's geographic, political and socio-economic realities that hinder the sector's capacity to create inclusive employment opportunities. The results suggest that the main barriers for the tourism sector's ability to contribute to inclusive growth in the country are related to the quality and access to education; the quality of the road infrastructure especially in the rural areas; issues around political instability and safety; tourism prioritization and finally, a lack of entrepreneurship and market responsiveness. The results from the T-DIGD can provide improved understanding of the necessary strategies for increasing the tourism-sector's contribution beyond a solely economic growth focus and include ways to improve the creation of income opportunities that are equitable. In the case of North Macedonia, policy recommendations could include focus on improving regionally balanced development through integrating lagging regions through road improvements. Another policy recommendation can be to enhance human resource capacity for people in the lower socio-economic strata, across different age groups, for women and ethnic minority groups with a focus on gaining specific tourism skills.

Future studies should address some of the weaknesses and challenges mentioned. First, the current model proposes a total of 96 indicators measuring possible constraints under 18 factors which makes application of the model a very resource-heavy process. Further

analysis of the availability of data for the indicators in other countries as well as data overlap, can determine if the number of indicators can be condensed without possibility of reducing the effectiveness and reliability of the model. Second, further examination of how to identify the causal relationships between the factors under the different pillars is also recommended. Future research could include regression analysis of the factors that are most likely to contribute to the tourism sector's ability to contribute to inclusive growth. Third, future research should focus on applying the T-DIGD to countries that have either less or more availability of quantitative data to understand what effect this has on the applicability and usefulness of the diagnostic.

Chapter 5

Conclusions and Discussion

If not us, who? If not now, when?

Hillel

5.1 Introduction

In many countries, tourism is considered as an economic sector that can create jobs and other income opportunities and can thereby contribute to lower poverty levels. Over the last decade, the need for greater equality has become more urgent as widening inequality is not only threatening economic development but also social development and is causing political and social unrest (Thorbecke & Charumilind, 2002). Governments and international development organizations have then also shifted their policy objectives from focusing solely on economic growth and poverty reduction, to working on removing the barriers that exclude people from opportunities to ensure more inclusive growth. At the same time, theoretical debates have started to move from pro-poor development to a development approach that is based on inclusive growth. Despite the increased interest in the inclusive growth concept by policy makers and advisors, a theoretical basis for the link between tourism development and inclusive growth has not been fully developed yet. Academics and policy makers have started to create and apply diagnostic frameworks that can identify the constraints that hinder an economy from achieving increased inclusive growth so that policies can focus on addressing these barriers. However, these frameworks have not been applied and tested on a tourism sector level yet.

This thesis aimed to increase the understanding of the role of tourism development in an inclusive growth context and develop a diagnostic framework to identify and prioritize the constraints that prohibit the tourism sector from creating more productive employment and entrepreneurship opportunities in a country context. The main aim was to **develop a diagnostic framework to identify the binding constraints to tourism-driven inclusive growth**. This thesis was both theoretically and empirically explorative and had the following two sub-aims:

1. Investigate the origins and principles that have contributed to the idea of inclusive growth and use these to develop a conceptual foundation for the understanding of tourism-driven inclusive growth.
2. To develop, test and evaluate a diagnostic framework to identify the binding constraints to tourism-driven inclusive growth.

In this final chapter I will start with the main conclusions by answering my four initial research questions. The chapter then proceeds with a reflection on the theoretical findings. Finally, the chapter will provide areas for future research and some final remarks.

5.2 Main Conclusions

Below are the main conclusions for the four research questions I started this thesis with and that guided my study.

5.2.1 RQ1: How does tourism fit into the inclusive growth theory and how is this different from other approaches?

The main premise of the inclusive growth theory is that growth i) should create and expand economic opportunities, while at the same time, ii) ensure broad access to these opportunities so that members of society can participate in and benefit from growth (Lee, 2019; McKinley, 2010). Inclusive growth theories consider employment as the main way to reduce inequality in a country. Some sectors might be better able to provide income opportunities that are accessible to a broad part of society than others. As discussed and shown in chapter 2 and 3, so far the academic output dedicated to tourism in the context of inclusive growth is still very scarce, I therefore reviewed, assessed and combined the literature on tourism and inclusive growth and showed that tourism, just like other sectors, can be studied through the lens of inclusive growth theories. The tourism sector has the opportunity to be inclusive as it is considered labor-intensive and requires relatively low skill levels (Liu & Wall, 2006). The tourism sector can also have the ability to disperse job opportunities to a wide geographic area including rural areas where there might be few other opportunities for employment. Based on the inclusive growth theories, I argued that the ability of the tourism sector to drive inclusive growth depends on the combined impact and interaction of three elements or pillars:

Pillar I. Growth of productive employment opportunities

Pillar II. Equal access to these opportunities

Pillar III. Equal outcome of tourism opportunities (income and non-income)

The first pillar includes creating productive employment opportunities through tourism development. The second pillar addresses equal access to these opportunities, jobs and other economic activities, that are being created. The third pillar analyses if these jobs and other economic activities provide equal outcome in terms of monetary income and other types of outcome.

Previous approaches, such as the traditional economic growth theories, focus mostly on determinants of growth. These types of traditional economic growth theories can also be observed in the context of the tourism sector. In many countries, the government's approach to tourism development is still that of growing tourism purely based on increasing the number of arrivals without a focus on increasing social inclusion or job creation (Higgins-Desbiolles, Carnicelli, Krolikowski, Wijesinghe, & Boluk, 2019). The difference between a traditional tourism sector growth approach and a tourism-driven inclusive growth approach is that, instead of focusing on increasing the number of arrivals, an inclusive growth emphasizes creating access to jobs and other income opportunities for those groups that currently do not have sufficient access to these opportunities. Inclusive growth through tourism does not necessarily require an expansion of the tourism sector as it can also be the result of increasing job opportunities for marginalized groups through for example strengthening linkages in the value chain, by dispersing tourists to other geographic areas or by focusing on more labor-intensive type of tourism offerings. An inclusive growth strategy will require governments to develop tourism as a means to create inclusive job opportunities as an outcome instead of focusing on growing arrivals as the final objective. I defined tourism-driven inclusive growth as economic growth through tourism that creates long-term productive employment as well as economic opportunities for entrepreneurs while also ensuring equal access to these generated jobs and opportunities.

A tourism-driven inclusive growth approach also differs from pro-poor tourism growth, a widely accepted approach to tourism in emerging economies (Meyer, 2010). There are both theoretical differences as well as differences in implementation. The main theoretical difference is that inclusive growth is in line with the absolute definition of pro-poor growth, but not the relative definition. Under the absolute definition of pro-poor growth, growth is considered to be pro-poor as long as poor people benefit in absolute terms (reduction of

poverty). Under the relative definition, growth is pro-poor if the incomes of poor people grow faster than those of the population as a whole (Ravallion & Chen, 2003). Inclusive growth is growth that reduces the disadvantages of the poorest while benefitting everyone, whereas “pro-poor growth under the relative definition may be obtained either in the absence of benefits to one or more groups or at the expense of one or more groups” (Ranieri & Ramos, 2013a, p. 1). A second theoretical difference is that pro-poor growth solely focuses on people below the poverty line, while inclusive growth aims to benefit people from a large proportion of a country’s labor force (Ianchovichina & Lundstrom, 2009).

There are also several differences between the pro-poor tourism approach and tourism-driven inclusive growth approaches when it comes to implementation. Many NGO’s and development organizations have used pro-poor tourism approaches over the last twenty years. Most of these initiatives were relatively small-scale projects, closely connected to specific communities. While the large scale infrastructure-driven tourism development projects in the 1970’s and 1980’s received criticism because they had too little concern for the needs and wants of the local communities (Hawkins & Mann, 2007), the main critique of the pro-poor tourism projects is that their impact is too limited (Harrison, 2008). Pro-poor tourism was, and still is, focused on reducing poverty levels through tourism development and many of the donor-funded pro-poor tourism projects ended up focusing on capacity-building and building tourism infrastructure within a particular area or community but without an inadequate demand-driven focus. This has resulted in a significant number of projects that had limited long-term economic impact and that were often unsustainable without continued financial donor support due to poor market access and poor governance (Goodwin & Santilli, 2009; Muckosy & Mitchell, 2008; Spenceley, 2008). Mitchell and Ashley (2010, p. 17) noted that “most of the pro-poor tourism literature is heavily focused on benefit shares accruing to specific poor groups, it almost appears as if researchers believe that the key function of tourism is to benefit poor people” and thereby missing important impacts of the mainstream tourism sector (e.g. the ability to create a large number of jobs) itself and therefore its impact on large numbers of poor people.

