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ANALYTICAL ASSESSMENT OF THE TOURISM SECTOR IN KOSOVO²⁶

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ABSTRACT

The main principle: "The structure of the study follows", create the right organizational structure, identify key markets (source) targeted for marketing activities and promotional activities (Note: financial resources are limited!), be planned and built the necessary infrastructure and capacity (transport, accommodation, etc.), identify the necessary training & education (HDR) in tourism, lay the groundwork for sustainable tourism development, launch of image campaigns and PR (public relations) to establish Kosovo as a tourist destination in the minds of potential visitors & tourists.

The paper serves as a guide and 'Navigation system' for all stakeholders. Recognition of tourism development is vital for: act as guides and to set targets, involvement of all stakeholders (public & private) in the implementation process, assist in obtaining resources for implementation, assist in the organization and assignment of responsibilities, duties and time (action plan), help you to be more aware about the opportunities and threats in the future, definition of target markets, tourist products, marketing tools and organizational structure, beginning of the process for building the image.

Keywords: tourism sector, marketing activities, development, target markets

²⁶ Review article

INTRODUCTION

Kosovo is located at the center of the South-Eastern Europe, stretching among northern hemisphere parallels 42° and 44°, occupying the central area of the Balkans Peninsula. Kosovo represents an important link-up between the Middle Europe and the South one, Adriatic Sea and Black Sea. Kosovo has an area of 10 908 km². Kosovo has a population of over 2 million. The population has got this consist: 92% Albanians, 8% others (Serbs, Turks, Bosnian, Roma, etc.).

Official languages: Albanian and Serbian. Bosnian, Turkish and Roma languages have the status of a legal language at the municipality level. Kosovo is propane state and neutral in confession religious matters.

Tourism has without a doubt gained more importance in Kosovo over the last years, not only as an enormous driving force for jobs, but also as an opportunity to build an image of Europe's youngest country that is different from the one which is mostly conveyed in the media and that corresponds much more to the specific features and unique assets of Kosovo. This study is mirrors the significance of the tourism & hospitality sector for Kosovo's economy and represents a clear statement and commitment of both public and private sectors to make every effort to support an economically, environmentally and socially sustainable tourism development. Tourism in Kosovo is definitely on everybody's lips. During her state visit to Kosovo on 13 October 2010, even Secretary of State Mrs. Hillary Rodham Clinton mentioned tourism as one of the key sectors providing enormous potential and perspectives for employment, especially for young people.

The overall objective of this study is to provide the institutions, in particular the citizens with a tourism sector profile to support the design of specific interventions for tourism development in Kosovo. This provides detailed account, although not exhaustive, of information and data on the sector. It has been drafted using a mix of macro and firm-level data gathered through various primary and secondary data sources.

The data sources include a large scale survey with tourism firms, a review of existing legislative and policy framework regulating the sector, existing reports and statistical data on tourism and semi-structured interviews with relevant stakeholders of the sector (central and local government tourism officials, tourism associations, cultural event organizers, tourism experts, etc.). From the 66 businesses that participated in the survey, 45 (68%) are individual businesses.

For the purposes of this research, the sample for the hotels, restaurants and bars population is limited to municipalities with greater tourism development potential, namely Prizren, Pejë/Peć, Gjakovë/Gjakovica, Prishtinë/Priština,

Shtërpcë/Štrpce and Dragash/Dragaš. Regarding the cultural events, museums, and other cultural facilities, the population included additional municipalities (Vushtrri/Vučitrn, Graçanicë/Gračanica, Mitrovicë/Mitrovica and Ferizaj/Uroševac).

Specifically, the tourism profile provides information on policy and institutional changes and developments within the industry and firms. The report supplements existing data and statistics to present not only the current situation but also trends within the tourism industry over time (firm performance, input/output, regional distribution, number of visitors, etc.).

Kosovo has no direct access to the sea and possesses a mostly hilly-mountain terrain; however, it has a favorable climate and multiple natural, cultural, and historical resources, which constitute a resource basis for tourism. Almost all of the current tourism initiatives in Kosovo are performed by private individuals and investments are undertaken by residents in order to increase their income, as well as to contribute to tourism development.

Kosovo is divided into five tourist regions: (1) Central region of Prishtinë/Priština; (2) Tourist region of Albanian Alps (Bjeshkët e Nemuna/Prokletije/Accursed Mountains); (3) Tourist region of Sharr/Šar; (4) Tourist region of Anamorava and (5) Tourist region of Mitrovicë/Mitrovica. All the regions of Kosovo have touristic value, but they differ depending on the level of development resources.

RESEARCH METHODOLOGY

The used methodology is a function of the set goals at the beginning of the study.

The study is based on an empirical research. The research consists on a combination of qualitative and quantitative methods. Thus, quantitative methods aim to achieve quantitative assessment of FDI trends and identify them in the future.

While qualitative methods are used in, order to interpret the quantitative results and to provide an overview of the economic development of Kosovo from the regional and national policies affecting tourism. The research is designed so that the collected and interpreted data have in the middle the objective in the study.

In addition, we used a number of articles and official pages of the various world organizations, such as UNDP. Paperwork is specifically built on a development approach and being as such tells us how tourism in general needs to be developed, how the reports need to be created, and is not built

only on empirical data as the paperwork does not aim to bring only a descriptive analysis but aims to offer us a new landscape for doing things.

The thesis will be based on the "content analysis" and the "comparative analysis" in order to identify tourism products and be placed in a broader theoretical framework in order to not only understand the importance of tourism but also to be the key to achieving this goal.

The aim of this paper is to provide a brief summary of what ethics in tourism is as well as the national and international documents to which are included or defined the rights and obligations of tourism.

The main purpose of this paper is to show how society contributes to the sustainability development of the tourism. We have done this by using comparison example with the countries of the region and beyond, also to examine potential threats to long-term economic sustainability.