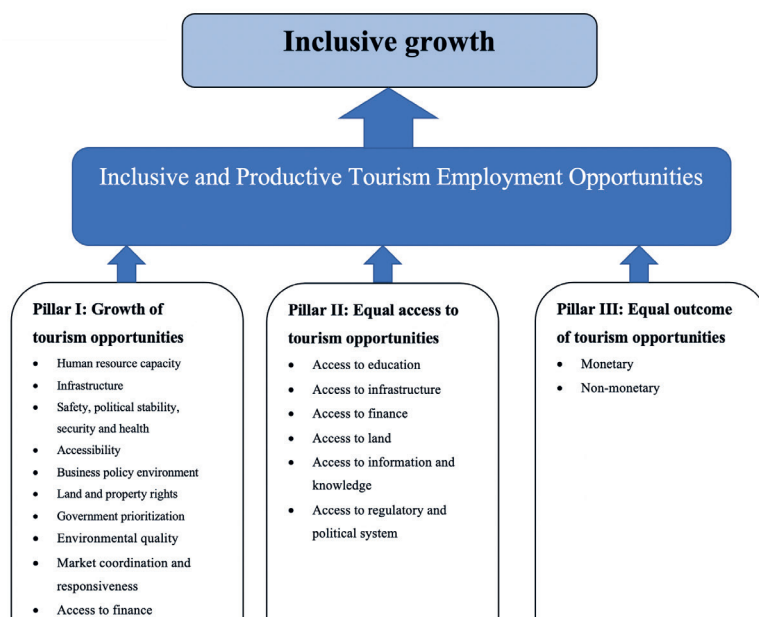
Tourism-driven inclusive growth is a long-term (20-30 years) approach and should fit into a country's overall inclusive growth strategy in order to benefit from synergies. Inclusive growth examines tourism development from a national level and not from a project or destination level as pro-poor tourism studies have predominantly done. There are a few notable exceptions including the work by Mitchell and Ashley (2010) who used a value chain analysis approach (VCA) to study the income earned by the poor from different types of tourism, including packaged beach tourism. An inclusive growth approach is designed to have a greater impact in terms of providing inclusive job opportunities and is also not limited to specific types of tourism. Tourism-driven inclusive growth attempts to achieve the need for greater inclusion by increasing access to long-term opportunities for marginalized groups across the sector by removing barriers to equity.

5.2.2 RQ 2: What are the main constraints to tourism-driven inclusive growth?

I categorized the main constraints to tourism-driven inclusive growth under the three pillars I developed as part of RQ1 (see chapter 3). Based on a thorough evaluation and analysis of academic literature, I identified 10 constraints that can be considered most critical in restricting the growth of tourism opportunities; six constraints that are prevalently discussed as prohibiting equal access to tourism opportunities; and two categories of issues that inhibit equal outcome of tourism opportunities (see Figure 10). Pillar I – *Growth of productive employment opportunities*, predominantly takes the perspective of firms and it is strongly linked to the competitiveness of a destination. Critical success factors in determining competitiveness entail improving the business enabling environment and strengthening of the private sector. Pillar II – *Equal access to tourism opportunities*, deals with employability of individuals or specific groups of individuals (e.g. women, ethnic minorities or rural communities). This second pillar examines what prohibits these groups from gaining access to productive employment opportunities generated by the tourism sector. Pillar III- *Equal outcome of tourism opportunities*- examines if the outcome of participating in productive employment is equal among individuals or groups of individuals. Here the literature has focused mostly on the difference in monetary (wages) outcomes for different groups. I found that the differences in non-monetary outcomes are still largely under-examined in the academic literature. The literature indicated that good governance

plays an important role across all three pillars and analyzing the factors will then also require an understanding of the relationships and responsibilities of the different stakeholders.

Figure 10: The Tourism-Driven Inclusive Growth Framework



Source: Adapted from Bakker, 2019, p.584

The three pillars are closely linked to each other. Both Pillars I and II analyze factors concerning infrastructure, education, access to land and finance. This means that for example under Pillar I the overall tourism-related education in the country is analyzed, while under pillar II the access by specific groups within society is analyzed. This denotes that the effects of these constraints to growth of tourism opportunities, and access to these opportunities needs to be analyzed jointly as, for example, increased access to education can create virtuous circles of increased opportunity.

By answering this research question, I added to the literature by identifying the main constraints to tourism-driven growth and by categorizing them under the three pillars. While there has been a significant scholarly focus on issues around tourism competitiveness

and equal access to tourism sector opportunities, most papers focus on one specific or just a few constraints or a specific geographic area. To my knowledge, there has been no previous academic study that brings together all of the main constraints to tourism-driven inclusive growth in one study.

5.2.3 RQ 3: What is the most suitable design for a tourism-driven inclusive growth diagnostic framework?

This question was answered in Chapter 3 and is an output of the analysis of existing growth diagnostics and builds upon the literature review on tourism development and inclusive growth in chapters 2 and 3. The most prevalent method to diagnose growth constraints have been cross-country growth regression studies which look at the variables that are causally associated with the rate of economic growth in the average country. They econometrically estimate the marginal contribution to growth of each casual explanatory variable for the countries included (Barro, 1989). Within tourism, researchers use tourism-led growth hypothesis (TLGH) panel data studies to identify the main constraints of the sector's ability to contribute to economic growth (Brida & Giuliani, 2013).

I argued that the Hausmann Rodrik Velasco (HRV) growth diagnostic framework has become the most prevalent approach to determine the most binding constraints to growth on a country-level. However, this framework does not include factors that study constraints to greater inclusion and there only have been a few studies that use the HRV on a sectoral level (USAID, 2014; World Bank, 2016). The Tourism-driven Inclusive Growth Diagnostic (T-DIGD) framework that I developed in this thesis uses the HRV Growth Diagnostic as its starting point and was adapted to fit the tourism sector's specific characteristics and to include factors to diagnose inclusion constraints. The three pillars and the tourism-specific constraints formed the basis for the T-DIGD. This resulted in my first adaptation of the HRV as I included tourism-sector constraints that are not part of the original HRV methodology. For example, one of the sector specific constraints I added is 'Lack of tourism prioritization'. Other constraints that I added are 'Limited accessibility' and 'Poor environmental quality'. While these constraints can also be detrimental to overall economic growth, they are especially critical to tourism development.

Second, to meet the tourism sector-specific needs, I shifted the T-DIGD methodology from a mainly quantitative data focus (as per the HRV diagnostic) to a mixed-method approach using both quantitative and qualitative data. This is because in many countries the availability of data for tourism-sector specific indicators is limited and a sector-specific approach therefore also requires qualitative data. For the quantitative indicators, I selected data points that are collected by international organizations including the WTTC, World Bank and different UN agencies. The main reason for sourcing secondary quantitative data from reputable international organizations was that this allows for international benchmarking. For a few factors, I used multiple indicators, which enabled data-triangulation. I found that the data for cross-sectoral indicators under Pillar II that measure inclusiveness is more challenging to source than data for indicators on Pillar I – Growth of tourism opportunities. Data for tourism-sector specific indicators measuring inclusion is also very scarce, hence the greater need for supplemental statistics and qualitative data under Pillar II. To measure sub-national inequality levels, the diagnostic relied on the availability of data that is available on a regional or municipality level, as well as interviews. This approach is similar to that of Grenade (2012) who used the HRV methodology to determine the binding constraints on economic growth on the Caribbean country of Grenada. She also experienced a lack of quantitative data and relied heavily on interviews to collect the necessary data to conduct the study leading to a mixed-method data approach.

Third, I relaxed the concept of binding constraints, since factors inhibiting inclusive sector-specific growth are more diverse and context-specific than those inhibiting economic-wide growth. The HRV method calls for a series of econometric and benchmarking tests that indicate whether a factor constrains growth or not. Unlike the HRV method, I decided for the T-DIGD not to use the decision tree under the pillars, nor used a strictly quantitative analysis. Instead, I examined each of the constraints separately combining the benchmarked quantitative indicators as well as the qualitative data. The T-DIGD hereby has become a tool for structuring the analysis, but without overly stringent rules and it can still be used for a process of elimination of less important factors. Constraints that are not signposted through the benchmarking process or come up through qualitative analysis are not considered binding. This was also recommended by the initial designers of the HRV diagnostic after the

first implementation round (Rodrik, 2007). However, not using a decision tree approach limits the use of statistics to assess the relative importance of factors in the decision-making process if they should be considered binding or not. Yet I argue that not using a decision tree approach is beneficial as it allows room for the use of qualitative data needed to understand sector-specific issues.

My adaptations are in response to the evaluation of the HRV diagnostic by Felipe and Usui (2008, p.6) who stated that “as development practitioners, we believe that the work of Hausmann is only the start. The methodology has to be improved, as there are a number of loose ends”. Ianchovichina and Lundstrom-Gable (2012) also found the HRV diagnostic too general and advocated for tailored sector adaptations:

In cases in which growth is concentrated in a few sectors or specific types of economic actors, the framework should be modified and supplemented with analysis of constraints to growth in the slow-growing and emerging sectors and constraints to individuals to contribute and benefit from growth. (Ianchovichina & Lundstrom-Gable, 2012, p.155)

In sum, the design of the T-DIGD is based on the HRV approach but adapted to diagnose tourism-sector specific growth opportunities constraints while also able to diagnose the constraints to the inclusiveness of the sector. These adaptations have put a greater emphasis on qualitative research than the HRV framework that relies predominantly on quantitative data.

5.2.4 RQ 4: What are the strengths and weaknesses of a diagnostic framework that analyzes and prioritizes the constraints to inclusive growth in a tourism sector context?

This question was answered in Chapter 4 through the application and evaluation of the T-DIGD in North Macedonia. The main strength of the diagnostic comes from its ability to combine quantitative and qualitative data and to include factors that analyze growth opportunities as well as inclusiveness (access as well as outcome) factors in the same diagnostic framework. Combining different data collection methods and sources allows for a systematic and comprehensive analysis that can provide deeper and detailed insights than current approaches such as the TLGH studies or case studies. The T-DIGD is not a rigid

model and allows its users the flexibility to adapt to local circumstances such as including an analysis of statistics that are beyond the benchmark indicators.

The main weaknesses identified during the testing in North Macedonia, also discussed in Chapter 4, are based around prioritization of the constraints, causal relationships, and underlying root constraints. The first weakness of the T-DIGD is the approach used to prioritize constraints. There is no 'scientific formula' or statistical modeling used to make a final decision if a constraint is binding or not. The distance-to-target (DTT) method provides a systematic way to rate the performance of the individual indicators, but given the limited availability of quantitative data, I also used qualitative data to provide deeper tourism-sector specific insights. Although the constraints can be categorized as 'binding', 'moderately binding' or 'not binding', it is an arbitrary process and there is no prioritizing within the three groups of constraints. Purely quantitative methodologies do allow ranking causal factors. The TLGH methodology generally uses bi-directional tests to see if there is causality between variables such as tourist arrivals and GDP. Other studies propose a multivariate analysis that uses various economic indicators including inward direct foreign investment and transportation indicators. While econometric demand studies can prioritize the possible factors that can be used to indicate constraints, they usually provide limited in-depth information on the impact of the factors. For example, the indicator 'Road kilometers per person', sometimes used to measure infrastructure accessibility, will require qualitative data from tour operators to analyze the actual impact on the tourism sector.

Another weakness is the diagnostic's ability to explain the interrelation between growth and inclusiveness factors. Analyzing the causal relations of 'inequality traps', such as unequal access to education, requires further analysis. The same can be argued about the issues of underlying root constraints. More profound, historical forces can explain constraints that can manifest themselves across all of the 18 factors. Causal factor analysis and root constraint analysis are currently not built into the T-DIGD, but the T-DIGD can be used as a first step for further research. Understanding the multi-layered and multiple dimensions of constraints to growth and inequality will require an innate understanding of the country by the researchers undertaking the analysis.

My conclusion is that despite some of the weaknesses, the T-DIGD can be considered a useful diagnostic. Existing analytical methodological approaches such as the TLGH and econometric demand studies can identify possible growth constraining factors, but are more limited in terms of providing insights required for policy making. Benchmarking tools such as the WEF's Tourism and Travel Competitiveness Index can identify possible constraints, but also provide insufficient understanding of local circumstances. Neither of these two tools can be used to assess inclusiveness factors. Case studies can provide deeper understanding of local constraints to tourism-driven growth but tend to focus on a small geographic area or specific marginalized group within a country. The T-DIGD addresses some of these shortcomings as it examines growth and inclusiveness factors in the same diagnostic; is designed to diagnose country-level constraints and can provide deeper insights than most econometric models. It combines both qualitative and quantitative data which allows for analysis of both types of data in the same framework. In a sector-specific setting, such as the tourism sector, this allows for a more in-depth analysis where qualitative input adds context to the quantitative data.

5.4 Discussion

In Chapter 1, I introduced several debates related to inclusive growth and tourism that are still relatively unexplored in the literature. In this section I will return to those debates as well as reflect on a few other debates that emerged during my research.

5.4.1 Tourism-driven inclusive growth and the growth paradigm

Without a clear conceptual consensus, the term inclusive growth has turned out to be a controversial topic within tourism academia. Some feel that inclusive growth is just another neoliberal push for growth and argue that improving equality requires more substantial structural changes (Saad-Filho, 2010). The relationship between tourism and growth has become highly controversial and Hall (2010, p. 137) suggests that "much tourism growth, as with much economic growth in general, is already uneconomic at the present margin as we currently measure it given that it is leading to a clear running down of natural capital". Boluk, Cavaliere, and Higgins-Desbiolles (2019) critically reflect on the United Nation's SDG's and argue that SDG 8 - *Promote inclusive and sustainable economic growth, employment*

and decent work for all - is in conflict with SDG's 12, 13, 14 and 15 which promote responsible consumption and a cleaner environment. Related, a degrowth agenda has then also emerged in the context of tourism development as it is argued that tourism should be less focused on economic growth but should change production and consumption patterns to be more in line with sustainable and just outcomes (Fletcher, Murray Mas, Blanco-Romero, & Blazques-Salom, 2019). The authors propose the following measure to reign in the tourism sector on a macro level:

In a de-growth scenario, many existing businesses would still need to shut down. To minimize loss of employment, remaining jobs should be shared as part of an overall reduction in working hours (coupled with increase in hourly pay). This would need to be subsidized through state support, as would unemployment benefits and retraining for workers forced to move to other sectors. (Fletcher, Murray Mas, Blazques-Salom, and Blanco-Romero (2020, para. 14)

However, the degrowth debate is focusing mostly on destinations in the advanced economies of the Global North (Blazquez-Salom, Blanco-Romero, Vera-Rebollo, & Ivars-Baidal, 2019; Milano, Novelli, & Cheer, 2019). Measures such as paid reduction of working hours subsidized by the state for tourism workers are not realistic options for countries which are grappling with poverty and an overall lack of employment opportunities. The discussion on the need for inclusive growth is then also more prevalent in emerging economies with relative high unemployment rates and high levels of social and economic exclusion. In these economies, the outcome of tourism-driven inclusive growth could be measured in the number of additional employment and entrepreneurial opportunities, and not per definition in growth of supply and demand. Inclusive growth does not always have to lead to tourism growth in terms of arrivals as it can be achieved in other ways. However, when the need for development and job creation requires an expansion of the sector, country-specific factors need to play an imperative role in the decision if this need for sector growth can be justified. This also because the competitiveness of the destination, through which it can contribute to growth of productive employment opportunities, as well as the long-term viability of the sector, relies on its ability of the sustainable use of environmental, social and cultural resources. The tourism sector is largely dependent on the quality and the management of public goods such as natural parks, beaches and cultural heritage.

Depletion or the reduced attractiveness of these resources will then also decrease the level of competitiveness of a destination (Bramwell & Lane, 1993) and limit tourism sector inclusive growth. The T-DIGD identifies the constraints to more inclusive opportunities through tourism, however the impact of unlocking these opportunities will need to be clearly defined and not bring the sector on a path of unsustainable growth. In sum: unsustainable tourism sector growth reduces the competitiveness and impacts the ability of the sector to contribute to greater inclusion.