The paper aims to give a theoretical treatment of FDI in tourism, to determine the factors that attract FDI and further to identify the main characteristics of the host country's economy. In an empirical perspective, different studies give different results. More specifically, through models of evaluation, comparison and statistical analysis, based on collected data through questionnaires, this paper focuses on the factors determining the pros and cons of the impact on tourism.

During this research there was shown a need of selecting the appropriate methods of the analysis and the theoretical treatment that would contribute to the empiric treatment and interpretation of the problem of the economic impacts of tourism. In the study has been selected the General Systems Theory by applying it for tourism.

This methodology was necessary:

Because of the multidimensional nature of tourism and the difficulties that exist in the evaluation, the economic impact of tourism in the development of a country.

To determine the structure and rules of the operation of the tourism system, also the theoretical interpretation of inputs and outputs of the Tourism Impact Model (TIM), which as a system examines and evaluates quantitatively the economic impacts of tourism.

The system "tourism" consists of subsystems the "object of tourism" and the "tourism entity". Both subsystems are constantly in an alternated relationship between them. The "tourism" system has an interface with other systems where the most important are: economic environment, social environment, ecological environment, technological environment, political environment.

The "tourism" system is influenced by the elements of these subsystems, while at the same time there is a "collaboration" and "reaction in series".

This means that the study of the "tourism" phenomenon presupposes the specific use of the economic scientific methods that allow a meaningful evaluation of its impact on the development of the country.

There are many researchers conducted in the contemporary literature to study the economic impacts of tourism in different destinations of the world, but mainly on the developing countries, that are host countries to tourists.

INCREASING ROLE OF THE TOURISM SECTOR

Despite bottlenecks and problems, major progress has been achieved in the tourism sector. There are significant success stories over the last 5 years such as:

- More promotion material available
- Several websites and blogs on tourism in Kosovo
- More and more groups and individual travelers visiting Kosovo

Kosovo is present at international tourism trade fairs (ITB, WTM...), Cross-border projects, and cooperation's with other countries.

Tourism in Kosovo is definitely on everybody's lips. During her state visit to Kosovo on 13 October 2010, even Secretary of State Mrs. Hillary Rodham Clinton mentioned tourism as one of the key sectors providing enormous potential and perspectives for employment, especially for young people.

Hence, the 2005 tourism strategy achieved its objective to raise awareness for tourism as a key economic sector.

Having mentioned success stories and milestones achieved above, there are a couple of lessons learned and bottlenecks in the tourism sector to be pointed out:

- Lack of qualified staff and education system
- No categorization system for hotels
- Lack of hotel capacities for tourist groups
- Lack of international hotel standards (lack of international brand)
- Only one tourist information Centre in Kosovo (Peja)
- Inconvenient business environment, lack of institutional support
- Lack of investment
 - Lack of appropriate image & promotion campaigns
 - Lack of appropriate infrastructure (roads etc.)
 - Lack of appropriate statistics and data on tourism & hospitality sector.

BENEFITS OF THE TOURISM SECTOR FOR KOSOVO'S ECONOMY

Both sectors, like the public and private, have agreed on the vision, mission and goals of the development of this sector. The study serves as a guide and 'Navigation system' for all stakeholders.

Tourism is an essential and vibrant growth sector that will contribute to improve the long-term economic and social development of Kosovo. Kosovo will develop sustainable tourism economy through a partnership of public entrepreneurial opportunity, social benefits, industry profits and state revenue sector, private sector and civil society to expand employment.

The contribution of tourism & hospitality industry to Kosovo's GDP is 10-12% by 2020.

Although there is still no reliable data and macro-economic statistics on bench- marks such as the share of tourism & hospitality of Kosovo's GDP; however the goal of 10-12% with respect to the industry's contribution to the GDP by 2020 can be considered plausible²⁷.

With approx. 5,000 registered enterprises in the tourism & hospitality industry 2010, the sector represents already one of the largest job engine and economic key sector.

The benefits of the tourism & hospitality industry in Kosovo recognize the economic and social dimensions and significance of the sector:

Population

- more jobs
- higher revenues
- training/education
- Preservation of cultural heritage
- better infrastructure
- better environmental quality
- better facilities for entertainment

State/Public Sector

- employment
- tax income
- currency income

CompaniesPrivate Sector

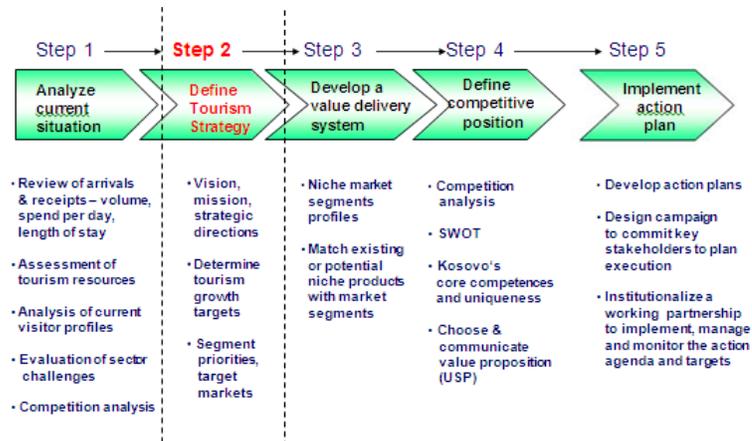
- growth
- profit
- shareholder value

= improved living standard

The tourism strategy makes sure that Kosovo's tourism assets shall be appropriately converted into products, targeting the relevant key markets and setting the course for appropriate actions.

²⁷The selection criteria considered the following: number of tourism operators, number of cultural and tourism events, natural wealth and potential, infrastructure and accessibility, local tourism development policies and institutional framework.