5.4.2 Root causes of inequality and tourism-driven inclusive growth

The T-DIGD focuses on constraints that can be identified through benchmarking of indicators and qualitative research including interviews with tourism sector stakeholders. Bianchi and de Man (2020, p. 13) argue that the proponents of tourism-led inclusive growth “remain blind to the injustices that are intrinsic to the systemic processes of exploitation characteristic of tourism capitalism”. Political economists make a distinction between market inequality and structural inequality. Market inequality is the result of uneven access to markets across different individuals, regions and industries and is in the context of tourism development likely easier to address than structural inequality. Identifying and addressing market inequality constraints is key as Scheyvens (2007, p. 248) stated, “Governments need to ensure that local people are empowered with appropriate knowledge and skills and access to networks, so they are not sidelined from active involvement in tourism”. The constraints that were identified through the application of the T-DIGD in North Macedonia (e.g. lack of qualified staff and poor road quality in the regions) can be considered mostly related to market inequality.

Structural inequality in and between countries has often been the result of periods of slavery, colonization and other unequal power relations. In certain countries, structural inequality is very much embedded in society and extremely difficult to eliminate. Government instruments are typically designed and implemented in the context of a specific political-ideological context. People with vested interests are then also likely to protect their own inner circle and exclude certain groups from full participation in the social, economic, cultural and political life of the society. This social exclusion marginalizes

individuals or social groups (Suryanarayana, 2015). Limited access to land for example is often the consequence of generations of concentrated land ownership. This had led to large groups of people with limited access to finance since in many cases banks require a collateral (Yrigoy, 2021). In other cases, social exclusion has led for certain groups or geographic areas to receive less public funding for infrastructure and education (Charlery, Matin, & Smith-Hall, 2016). A way to reduce structural inequality is to address the structures that have created systems such as structural racism and exclusion based upon gender. This includes providing people the tools that they need to improve their lives such as access to basic infrastructure, health and education. This can make a potential incremental contribution to reducing overall inequality levels. As Scheyvens and Biddulph (2018, p.610) concluded, there have been examples of tourism initiatives that have led to “transformations of social and economic life such that marginalized and poor individuals and groups are included”.

Applying the T-DIGD in North Macedonia identified a number of binding constraints, and these constraints are likely signposts of structural issues in the country such as slow post-socialist transition, uneven power relations and post-crisis recovery. While these root constraints themselves cannot easily be measured, the impact they have can result into constraints which could be measured using an indicator. For example, structural inequality has led to a concentration of landownership. Lenders often require a collateral which excludes certain marginalized groups from obtaining a loan. Lack of access to finance for different groups can be captured through an indicator, e.g ‘The number of non-secured loans provided to women and men’. Understanding the complexities of tourism development and inclusion require identifying the root constraints behind the observed constraints as identified by the T-DIGD. The T-DIGD can function as a starting point but will require insights from for example political economists and historians that have in-depth knowledge of the history, culture, and politics that impact the local economic system. It also emphasizes the need for an approach that is country-specific, provides flexibility and relies on a wide variety of qualitative and quantitative data to tell the full story.

5.4.3 Governance of a tourism-driven inclusive growth strategy

The T-DIGD identified 18 factors that, if constrained, could inhibit the ability of the tourism sector to contribute to inclusive growth. Analyzing and assessing the binding constraints can provide insights into who is responsible for addressing them. Application of the T-DIGD in North Macedonia showed that many of the binding constraints fall under the responsibility of the public sector. This includes constraints that limit the required quality of, and access to, education and infrastructure. Also factors that increase safety and security and provide a supportive business policy environment are generally the responsibility of the public sector. Governments also play a strong role in legislation around issues such as equal pay for equal work which falls under Pillar III of the T-DIGD (Ferguson, 2018). I would like to argue that inclusive growth has similarities with inclusive neo-liberalism which acknowledges the need for greater government intervention. Craig and Porter (2006, p.26) refer to this shift as follows: “while the pure neoliberals expect people to participate and swim and those who don’t will sink, inclusive neo-liberalists advocate for swimming lessons so there is less risk of drowning and more chance of swimming”. Similarly, Liu and Wall (2006, p.168) argue that

it is legitimate to expect central governments to assume a major responsibility and to adopt a leading role - taking enlightened initiatives, mobilizing resources and stimulating the active involvement of key stakeholders, in order to produce adequate tourism human resources, promote meaningful local participation and facilitate greater local representation in tourism employment.

However, there are several challenges that come with the sector’s reliance on the public sector to address the constraints identified through the T-DIGD. First, given the range of constraints included in the T-DIGD, tourism-driven inclusive growth requires a ‘whole of government’ approach as tourism policy making requires coordination between different Ministries but also between regional and municipal level public agencies (Hall, 2011). However, institutions are often divided and not working sufficiently alongside each other and thereby hindering a holistic approach (Adu-Ampong, 2017). Second, achieving greater inclusion through tourism also needs to go beyond quick fixes as it requires long-term solutions and a policy paradigm with a “framework of ideas and standards that specifies not only the goals of policy and the kind of instruments used to attain them, but also the very nature of the problems they are meant to be addressing” (Hall, 1993, p.279).

The main obstacle is however that policymaking takes place in a politically contested space. Inclusive growth, especially if it involves tourism, requires a long-term (20-30 years) vision and strategy. This is a political challenge in an environment where policy makers are often replaced every election term. The need for short-term political gains is then also likely to hinder the long-term approach required for inclusive growth. A third challenge is that even policy recommendations that are based on strong evidence, such as from the T-DIGD, might not resonate with local decision makers as there may be political implications if implemented (Mitchell & Font, 2017). This means that certain constraints will not be addressed if they are not in the advantage of those in power, even if they would benefit the society as a whole.

The T-DIGD also identified constraints that fall under the responsibility of the private sector including market responsiveness and coordination. Among tourism academia there has been skepticism on the role of the private sector in reducing poverty and inequality. Scheyvens and Biddulph (2018, p. 605) stated, “it is apparent that for inclusive tourism to be fully realized, we cannot rely on private sector initiative or good intentions alone, rather, national and international regulatory frameworks have a critical role to play”. Scheyvens, Banks, and Hughes (2016, p.379) find that it is “difficult to understand how private sector actors might contribute to some of the social development objectives of the SDGs, such as more inclusive development, human dignity and overcoming inequalities”. Yet, development organizations and institutions see a growing role of the private sector in progress of development (UNWTO, 2011a). This new movement is believed to be a response to the belief that governments have largely failed in their attempt to reduce poverty and inequality levels (Hopkins, 2012). This has resulted in a shift from seeing businesses as development tools (through creating jobs and other economic opportunities) to businesses as a development agent. In the latter, businesses would besides creating employment opportunities also take more responsibility in creating quality jobs and safeguarding fair employment, often as part of their corporate social responsibility (CSR) strategy (Blowfield, 2012). However, private sector initiatives are likely to be lacking the ‘birds-eye’ view that is necessary for an inclusive growth strategy.

Addressing the constraints as identified through applying the T-DIGD also often requires collaboration between public and private tourism sector stakeholders. However, this can be limited especially in emerging economies where there is often a lack of trust between the public and private sector (Adu-Ampong, 2017). As a result of this lack of coordination as well as limited financial resources by public and private sector stakeholders, reducing inequality levels within countries and regions has been one of the main priorities of development organizations, transnational organizations and NGO's. Local and international NGO's tend to focus mostly on capacity building of communities often in the form of skills training as well as increasing inclusive financing opportunities. NGO's have also directly invested in tourism products such as lodges, however with mixed results (Spenceley, 2008).

In conclusion, the implementation of the policy changes required to address the binding constraints as identified through application of the T-DIGD, will require a holistic approach and strong collaboration between all stakeholders involved. The results of the T-DIGD can help avoid interventions that are disconnected, and which do not address the core issues. It is extremely difficult to imagine the formulation and implementation of tourism-driven inclusive growth without strong national and local government leadership and long-term commitment.

5.4.4 The T-DIGD and evidence-based policy making

I have proposed the T-DIGD as an instrument to support evidence-based decision making in tourism development. Using data or evidence in policy making is not new however there has been increased emphasis on the use of it over the last twenty years but has also received an increased amount of critique. Evidence-based policy (EBP) can "help people make well informed decisions about policies, programmes and projects by putting the best available evidence from research at the heart of policy development and implementation"(Davies, 2004, p. 4). It has been advocated for as a more rigorous and systematic approach to support the decision-making process. However, EBP has received critique as it has been connected to neoliberal reasoning, as it would reflect the need of techniques to elevate market-based principles. The increased reliance on benchmarks, targets and the need to value quantitative over qualitative information is critiqued for displacing reason (Standring, 2017). The main critique of EBP is considered that of the

evidence itself as “there can be no such thing as objective evidence in a world where interpretations vary from observer to observer” (Newman, 2017, p. 217). Despite this critique, there is a strong call for greater EBP in tourism policy making which has been accelerated by the COVID-19 pandemic (OECD, 2020). I would like to argue that the T-DIGD provides a structured approach to analyzing tourism in the context of inclusive growth through combining quantitative and qualitative data as an example of EBP. As I stated in the discussion about governance, while it makes sense to use robust evidence for policy making, in practice however, policies are not always the outcome of researched evidence, even if it is available (Dixey, 2008). Development happens in a complex political environment and evidence is just one of the many inputs decision makers take into consideration into what can be considered a social process (Vroom & Jago, 1974). To ensure political buy-in, engagement with local policymakers combined with strong efforts for collaboration with all stakeholders, can increase the acceptance of the T-DIGD results and subsequently lead to a greater chance of addressing the binding constraints.

5.5 Future Directions

This thesis was exploratory in nature as academic studies on tourism development through the lens of the inclusive growth approach have been limited. In this thesis I focused on developing and testing a diagnostic framework that adapts a widely accepted model and then presents a new approach to analyzing the tourism sector. However, before developing the T-DIGD, I explored theories around tourism and inclusive growth and my first suggestion is to further this research. My focus was mainly on understanding the difference between tourism-driven inclusive growth and previous approaches to reduce poverty and inequality through tourism development as well as applying inclusive growth theories to the tourism sector. In 2020, Jeyacheya and Hampton (2020) further theorized inclusive growth and tourism by examining evidence from South East Asia to question if inclusive growth through tourism development benefits communities hosting international tourists. To further conceptualize tourism-driven inclusive growth, more of these empirical studies are needed to understand the tourism’s sector ability to be a job creator for marginalized groups. This type of research needs to go beyond examining the volume of jobs and also provide evidence on the quality, pay, secondary benefits and security of the jobs. More research is

also needed on the impact of different types of public and private sector tourism investment that target job creation, especially how these investments affect the access to opportunities for marginalized groups.

My second and subsequent suggestions for further research focus on further developing the T-DIGD itself. I suggest evaluating the T-DIGD through further testing in other countries and settings, for example by looking at how to handle data availability and discrepancy. This would require applying the diagnostic to countries that have either less or more availability of reliable quantitative data than North Macedonia to understand how this affects the benchmarking and prioritization process and its subsequent effect of the usefulness of the diagnostic. The current model includes 96 indicators and further testing in other countries can also determine if the number of indicators can be condensed without reducing the effectiveness and reliability of the model.

Third, research could be furthered by applying part of my methodological findings to a purely quantitative approach. I used a mixed-method analysis for the T-DIGD partly in response to the critique on the TLGH methodology which uses a panel-data approach to test the relationship between tourism growth and economic growth. The main critique of the TLGH is that the results provide limited insights into why and how the variables drive tourism development. Using the factors that are part of the T-DIGD, further research could use a regression analysis to study the variables that are most likely to contribute to the tourism sectors inability to contribute to inclusive growth. A regression analysis would exclude qualitative data but will allow for ranking of factors that are highly correlated to inequality levels. Previous studies that have used regression analysis have focused mainly on tourism growth and not on factors that analyze both the growth and the inclusiveness of the tourism sector.

A fourth suggestion, as proposed in the discussion section of this chapter, is to extend the T-DIGD with a framework that can be used to understand the deep-rooted issues. Different constraints to tourism-driven inclusive growth can entirely or partly be connected to either structural or market inequality. Deep-rooted issues cause structural inequality and the constraints coming forth of these issues require a different approach than constraints

caused by a market disconnect. The results of the T-DIGD could be used to map the deep-rooted issues and link the identified constraints with the different structural problems for a specific country. Multiple country mapping exercises could then identify patterns of constraints and their deeper-rooted issues.

My final suggestion for further research is to explore how the T-DIGD can be linked to other tourism policymaking instruments. A constraints analysis, such as the T-DIGD, is often a first step in developing a path to reach specific development objectives. Further research can examine if the T-DIGD can be used in process oriented approaches such as the Theory of Change or the Results Framework (James, 2011; Stein & Valters, 2012).

5.6 Final Remarks

When I started this research in 2014, the concept of inclusive growth in the context of tourism development had only just emerged. Literature, theory and empirical studies on tourism inclusive growth have been limited. But since 2020, other researchers have started to contribute to the subject (Bianchi & de Man, 2020; Jeyacheya & Hampton, 2020). The main premise of my research is that access to the opportunities that can be generated through the tourism sector need to be improved and that all individuals and groups need to be able to benefit equally from those opportunities. This will not only require equal access but in many countries also a focus on a more equitable approach by removing impediments for certain groups. The T-DIGD that I propose can be used to identify the main impediments. A strategy that does not focus on job creation can cause pseudo inclusion as it would lack the long-term sustainability since it has the risk to rely on redistributive measures (Suryanarayana, 2015). In countries with high levels of unemployment, there is a need to increase the number of productive employment opportunities to improve the well-being of the community. Within emerging economies, the term inclusive growth is then also much more accepted, as it is in line with an employment-led growth strategy. To avoid bypassing marginalized groups and increasing existing levels of inequality, these jobs need to be inclusive to all. Redistribution of existing economic opportunities will not solve the need for development in most countries. Hence, in these countries tourism-driven inclusive growth can be considered a push for growth but one that reduces existing inequality levels.

However, as many before me have stated and the COVID-19 pandemic has showed, tourism is not a panacea as not all destinations will be successful at building a competitive and sustainable tourism product and further develop the sector to generate a significant number of decent job opportunities that can be guaranteed. Compared to other sectors, the tourism sector also has a relatively high susceptibility to external factors. Tourism tends to suffer more from natural disasters, political turmoil and other events that cause safety and security concerns for travelers. These factors are beyond the control of the sector and can halt tourism from one day to the other and cause highly tourism-dependent countries to grapple with high unemployment numbers and significant decline in GDP. The UNWTO stated in January 2021 that the COVID-19 pandemic amounted to a 74 percent decline in international arrivals in 2020 and thereby putting 100 to 120 million jobs at risk (UNWTO, 2021). While tourism has demonstrated to be resilient and able to rebound after natural and manmade crises ranging from tsunamis, terrorist acts and the Global Financial Crisis, the timing and the rebound of the COVID 19 pandemic is still difficult to predict due to its breadth, depth and uncertain endpoint. Besides the effect on the number of jobs, the pandemic also affected inclusion and the UN (2020) stated that the pandemic is a wake-up call that exposed the existing deep inequalities. The effect of the economic shock could affect smaller businesses and the informal sector relatively more as they do not have the capacity, cash flows, diversity of markets and resources to mitigate impacts. Tourism development also comes with many other challenges including social and environmental issues. Consistent and long-term policy making should determine the boundaries in which the tourism sector can expand while remaining sustainable over time. The role of the government is then also critical in the success of tourism-driven growth, especially in emerging economies, as they will have to enable a supportive national policy environment that focuses on strengthening the capabilities and increase of access across all diversity dimensions while balancing the challenges that expansion of the tourism sector can bring.

The main goal of my research was to contribute to the tourism and inclusive growth debate by proposing a diagnostic that can identify the binding constraints to a tourism sector that is more equitable. The following quote from Hausmann et al. (2008b) about the HRV diagnostic reflects my conclusion about the usefulness of the T-DIGD.

For decision makers, not acting is in itself a decision that may be inferior to acting with significant uncertainty. Thus, there is a tradeoff for the analyst between getting the perfect diagnosis with all the experiments in a wish list and getting a diagnosis that can add value to decision making. Decisions will likely be taken anyways, so not proposing a tentative conclusion for lack of perfect evidence is not innocuous. In fact, the selection of policy interventions should reflect these uncertainties. (p.89)

My hope is that this research then also will stimulate further theory building in the area of inclusive growth within the realm of tourism development while at the same time also contribute to more informed decision making by policy makers.