THE TOURISM SECTOR'S DEFINES THE OBJECTIVES AND DIRECTIONS OF KOSOVO'S OVERALL TOURISM DEVELOPMENT



Source: RA (2007): Tourism Strategy, the Ministry of Tourism

Public and private sector of Kosovo's tourism and hospitality sector shall make sure that all relevant tourism resources are bundled according to the tourist's expectation, providing a unique experience and great value for money. This is the only basis and precondition for an economically sustainable tourism development in Kosovo.

According to ILO (International Labor Organization), 1 job in tourism generates an average of 1.5 additional jobs in related sectors. This benchmark underlines the significance of the tourism sector for a country with high unemployment such as Kosovo.

The impact of the tourism sector on different sectors is significant!

Core Sectors of Tourism (hotels, tour operators etc.) 100–50% of revenue

Complementary and Side Sectors (suppliers, retail etc.) 50–25% of revenue

Complementary and Side Sectors (further sectors) below 25% of revenue

1 job in tourism means 1.5 jobs in related sectors!

One of the main bottlenecks of Kosovo's economy (incl. the tourism sector) is the fact that a very high share of goods and products are imported. However, the tourism sector provides great potential and opportunities to extend the value chain in the country and to reduce the dependency from other countries.

That said, especially key sectors such as agriculture and food sector have to be addressed and supported when it comes to tourism development as well as rural development projects.

DEVELOPMENT OF TOURISM PRODUCTS IN KOSOVO

Considering Kosovo's natural and cultural assets, the following segments represent the main pillars of Kosovo's tourism product:

- 1) Cultural tourism
- 2) Mountain & alpine tourism
- 3) Rural, alternative and eco-tourism
- 4) Cross-border & regional tours, round trips
- 5) Meetings and conferences
- 6) Active Tourism (Biking, Hiking, Trekking, Climbing, Adventure...)

These are the key segments to be developed and included in marketing campaigns. Due to the nature and characteristics of each segment, there might be some overlap (e.g. alpine tourism and active tourism include similar features), however this is a usual phenomenon in the tourism sector and not a contradiction.

The following chapters will present the most important products and features of each segment.

Cultural Tourism

With medieval orthodox churches included in UNESCO's World Heritage list, with 41 archaeological sites of high importance, with a vibrant night life and vivid music scene, with a tremendous hospitality of people Kosovo has a lot to offer with respect to cultural tourism. With respect to Kosovo's tourism assets and potential, cultural tourism can be developed and advertised mainly in the following areas²⁸:

Main pillar of Kosovo's tourism product:

- Cultural tourism
- Cultural heritage in Kosovo
- Illyrian culture
- Wine tourism and gastronomy
- Unique hospitality

²⁸ Source: RA (Republic of Albania) (2007): Tourism Strategy, the Ministry of Tourism.

It is vital to focus primarily on products and projects with “lighthouse” character, serving as best practice for further products to be developed, e.g. branding Rahovec Region as Kosovo’s wine tourism destination. With respect to cultural tourism and heritage, stakeholders such as Cultural Heritage without Borders (CHWB) and NGO’s (e.g. JETA) are of paramount importance. There are further products with high potential to be subsumed under cultural tourism, such as products for younger target groups (clubs, night life, student exchange programs, festivals etc.).

Mountain and Alpine Tourism

With ski and winter resorts such as Brezovica and Sharri Mountains, Kosovo can strengthen and improve its position as winter and ski destination. With respect to all-season offers, Rugova Valley has already developed a considerable range of products with tour operator Rugova Experience, founded in 2005, as driving force and outstanding best-practice example (www.rugovaexperience.org).

Main pillar of Kosovo’s tourism product:

- Mountain & alpine tourism
- Winter tourism (skiing, snow trekking etc.)
- Hiking, trekking
- Adventure tourism
- Special interest tours: climbing caves etc.
- Focus: Sharri Mountains, Rugova Valley

Rural, Alternative and Eco-Tourism

The years to come will see a lot more focus on rural development in general in Kosovo as well as development of rural, alternative and eco-tourism in particular. However, at present this segment is still under-represented, lacking experience of local communities and stakeholders, basic infrastructure as well as training and education programs.

Bed & Breakfast accommodation is already available for example in Velika Hoča and Novobërda (Novo Brdo). According to an integrated tourism development approach, it is vital to link such accommodation facilities with local and regional tourism offers and stakeholders. Only then a real “rural tourism product” or “eco-tourism product” can be provided and marketed.

Main pillar of Kosovo’s tourism product:

- Rural, alternative and eco-tourism
- Bed & Breakfast in rural areas
- Country style accommodation (e.g. Kula)
- Authentic & ecological food & beverage

- Related sport & leisure activities

Cross-Border and Regional Tours

Over the last years, a considerable number of cooperation's with neighboring countries (Albania, Montenegro and Macedonia) as well as countries such as Turkey have been initiated, generating an increasing number of tours and visitors to Kosovo.

Donor projects have been launched to brand the Western Balkans as destination (e.g. joint project by GTZ incl. Albania, Kosovo, Montenegro with respect to trekking and hiking).

There is still huge potential regarding regional tours, round trips and cross-border initiatives in the tourism sector.

Main pillar of Kosovo's tourism product:

- Cross -order tours, regional tours, round trips
- Cross-border hiking and trekking tours (Albania, Montenegro)
- Round trips (Albania, Montenegro, Kosovo, Macedonia etc.)
- Short trips and one-day excursions to Kosovo (e.g. from Albania)

Active Tourism

With respect to active tourism, there might be overlap with mountain and alpine tourism as well as alternative tourism; however it is worthwhile to brand Kosovo as a destination with plenty of opportunities regarding active tourism:

Main pillar of Kosovo's tourism product:

- Active Tourism
- Hiking
- Climbing
- Biking
- Adventure

As mentioned already, Rugova Experience can serve as best practice with respect to active tourism.