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Annex: List of indicators and scores for testing the T-DIGD in North Macedonia

Constraint	Indicator	Source	Year	Albania	Bulgaria	Croatia	Montenegro	Serbia	Slovenia	N.Macedonia	Mean	% from mean	Result	Scale
Human Resource capacity	% of enterprises who consider inadequately educated workforce as a major constraint	WBES	2013	2.1	5	3.5	2.7	6.1	0.9	6.8	3.4	-50.0	B	0-100%; 0=highest performance score and 100=lowest performance score
	Gross enrolment rate in secondary education (%)	WBDI	2013	93	93	100	91	94	98	82	94.8	-13.0	MB	0-100%; 0= lowest performance score: 100= highest performance score
	Gross enrolment rate in tertiary education (%)	WBDI	2015	63	67	65	55	56	85	39	65.2	-40.0	B	0-100%; 0= lowest performance score: 100= highest performance score
	Extent of staff training	WEF	2017	3.9	3.5	3.4	3.4	3.2	4.2	3.7	3.6	+3.0	NB	1-7 scale, with 7 being the most desirable outcome.
	Ease of finding skilled employees	WEF	2017	3.7	3.4	3.7	3.5	3.5	4.6	4	3.7	+8.1	NB	1-7 scale, with 7 being the most desirable outcome.
	Ease of hiring foreign labor	WEF	2017	5.6	4.2	3.1	3.7	3.8	3.7	4.4	4.0	+10.0	NB	1-7 scale, with 7 being the most desirable outcome.
	Pay and productivity	WEF	2017	4.4	4	4	3.7	3.5	3.9	4.3	3.9	+10.3	NB	1-7 scale, with 7 being the most

Accessibility	Visa requirements on scale from 0-100	WEF	2017	24	24	24	28	26	24	45	25.0	+80.0	NB	0-100; 0=lowest performance score; 100=highest performance score
	Openness of bilateral ASA's from scale from 0-38)	WEF	2017	10.9	7.3	12.1	n/a	8.7	4.2	7.1	8.6	-17.8	MB	0=worst; 38=best
	Direct air connectivity	ACI	2018	215	981	1,307	281	580	274	175	606.0	-71.1	B	0=least desirable outcome
	Available airline seat kilometers (millions/week)	WEF	2017	19.2	94.7	91.1	20.4	75.7	19.3	20.2	53.4	-62.2	B	0=least desirable outcome
Business Policy Environment	Composite index of the ease of doing business	WBDB	2018	58	39	43	51	47	30	10	44.7	+77.6	NB	1=lowest; 190=highest
	Ease of starting a business	WBDB	2018	46	82	95	58	47	49	4	62.8	+93.6	NB	1=lowest; 190=highest
	Dealing with construction permits	WBDB	2018	106	48	128	93	36	80	11	81.8	+86.6	NB	1=lowest; 190=highest
	Getting electricity	WBDB	2018	156	104	68	167	92	16	29	100.5	+71.1	NB	1=lowest; 190=highest
	Registering a property	WBDB	2018	106	60	62	78	56	34	48	66.0	+27.3	NB	0-100%; 0=highest performance score and 100=lowest performance score
	Corporate income tax rate	OECD	2018	n/a	10	18	n/a	15	19	n/a	15.5	n/a		0= most desirable outcome
	VAT for accommodation facilities	EC	2019	n/a	9	13	n/a	n/a	9.5	n/a	10.5	n/a		0= most desirable outcome
	% of enterprises who consider access to land as a problem	WBES	2013	6.6	0.9	0.1	1.2	0.9	5.7	1.3	2.6	+49.4	NB	0-100%; 0=highest performance score and 100=lowest performance score

	Number of procedures to register a property	WBDI	2015	6	8	5	6	6	5	7	6.0	-16.7	MB	0= most desirable outcome
	Number of days to register a property	WBDI	2015	19	33	62	11	21	49	30	32.5	+7.7	NB	0= most desirable outcome
	Quality of land administration index	WBDB	2018	15.5	19	22.5	17	16	23	24	18.8	+27.4	NB	0=worst; 30=best
Tourism prioritization	Prioritization of tourism and travel	WEF	2017	4.6	4.3	4.5	4.6	3.6	4.8	4.3	4.4	-2.3	NB	1-7 scale, with 7 being the most desirable outcome.
	Government expenditure on tourism as a percentage of total government budget (%)	WEF	2017	3.9	3.3	1.3	2.6	0.5	4.3	1.3	2.7	-50.9	B	0-100%; 0= lowest performance score; 100= highest performance score
	Tourism country brand ranking	Bloom	2017	34	27	13	35	37	26	40	28.7	-39.5	B	1=best; 41=worst
	Protected area as % of total area	WBDI	2016	17.2	34.7	38.1	4.1	6.2	53.6	9.7	27.3	-64.5	B	0-100%; 0= lowest performance score; 100= highest performance score
Environmental quality	Environmental sustainability	WEF	2017	4.1	5	4.7	4.3	4.2	5.1	3.7	4.6	-19.0	MB	1-7 scale, with 7 being the most desirable outcome.
	Sustainability of T&T development	WEF	2017	4.3	3.8	4	4.1	3.5	4.7	3.9	4.1	-4.1	NB	1-7 scale, with 7 being the most desirable outcome.
	Threatened species (% of total species)	WEF	2017	4.1	6	6.3	5.3	4.7	4.3	4.8	5.1	-6.2	NB	0-100%; 0=highest performance score and 100=lowest

	institution in the last year (%)																					score: 100= highest performance score
	Young adults (Ages 15-24) with account at financial institution (% of total)	WB	2014	53.2	23.3	48	35.9	38.1	16.1		29.3	35.8	-18.1	MB								0-100%; 0= lowest performance score; 100= highest performance score
Access to land	Distribution of agricultural land area by sex (%female)	FAO	2004	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a											0-100%; 0= lowest performance score; 100= highest performance score
	Access to land for rural people	IFAD	2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a											1-5 scale, with 5 being the most desirable outcome.
Access to information and knowledge	Internet users age 15-54 as % of total	NSO	2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a											0-100%; 0= lowest performance score; 100= highest performance score
	Households with internet access	NSO	2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a											0-100%; 0= lowest performance score; 100= highest performance score
Unequal access due to institutional barriers	Favoritism in decisions of government officials	WEF	2017	3	2.7	2.6	3.1	2.5	2.9		3.2	2.8	+14.3	NB								1-7 scale, with 7 being the most desirable outcome.
	Regulatory quality	WB	2016	61	74	66	63	55	73		68	65.3	+4.1	NB								0 =lowest rank; 100 = highest rank

	Firms identifying corruption as a major constraints (% of total)	WBES	2013	17	27.5	19.1	3.2	24.5	12.2	13.3	17.3	+22.9	NB	0=100%; 0=highest performance score and 100=lowest performance score
	Government effectiveness	WB	2016	0	0.29	0.49	0.1	0.09	1.12	0.09	0.3	-74.2	B	0= least desirable outcome
Monetary outcome	Wage equality of similar work	WEF	2016	0.83	0.6	0.56	0.64	0.61	0.7	0.72	0.7	+9.6	NB	0=lowest score; 1=highest score
	Estimated earned income (F/M ratio)	WEF	2018	0.51	0.65	0.73	0.57	0.64	0.8	0.6	0.7	-7.7	NB	0=lowest score; 1=highest score
	Average gross earnings by region	NSO	2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a				0=lowest score
Non-monetary outcome	Ability of women to rise to positions of leadership	WEF	2016	0.82	0.64	0.55	0.6	0.55	0.7	0.72	0.6	+11.9		0=lowest score; 1=highest score
	Workers in informal employment (F/M ratio)	WEF	2016	0.67	n/a	n/a	n/a	0.72	n/a	0.51	0.7	-27.1	B	0=lowest score; 1=highest score

Summary

Economic growth has been recognized as important for the development of a country, especially for emerging economies, as it can provide jobs and increase the living standard. Growth in itself however, has proven to be insufficient in reducing poverty across countries as not all people might be included in the growth process or benefit equally from the outcome. Growth that is not inclusive can be both a danger to social and political stability as well as a threat to the sustainability of the growth. Inequality and exclusion are then also two of the most pressing challenges facing the world today. This has led to a focus on more inclusive growth strategy, which can be defined as “growth coupled with equal opportunities”. The inclusive growth approach considers creating productive employment opportunities for marginalized groups as the primary means to reduce inequality within countries.