Meetings and Conferences

The meetings and conference segment can be considered one of the most lucrative ones since the market (demand) is already present in Kosovo and in capital Pristina in particular with a large number of international organizations and companies generating high demand with respect to meetings, workshops, conferences, seminars and trainings. While there is a need for more meeting capacities and facilities, there is also a major lack of information and marketing material (sales guide conference & meetings in Kosovo).

The tourism strategy 2010 – 2020 recognizes conference tourism (as substantial part of business tourism) as a high-yield and high-potential segment.

Main pillar of Kosovo’s tourism product:

- Meetings and conferences
- Exploration of a high-yield market segment
- Exploration of large demand potential of international community (enterprises, organizations, institutions)
- Meetings, seminars, workshops, conferences, events, incentives
- Substantial part of business tourism
- Special and unique locations and venues (e.g. Kulas) have to be included and promoted.

Future Pillars

In the years to come, special attention will be paid to the assessment of the potential in some further tourism segments in Kosovo, especially regarding:

- Spa, health and wellness tourism
- Special interest tours (caves, nature etc.)

TARGET MARKETS

Marketing budgets and efforts will target primarily those markets promising the highest yield with respect to number of visitors and spending in Kosovo.

Key source markets 2011 - 2020 are the following:

Primary (Source) Market of the Destination Kosovo

Albania, Turkey, Germany, Austria, Switzerland, Scandinavia, UK, U.S.

These markets are relevant for all marketing and promotion activities such as tourism trade fairs, fam trips and info-tours (tour operators, media etc.), consideration of relevant languages (websites, marketing material etc).



Source: Internet

Marketing efforts shall consider primarily these markets.

Secondary Target Markets

There are further source markets which are of importance for the destination Kosovo, however with a lower priority than the above mentioned primary target markets.

Still, these are markets to be considered in marketing plans and activities 2011 - 2020.

Future Target Markets

There are some markets to be observed in years to come since they promise sound potential for the destination Kosovo. **Further markets to be considered in the future:** Hungary, Czech Republic, Slovakia, Bulgaria.

Further markets might be added in the course of time.

PROMOTING KOSOVO'S DIVERSITY

Marketing claims and image campaigns should address Kosovo's diversity and specific features and assets. Different marketing claims will be used for different target groups and purposes; here is a selection of suitable claims:

Marketing claims address Kosovo's assets and diversity



BASIC DATA OF TOURISM BUSINESS

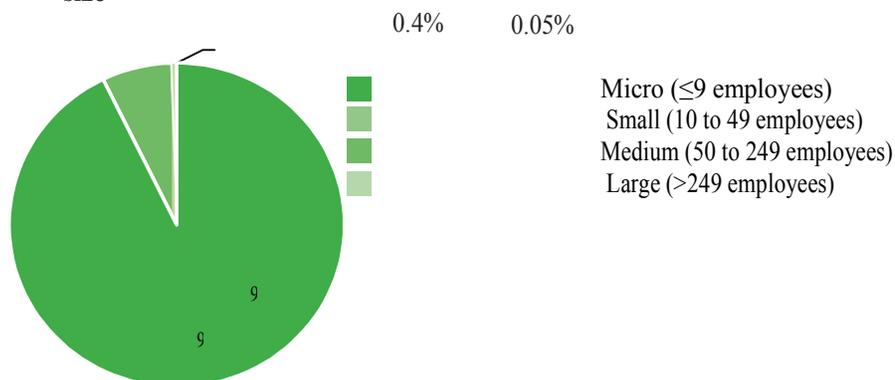
According to 2012 data of the Tax Administration of Kosovo, the largest number of businesses in the tourism industry are based in the region of Prishtinë/Priština (36.6%), followed by Prizren (17.2%), Pejë/Peć (10.1%),

Gjilan/Gnjilane (9.3%) and so on. From the 66 businesses that participated in the survey, 45 of them (68%) are individual businesses, 10 (15%) public enterprises, followed by other categories. The average monthly cost of supplies of the businesses surveyed for 2012 was €32,732 (maximum cost) and €21,214 (minimum cost).

Regarding their total values of outputs, most of the surveyed tourism businesses reported that this amount does not exceed €100,000 annually (85% for 2011 and 83.37% for 2012). The survey results show that most of the businesses declare their average annual revenue for 2011 and 2012 in two main categories, €10,001-€50,000 and €50,001-€250,000, whereas 2.63% and 2.56% declared an annual revenue of over €1 million for 2011 and 2012, respectively.

The number of registered businesses in the industry in 2012 was 2,089: 1,938 micros, 141 small, 9 medium and 1 large company (Figure 1).

Figure 1. Distribution of businesses by size

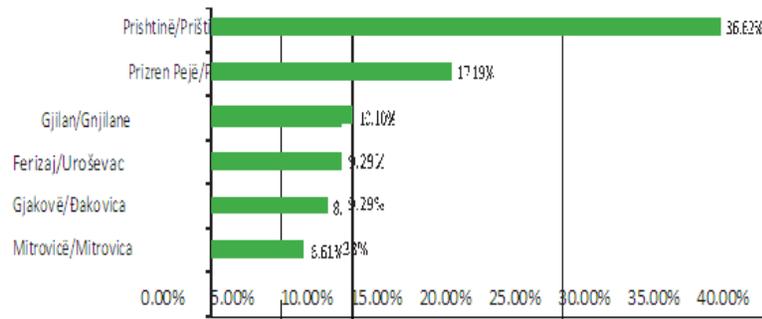


Source: Tax Administration of Kosovo, 2013

The following activities are considered as part of the industry: hotels and motels with restaurant, hotels and motels without restaurant, youth hostels and mountain refuges, campsites including caravan sites, short stay facilities, restaurants, bars, can- teens and kitchens and travel agencies.

The largest number of businesses in the tourism industry are based in the region of Prishtinë/Priština (36.6%), followed by Prizren (17.2%) and Pejë/Peć (10.1%) (Figure2).

Figure 2. Distribution of businesses by regions

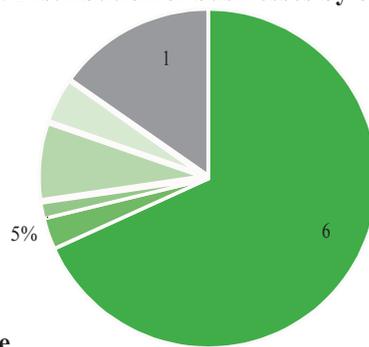


Source: Tax Administration of Kosovo, 2013

Development of gender equality is essential to help the whole sector increase its profit. Women are underrepresented in the tourism sector, this being the case especially in the managerial positions of the businesses. Only 9.1% of those participated in the survey declared that women are part of the ownership structure of the businesses.

From the 66 businesses that participated in the survey, 45 of them (68%) are individual businesses, 10 (15%) public enterprises, followed by other categories (Figure 3). Around 97% of the owners of the businesses which participated in the survey are Kosovar Albanians. Of owners that participated in the survey, 43.8% are from 22 to 41 years old, and 56.3% are 42 to 65 years old. Those who participated in the survey declared that only 9.1% women are part of the ownership structure of their business.

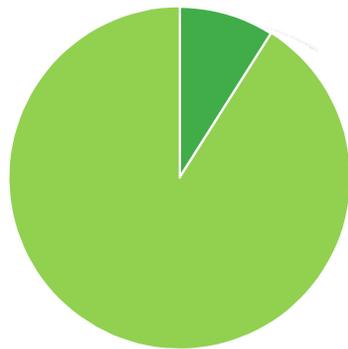
Figure 3. Distribution of businesses by ownership



Source: Survey, 2013

A worrisome fact is the low level of women participation in the sector. Those who participated in the survey declared that only 9.1% women are part of the ownership structure of their business.

Figure 4. Is/are any of the company/organization/institution owner's women



YES
NO

-  Individual businesses
-  Public enterprises
-  General partnership
-  Limited Liability Company (LLC)
-  Equally owned enterprises

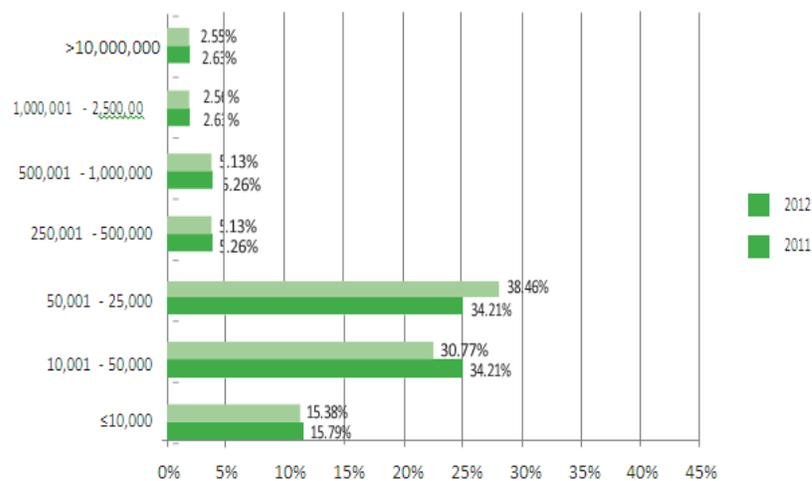



Source: UNDP Survey, 2013

TOURISM BUSINESS PERFORMANCE

The survey results show that most of the businesses declare their average annual revenue for 2011 and 2012 in two main categories, €10,001-€50,000 and €50,001-€250,000, whereas 2.63% and 2.56% declared annual revenue of over €1 million for 2011 and 2012, respectively.

Figure 5. Average annual income for 2011 and 2012 (in Euros)

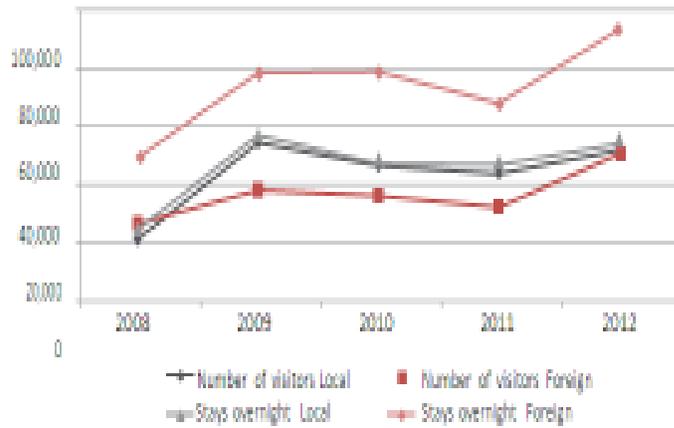


Source: UNDP Survey, 2013

The accommodation and food service sector generated a turnover of €34 million in 2007, comprising 2.28% of GDP. However, the official data of the Kosovo Agency of Statistics (KAS) show that hotels' and restaurants' contribution to GDP varied from 0.7–1.4% during the years 2006–2011. This is evidence of the lack of reliable data on tourism and its participation in Kosovo's economy. The majority of tourism revenues are estimated to come from the private sector (90-95%), whereas the remainder is generated from the public sector (5-10%).

The official data from KAS presents the number of local and foreign visitors and their stays overnight for the period 2008–2012. In 2012 the number of visitors increased by 18.86% compared to 2011, while the number of overnight stay during the same period increased by 16.20% (Figure 6). An increase was also realized in the number of foreign visitors (60.76%), as well as in their stays overnight (38.7%).