Through the benefits of tourism’s direct and indirect employment opportunities and its relatively high economic multiplier, tourism is often mentioned as a sector that can reduce poverty in emerging economies. Tourism is considered a labor-intensive market requiring relatively low skill levels and small investments and would therefore be able to offer employment for low-skilled workers, ethnic minority groups and immigrants, unemployed youth, long-term unemployed as well as women.

However, the concepts of inclusive growth and inclusive development related to tourism, have received limited academic attention. There has been an increased desire for policy making which is based on evidence allowing the government and other stakeholders to better understand the effects of the policy changes and provide the opportunity to make strategic choices based upon well-researched information. In order to understand which policy measures, need to be addressed to achieve greater inclusion through tourism, there is a need to understand what is holding the sector back and which constraints are most binding. The main objective of this research therefore is *to develop a diagnostic framework to identify the binding constraints to tourism-driven inclusive growth, which supports policy making, with specific attention to tourism in emerging economies*. This led to four research questions: (1) *How does tourism fit into the inclusive growth theory and how is this different*

from other approaches? (2) What are the constraints to tourism-driven inclusive growth? (3) What is the most suitable design for a tourism-driven inclusive growth diagnostic framework? and (4) What are the strengths and weaknesses of a diagnostic framework that analyzes and prioritizes the constraints to inclusive growth in a tourism sector context? In this thesis, I conceptualized tourism-driven inclusive growth as well as developed, tested and evaluated a diagnostic that can help to assess and prioritize the binding constraints that need to be addressed to achieve a tourism sector that can contribute to an inclusive growth strategy.

The concept of inclusive growth involves two dimensions: sustainable growth that (1) will create and expand economic opportunities, and (2) ensures broad access to these opportunities so that members of society can participate in and benefit from growth. Based on these concepts, the ability of the tourism sector to drive inclusive growth depends on the combined impacts and interaction of three different elements or pillars: (1) Growth of productive employment opportunities; (2) Equal access to these opportunities and (3) Equal outcome of tourism opportunities (income and non-income). The first pillar includes both successful development of the tourism sector as well as translating this into the creation of decent and productive employment opportunities. The second pillar addresses equal access to these opportunities, jobs and other economic activities, that are being created. The third pillar analyses if these jobs and other economic activities provide equal outcome in terms of monetary income and other types of outcomes.

Pro-poor tourism (PPT) which can be defined as “tourism that brings net benefits to the poor”, has been one of the most recent widely used paradigms regarding tourism and its ability to reduce poverty. While the principles of inclusive growth and pro-poor growth are similar, the desired scaling up for broad impact in the specific instance of pro-poor tourism has not happened yet. Pro-poor growth solely focuses on people below the poverty line, while inclusive growth aims to benefit people from a large proportion of a country’s labor force through productive employment and entrepreneurship. Inclusive growth is the growth that reduces the disadvantages of the poorest while benefitting everyone, whereas “pro-poor growth may be obtained either in the absence of benefits to one or more groups or at the expense of one or more groups. Many pro-poor tourism projects have been small-scale

and are mostly excluding tourism that is not explicitly designed to reduce poverty. While pro-poor tourism projects have mostly been short- to medium-term, tourism-driven inclusive growth requires a longer-term approach (two to three decades). One of the main critiques of PPT has been that its implementation has often been restricted to the micro level. It has mostly focused on community-based tourism projects, and has, therefore, not been able to reach the scale required for achieving significant impact. An inclusive growth strategy requires moving from a project approach towards a macro level.

The constraints to tourism-driven inclusive growth can be categorized under each of the three pillars of tourism-driven inclusive growth. An analysis of the academic literature identified ten constraints that are most prevalent in restraining growth of tourism opportunities; five constraints that are prevalently discussed as prohibiting equal access to tourism opportunities; and two categories of issues that inhibit equal outcome of tourism opportunities. This resulted in a total of 18 constraints under three pillars

The three pillars and its constraints formed the basis for the Tourism-driven Growth Diagnostic (T-DIGD). The methodology for the T-DIGD is based on the *HRV Growth Diagnostic*. This country-level diagnostic framework calls for a set of statistical methods and benchmarking tests against a set of comparator countries to evaluate whether a factor constrains growth or not. The HRV diagnostic is adapted in order to fit the specifics of the tourism sector and to include constraints to inclusion. The T-DIGD was tested in North Macedonia, a country that has relatively high levels of inequality and where the tourism sector has been identified by the government as one of the key growth sectors.

Testing of the T-DIGD showed that it can bridge the gap between purely quantitative approaches and solely qualitative approaches, and it allowed identifying the most binding constraints out of a large selection of possible factors that could hinder tourism-driven inclusive growth in North Macedonia. Despite the analytical strengths of the T-DIGD framework, the tourism sector approach and adding inclusion factors resulted in some weaknesses of the diagnostic compared to the HRV including prioritization of the constraints, causal relationships, and underlying root constraints. Challenges such as lack of

availability of data, indicator discrepancy and data dissonance are not inherent to the T-DIGD but can be considered problematic issues for other types of diagnostic tools as well.

The main advantage of the T-DIGD is that it provides a systematic approach for researchers through its framework that enforces a step-by-step process of considering all factors that can constrain the tourism sector from contributing to inclusive growth. Other commonly recognized approaches such as the benchmarking tool Tourism and Travel Competitiveness Index by the World Economic Forum (WEF) exclude factors that diagnose the inclusiveness of the sector and do not provide insights beyond rating each factor on a scale. TLGH studies focus mostly on the determinants of economic growth and do not provide the deeper understanding of constraining factors required for policy making. With its mixed-method approach, the T-DIGD bridges the gap between purely quantitative approaches, such as econometric studies, and qualitative methods, including case studies.

The concept of tourism-driven inclusive growth touches several academic debates. The first is the growth paradigm in the context of tourism where proponents stated that further tourism growth is inherently incompatible with sustainable tourism: tourism should be less focused on economic growth but should change production and conception patterns to be more in line with sustainable and just outcomes. I argue that growth of the tourism sector can be an opportunity in those countries or regions which are currently attracting relatively low number of visitors, where alternative economic opportunities are limited and where expanding the tourism sector could meet the demand for more inclusive job opportunities while meeting sustainability criteria. The second debate is on the deep-rooted or structural inequality that hinders increased inclusion efforts. Here I argue that while the T-DIGD can identify constraints, deeper analysis of underlying structural inequalities will be needed to fully comprehend if and how these can be addressed. The third debate is about governance and who should be responsible for addressing the issues that hinder inclusive growth through tourism. Many of the constraints under the T-DIGD fall under the responsibility of the public sector. This requires a 'whole of government' approach as tourism policymaking involves not only crosses different ministries but also requires different regional and municipal level public agencies to come together and address specific issues. Despite the skepticism from academia, the private sector will need to play a greater role in the progress

towards greater inclusiveness of the tourism sector. However, tourism-driven inclusive growth on a national level will not be achieved without a strong role of the government and cannot be expected solely private sector driven. Balancing the need for more inclusive employment and entrepreneurial opportunities while protecting limited resources and securing long-term sustainability will require a strong role of the government in tourism governance and hence a need for evidence. The last debate is on evidence-based decision making and the role of the T-DIGD in policy making. I argue that the T-DIGD provides a structured approach to analyzing tourism in the context of inclusive growth. However, political buy-in is required to assure the acceptance of the results and the subsequent addressing of the identified binding constraints.

Future studies should address some of the weaknesses and challenges mentioned. First, the current model proposes a total of 96 indicators measuring possible constraints under 18 factors which makes application of the model a very resource-heavy process. Further analysis of the availability of data for the indicators in other countries as well as data overlap, can determine if the number of indicators can be condensed without possibility of reducing the effectiveness and reliability of the model. Second, further examination of how to identify the causal relationships between the factors under the different pillars is also recommended. Future research could include regression analysis of the factors that are most likely to contribute to the tourism sector's ability to contribute to inclusive growth. Third, future research should focus on applying the T-DIGD to countries that have either less or more availability of quantitative data to understand what effect this has on the applicability and usefulness of the diagnostic.

Samenvatting

Economische groei is belangrijk voor de ontwikkeling van een land, vooral voor opkomende economieën, omdat het banen kan opleveren en daarmee de levensstandaard kan verhogen. Groei op zich is echter onvoldoende gebleken om de armoede terug te dringen, aangezien niet iedereen in het groeiproces kan worden betrokken of evenveel kan profiteren van de uitkomst. Groei die niet inclusief is, kan zowel een gevaar voor de sociale en politieke stabiliteit zijn, als een bedreiging vormen voor de duurzaamheid van de groei. Ongelijkheid en uitsluiting zijn dan ook twee van de meest urgente uitdagingen waar de hedendaagse wereld mee wordt geconfronteerd. Dit heeft geleid tot een focus op een meer inclusieve groeistrategie, gedefinieerd als "groei dat gepaard gaat met gelijke kansen". De benadering van inclusieve groei beschouwt het creëren van productieve werkgelegenheid voor gemarginaliseerde groepen als het belangrijkste middel om de ongelijkheid binnen een land te verminderen.

Door de voordelen van de directe en indirecte werkgelegenheid van het toerisme en de relatief hoge economische multiplier, wordt toerisme vaak beschouwd als een sector die de armoede in opkomende economieën kan verminderen. Toerisme wordt beschouwd als een arbeidsintensieve markt die relatief lage vaardigheidsniveaus en kleine investeringen vereist en daarom werkgelegenheid zou kunnen bieden aan laaggeschoolde werknemers, etnische minderheidsgroepen en immigranten, werkloze jongeren, langdurig werklozen en vrouwen.

De concepten van inclusieve groei en inclusieve ontwikkeling hebben in relatie tot toerisme echter tot nu toe weinig wetenschappelijke aandacht gekregen. Er is ook een toenemende behoefte aan beleidsvorming dat is gebaseerd op empirisch bewijs en dat de overheid en andere belanghebbenden in staat stelt het effect van de beleidswijzigingen beter te begrijpen en de mogelijkheid biedt om strategische keuzes te maken op basis van goed onderbouwde informatie. Om te begrijpen welke beleidsmaatregelen genomen moeten worden om meer inclusie via toerisme te bereiken, is het nodig om te begrijpen welke beperkingen het meest bindend zijn. Het hoofddoel van dit onderzoek is dan ook het ontwikkelen van een diagnostisch kader om de bindende beperkingen te identificeren voor door toerisme aangedreven inclusieve groei, met specifieke aandacht voor toerisme in

opkomende economieën. Dit onderzoek leidde tot vier onderzoeksvragen: (1) Hoe past toerisme in de inclusieve groeitheorie en hoe verschilt dit van andere benaderingen? (2) Wat zijn de beperkingen voor door toerisme aangedreven inclusieve groei? (3) Hoe zou een diagnostiek raamwerk voor het diagnoserende van de beperkingen voor inclusieve groei in een toeristische context eruit moeten zien en (4) Wat zijn de sterke en zwakke punten van een diagnostisch raamwerk dat de beperkingen voor inclusieve groei in een toeristische context analyseert en prioriteert? In dit proefschrift heb ik een diagnostiek ontwikkeld, getest en geëvalueerd die kan helpen bij het beoordelen en prioriteren van de bindende beperkingen die moeten worden aangepakt om de toeristische sector te laten kunnen bijdragen aan een inclusieve groeistrategie.

Het concept van inclusieve groei omvat twee dimensies: duurzame groei die (1) economische kansen kan creëren en vergroten, en (2) brede toegang tot deze kansen garandeert, zodat leden van de samenleving kunnen deelnemen aan, en profiteren van, deze groei. Op basis van deze concepten hangt het vermogen van de toerismesector om inclusieve groei te stimuleren af van de gecombineerde effecten en interactie van drie verschillende elementen of pijlers: (1) groei van productieve werkgelegenheid; (2) Gelijke toegang tot deze kansen en (3) Gelijke beloning van toeristische kansen (inkomen en niet-inkomen). De eerste pijler omvat zowel de succesvolle ontwikkeling van de toerismesector als de vertaling hiervan in het creëren van productieve werkgelegenheid. De tweede pijler betreft gelijke toegang tot deze kansen, banen en andere economische activiteiten die worden gecreëerd. De derde pijler analyseert of deze banen en andere economische activiteiten een gelijke beloning opleveren in termen van monetair en andere soorten inkomens.

De beperkingen voor door toerisme aangedreven inclusieve groei kunnen worden onderverdeeld rondom de drie pijlers van door toerisme aangedreven inclusieve groei. Op basis van een uitgebreide literatuurstudie heb ik tien belemmeringen geïdentificeerd die het meest voorkomen bij het beperken van de groei van toeristische mogelijkheden; vijf belemmeringen die van invloed zijn op gelijke toegang tot toeristische mogelijkheden; en twee belemmeringen die gelijke beloning van toeristische kansen in de weg staan. Dit resulteerde in totaal 18 belemmeringen onder drie pijlers

De drie pijlers en de bijbehorende beperkende factoren vormden de basis voor de Tourism-driven Inclusive Growth Diagnostic (T-DIGD). De methodologie voor de T-DIGD is gebaseerd op de HRV Groeidiagnostiek. Dit diagnostische kader voor landen vereist een reeks statistische methoden en benchmarkingstesten tegen een reeks vergelijkende landen om te beoordelen of een factor de groei beperkt of niet. De HRV-diagnose is aangepast aan de specifieke kenmerken van de toeristische sector en om ook beperkingen voor inclusie op te nemen. De T-DIGD is getest in Noord-Macedonië, een land met een relatief hoog ongelijkheidsniveau en waar de toeristische sector door de overheid is aangemerkt als een van de belangrijkste groeisectoren.

Het testen van de T-DIGD heeft aangetoond dat het de kloof kan overbruggen tussen puur kwantitatieve benaderingen en puur kwalitatieve benaderingen. Het belangrijkste voordeel van de T-DIGD is dat het een systematische benadering voor onderzoekers biedt om met behulp van dit raamwerk stapsgewijs alle factoren te analyseren die de toerismesector ervan kunnen weerhouden om bij te dragen aan inclusieve groei. Met deze benadering overbruggt de T-DIGD bovendien de kloof tussen puur kwantitatieve benaderingen, zoals de 'Tourism-Led Growth Hypothesis' studies, en kwalitatieve methoden, inclusief casestudy's. Ondanks de analytische sterke punten van het T-DIGD-raamwerk, toonde de test ook enkele zwakke punten van de diagnostiek aan. Het raamwerk biedt geen duidelijk kader voor het prioriteren van de beperkingen en het identificeren van causale verbanden en onderliggende structurele problemen. Uitdagingen, zoals gebrek aan beschikbaarheid van gegevens, discrepantie tussen indicatoren en informatie dissonantie, zijn weliswaar niet specifiek voor de T-DIGD en ook van toepassing op andere soorten diagnostische hulpmiddelen, maar bemoeilijken wel de toepassing van het T-DIGD raamwerk.

Toekomstige studies zouden enkele van de genoemde zwakke punten en uitdagingen moeten adresseren. Ten eerste stelt het huidige model in totaal 96 indicatoren voor die mogelijke beperkingen onder 17 factoren meten, wat de toepassing van het model een arbeidsintensief proces maakt. Verdere analyse van de beschikbaarheid van gegevens voor de indicatoren in andere landen kan bepalen of het aantal indicatoren kan worden beperkt zonder de effectiviteit en betrouwbaarheid van het model te verminderen. Ten tweede is

het wenselijk om verder te onderzoeken hoe de causale verbanden tussen de factoren onder de verschillende pijlers kunnen worden geïdentificeerd. Toekomstig onderzoek zou een regressieanalyse kunnen omvatten van de factoren die het meest waarschijnlijk zullen bijdragen aan het vermogen van de toeristische sector om bij te dragen aan inclusieve groei. Ten derde zou toekomstig onderzoek zich moeten richten op het toepassen van de T-DIGD op landen die over minder of meer kwantitatieve gegevens beschikken om te begrijpen welk effect dit heeft op de toepasbaarheid en bruikbaarheid van de diagnostiek.