Figure 6. Number of visitors (local and foreign) and their stays overnight for the years 2008–2012

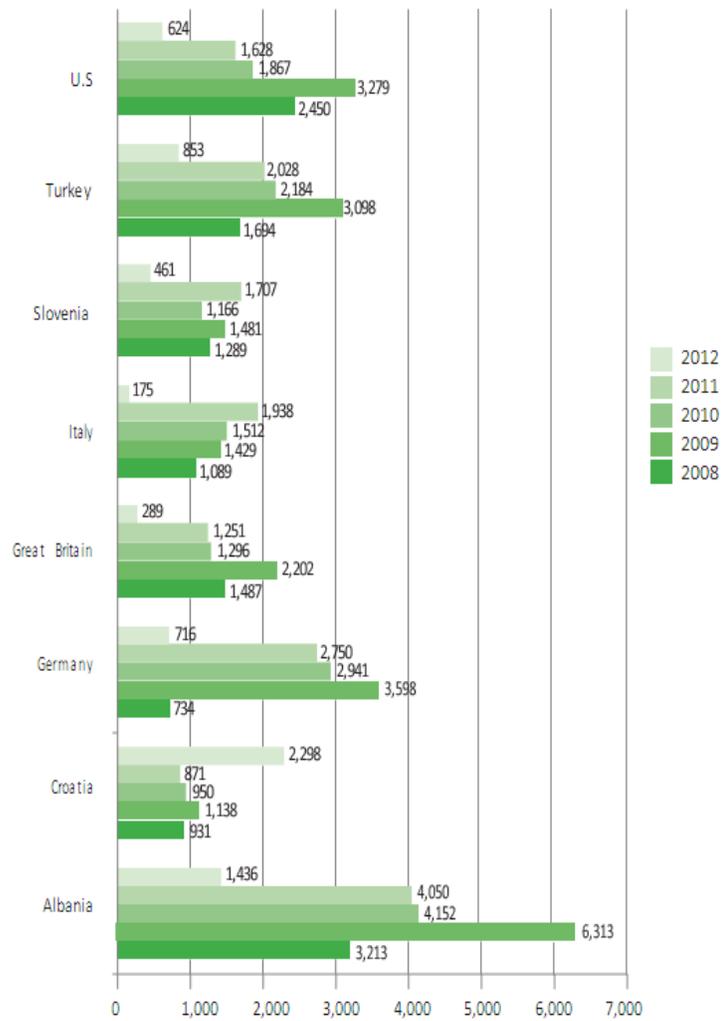


Source: Kosovo Agency of Statistics, 2013

According to the hotel statistics of KAS, foreign visitors that stay the longest in Kosovo come from the following countries: Albania, Croatia, Germany, Great Britain, Italy, Slovenia, Turkey and United States (Figure 7)²⁹.

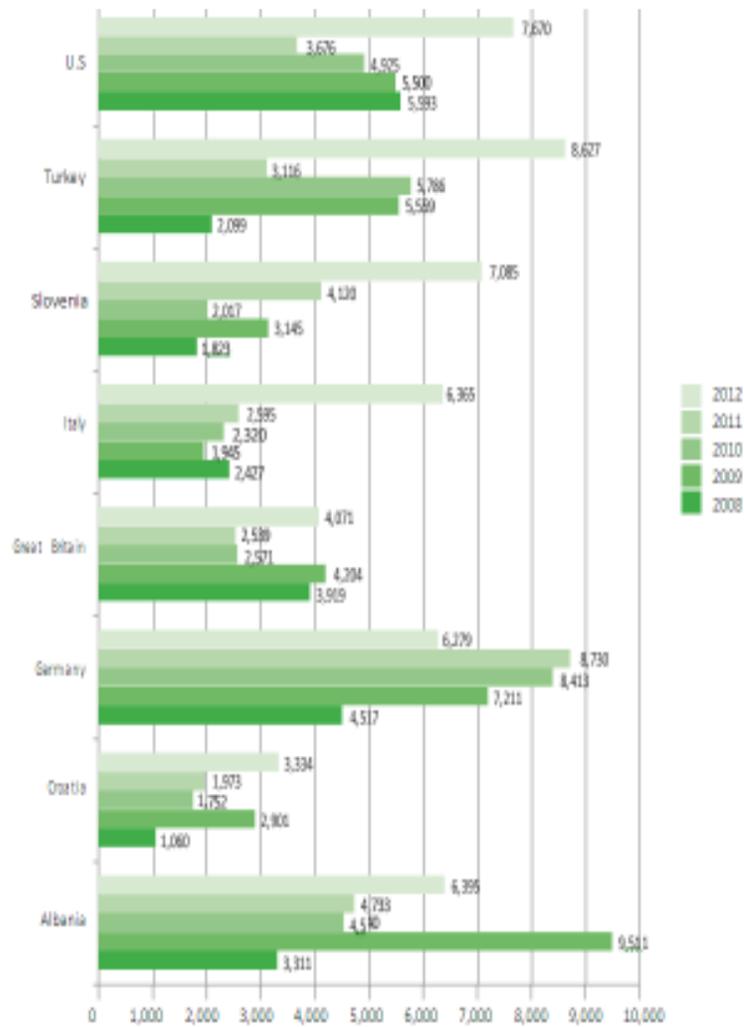
²⁹Tax Administration of Kosovo, 2012. The following TAK codes were utilized to derive these figures: 5511, 5512, 5530, 5540, 6010, 6021, 6023, 6210, 6220, 6330

Figure 7. Number of foreign visitors according to the countries of origin for 2008–2012 (top 8 countries)



Source: Kosovo Agency of Statistics, 2013

Figure 8. Foreign visitors' stays overnight according to the countries of origin for 2008–2012 (top 8 countries)



Source: Kosovo Agency of Statistics, 2013

According to data that the Kosovo Alternative Tourism Association (KATA) provides, Kosovo realized a 20% increase in the number of foreign tourists in the first six months of 2013 compared to the same period of 2012³⁰.

³⁰However, based on their nature, the following activities were utilized to generate sectorial statistics from TAK data: hotels and motels with restaurant, hotels and motels without restaurant, restaurants, bars, transport via railways, other scheduled

Table 1. Domestic and international visitors in Kosovo (2010-2015)

Year	Domestic Visitors	International Visitors	Visitors in Total	Overnights - domestic visitors	Overnights - international visitors	Overnights -Total
2010	44.663	34.382	79.045	45.123	76.394	121.517
2011	42.044	30.349	72.393	44.757	65.584	110.341
2012	49.973	48.79	98.763	50.008	52.008	102.016
2013	45.38	50.074	95.454	54.867	83.883	138.75
2014	46.477	61.313	107.79	55.274	102.066	157.34
2015	60.2	79.238	139.438	81.372	120.669	202.041

Soruce: Kosovo Alternative Tourism Association (KATA)

Table it shows that by the year 2010 -2015 visitors have increased, as a result of increased development of tourism values.

passenger land transport, other passenger land transport, scheduled air transport, non-scheduled air transport, and travel agencies and tour operators/tourist assistance activities.

Figure 9. Number of visitors to the indoor and outdoor (2010-2015)



Source: Kosovo Alternative Tourism Association (KATA)

Kosovo, in the midst of substantial change, finds itself in a developmental phase where tourism is considered an essential asset. Therefore goals that tourism will constitute 10-12% of GDP by 2020. While this ambitious objective is encouraging, it also raises a number of questions including, whether Kosovo has the necessary resources, infrastructure and capacity to meet this goal, not to mention a long-term vision and sound, sustainable strategy.

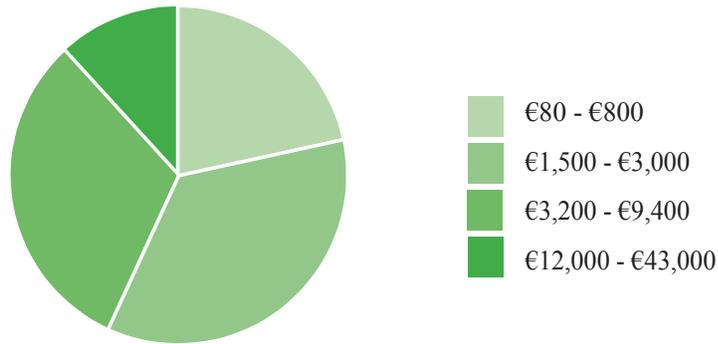
Kosovo has signed tourism development agreements with Albania (2006), Macedonia (2013) and is in the process of signing such an agreement with Montenegro. In addition to tourism agreements, Kosovo and Macedonia have established a joint committee for cross-border economic cooperation, where tourism is given special attention.

BUSINESS/INDUSTRY EMPLOYMENT AND HUMAN CAPACITIES

The total number of men employees in businesses surveyed was 929 in 2011 (on average 15 per business), while the total number of women employees was 302 (on average 7 per business). These figures decreased slightly in 2012, where businesses reported a total of 912 men and 274 women employees. Almost 24% of businesses employed staff with non-Albanian ethnic backgrounds in 2012.

Around 22% of the surveyed companies reported having average monthly salary expenses between €80-€800; 35% between €1,500-€3,000; 31% between €3,200-€9,400 and 12% between €12,000 and €43,000 (Figure 10).

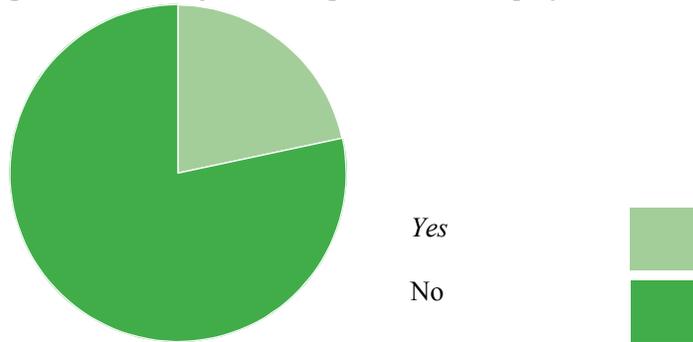
Figure 10. Monthly average salary expenses in 2012



Source: Survey, 2013

Most of the employees in the tourism sector have secondary school education, while 27% of the businesses reported employing 5 or more men university graduates and 26% employing 5 or more women university graduates. Of the businesses surveyed, 22% offer on-the-job training for their employees (Figure 11).

Figure 11. On-the-job training offered for employees



Source: Survey, 2013

Regarding difficulties related to human resources in the tourism sector, businesses emphasized the following issues: lack of qualified and skillful workers (over 50% consider this a problem), the high cost of qualified and skillful workers (almost 50% consider it a problem), a lack of vocation at high school graduates suitable for the sector (53%), the high cost of vocational high school graduates suitable for the sector (50%), a lack of higher education graduates suitable for the sector (55%)

and the high cost of higher education graduates suitable for the sector (almost 50%).

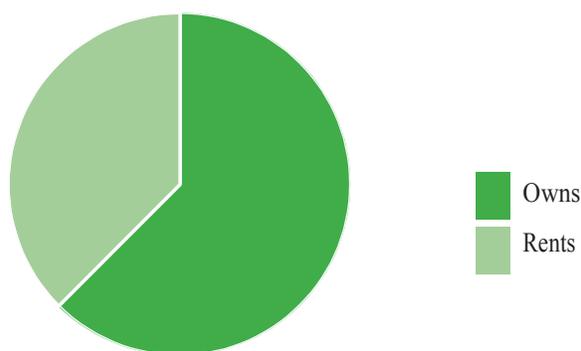
LABOUR REGULATION IN KOSOVO

Kosovo has a highly flexible labour market with a low tax wedge and low rigidities in terms of hiring and firing of workers. The personal income tax rate system is a progressive tax system with a 0-10% tax rate. In addition to that, only a pension contribution of 5% of the total wage is paid by the employer whilst another 5% of the wage is paid by the worker. Since 2011, Kosovo has introduced a minimum wage of €170 for persons older than 35 years and €130 for persons who are younger than 35 years. Since 2011 employment relations are regulated by the Law on Labour (No.03/L-212) which takes into account the International Labor Organization' (ILO) Conventions, EU Legislation and the fundamental principles of free labour market and economy. Since 2013, occupational health and safety are regulated by the Law on Occupational Health and Safety (No.04/L-161).

Around 63% of the surveyed businesses own buildings, while the rest operate in rented premises (Figure 12). The average value of the buildings owned by these businesses is around €1million. Over half of the businesses (53.6%) reported that they own land, while the average value of the land owned is just above €360,000.

Over 90% of businesses are in the possession of machinery and equipment (technology), and its average value is approximately €315,000.

Figure 12. Percentage of companies that own or rent buildings



Source: Survey, 2013

One-third of survey respondents claimed that they made an investment in new products or services during 2012, while the average value of investments was over €76,000. Additionally, one-fifth of businesses reported undergoing an innovative change through utilization of new technical equipment and software, while 15% of businesses listed marketing, product design and product promotion as new innovative practices.

INSTITUTIONAL SUPPORT

The level of cooperation between local and central government varies from case to case. Where local governments have tourism departments, many cultural organizers approach them to seek financial support. This approach limits the effects of these events, since they are not planned, supported and executed as part of a wider tourism promotion and development strategy. The other worrying aspect is the very modest financial support that comes from local governments. Green Fest in Mitrovicë/Mitrovica has received limited funding, while Tour de Kosovo is given no financial support by the local governments where the tour takes place. The local government of Prizren contributes only 5% of the overall budget of Dokufest, and the money is usually transferred with several months of delay.

The list of barriers to promoting cultural tourism in Kosovo is a long one, and cultural event organizers have listed the following difficulties in their operations:

- Limited funding from local and central governments,

- Lack of proper cultural and tourism policies at the local level of government,
- Inability of local governments to integrate culture into a broader tourism development strategic framework,
- Inadequate physical infrastructure for cultural and artistic events, and
- Insufficient cooperation between cultural events and other tourism operators (mainly private).

CONCLUSION AND RECOMMENDATIONS

The first challenge for development of the tourism sector is lack of reliable official data and statistics. Therefore, data were drawn from a variety of sources to be able to draw a picture of the industry. This is partially a product of not having a common understanding of what tourism entails among government agencies. In this study we present list of businesses that are considered tourism entities, but considering the economic impact of cultural activities (festivals and the like), a redefinition is needed to enhance and expand the list of subjects viewed as tourism-related.

Additionally, a consensus exists among sectoral experts as well as policy-makers that, as long as tourism is not considered a priority policy area, the sector's development and impact on Kosovo's economic growth will remain limited. Tourism is governed by a central law, but it lacks a development strategy. Tourism received limited governmental funding, since it is not a public policy priority. With limited financial resources, the Government cannot even afford a proper assessment of its tourism potential, let alone conducting feasibility studies and strategic planning exercises. However, this short coming has been addressed by international funding provided by different donor agencies that supported a considerable number of tourism development projects.

Kosovo also lacks tourism managers and mid-level hotel and restaurant professionals. The managers who run the tourism businesses lack proper formal education, while mid-level staff is usually unskilled young people that lack training opportunities. The low number of women owners in the businesses, adds to the problem of educated managers, considering that the current percentage (9.1%) is in a great disproportion with the percentage of female women population.

Some high schools in Kosovo have courses on tourism and hotel management/ service, while three higher education institutions within Kosovo (two private colleges and one public university) provide courses of study on tourism. The curricula of university departments need further improvement to become competitive and up-to-date with modern

international developments in this sector. In general, Kosovo and most of its cities lack tourism promotion materials. The missing tourism development strategy slowed down the institutional coordination and impacted tourism promotion initiatives, while many cities lack even proper tourist information points. The study sought to elaborate a generally applicable model for improving business processes of introduction, quality and application of information systems in business processes, in terms of better management and improved business analysis of the current situation, defining goals and plans for the future period, the prerequisites for achieving these goals (among other things, rationalization, re-engineering, motivating employees) and analysis. Companies do not know where they are in relation to the market, where they want to reach, do not fully exploit the potential, there are not enough good organization, hierarchy and accountability, no business plans, problems are solved instantly, poor, and employees are not motivated, and time of maximum productivity. All companies (here focusing on tourism) must define their business goals, mission, vision and strategy. Model continuous improvement of business processes that helps the inclusion of these elements in future goals and plans, monitor and measure their achievement. Controlling helps management in planning, budgeting, analysis of operating results and plans, improving information systems, organization of business processes, working with human resource development various analyzes and reports that simulate the results of alternative business decisions and constant monitoring of operations indicate anomalies soon after their formation. This enables immediate response and resolution to the company's operations again back on the path to the goal. The function of controlling the better performance management which includes better information, better reporting, better information flow, better business processes and improved basis for decision-making also, what is Kosovo's hotel industry needs now is the collection and analysis of data on the results of operations of the Kosovo hospitality. By comparing the Kosovo hotel with competitive foreign tourist countries would receive the true picture of the strengths and weaknesses and the quality of business decisions, and to promote the strength of Kosovo hospitality and address weaknesses get a competitive edge.

It is evident that these challenges are not of a complex nature. Prioritizing tourism in the Kosovo development priorities and public policies would inevitably have a positive impact for overcoming many challenges identified in this study.

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