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**MINISTRIA E TREGTISË DHE INDUSTRISË**
**MINISTARSTVO ZA TRGOVINU I INDUSTRIJU**
**MINISTRY OF TRADE AND INDUSTRY**

# SECTOR PROFILE OF **TOURISM**

March 2014

# TOURISM SECTOR PROFILE

March 2014

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**Author**
Hajrulla Çeku

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## List of Abbreviations

| | |
|---|---|
| ATP | Autonomous Trade Preferences |
| CEFTA | Central European Free Trade Agreement |
| EU | European Union |
| EUR | Euro |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| GSP | Generalized System of Preferences |
| ILO | International Labor Organization |
| KAS | Kosovo Agency of Statistics |
| KATA | Kosovo Alternative Tourism Association |
| KOTAS | Kosovo Tourism Association |
| KPEP | Kosovo Private Enterprise Project |
| MTI | Ministry of Trade and Industry |
| PRO IN | PRO IN Tourism Association |
| RED | Regional Economic Development |
| RDA | Regional Development Agency |
| SIDA | Swedish International Development Agency |
| TAK | Tax Administration of Kosovo |
| UNDP | United Nations Development Program |
| USA | United States of America |
| USAID | United Stated Agency for International Development |

# 1. Introduction

The overall objective of this report is to provide the Kosovo government with a tourism sector profile to support the design of specific interventions for tourism development in Kosovo. This document provides a 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/ akovica, Prishtinë/Priština, Shtërpcë/Štrpce and Dragash/Dragaš.[1] 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 favourable 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. [2]

According to the publication of the Ministry of Trade and Industry, "Investing in Kosovo" identifying some of the highest potential sectors for investors, Kosovo will become an important market for foreign direct investment in tourism. [3]

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/turistički region Kosovsko-pomoravskog upravnog kruga; 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.

1 The 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.
2 Valdete Rexhepi, Tourism and the Millennium Development Goals: The case study of Kosovo, 2012, at www.ua.pt/event%5C-invtur2010/ReadObject.aspx?obj=23885
3 Republic of Kosovo, Ministry of Trade and Industry, Investing in Kosovo, 2011, at http://www.eciks.org/english/publications/InvestinginKosovo_2011_Web.pdf

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.

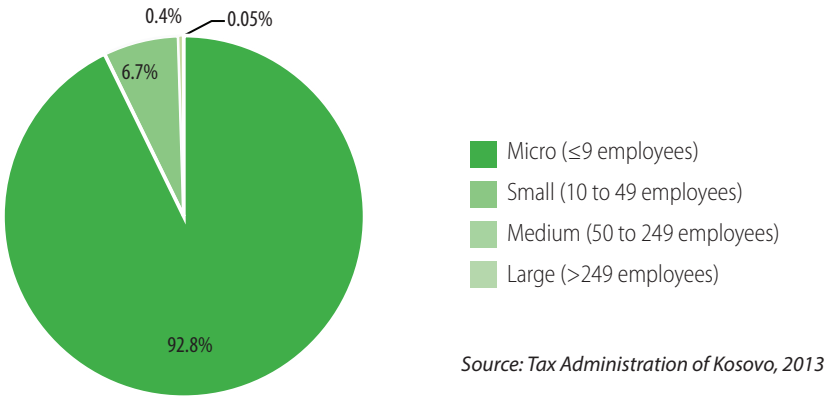
Development of gender equality is essential to help the whole sector increase its profit. Women are underrepresented in the tourism sector, this being the case especially in the managerial positions of the businesses. Only 9.1% of those participated in the survey declared that women are part of the ownership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

Notably, cultural tourism represents one of the great potentials for development in Kosovo; yet, it is very narrowly exploited and promoted. A number of cultural events take place in different cities of Kosovo. These activities are mainly organized by civil society organizations and cultural operators, and they attract local and foreign tourists alike. One of the most influential events organized annually is the Dokufest film festival in Prizren. According to the festival's statistics, some 10,000 people attended the 2013 edition, with 23% of the total number of guests being foreign visitors. Research conducted by the GAP Institute during the 10$^{th}$ edition of this festival (2011) revealed that the economic impact of Dokufest on GDP was €3.1 million, while this number was expected to be €21.9 million over the following four-year period.

# 2. Basic Firm Data

The number of registered businesses in the industry in 2012 was 2,089: 1,938 micro, 141 small, 9 medium and 1 large company (Figure 1).[4]

**Figure 1.** *Distribution of businesses by size*

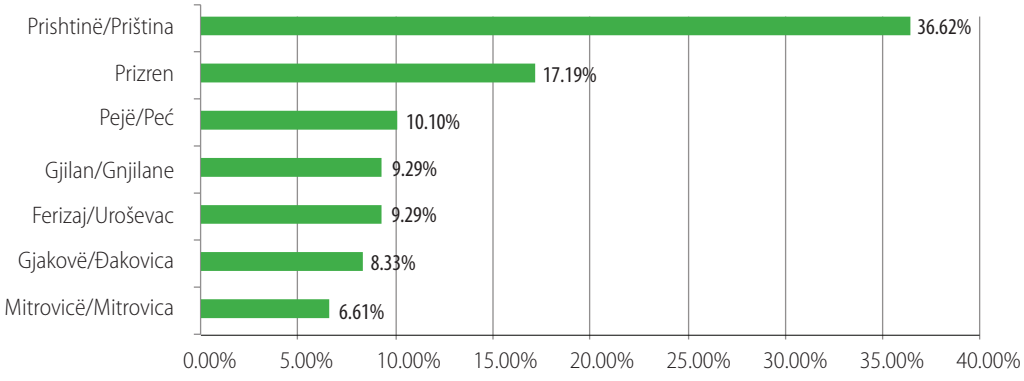



*Source: Tax Administration of Kosovo, 2013*

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, canteens and kitchens and travel agencies.[5]

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%) (Figure 2).[6]

**Figure 2.** *Distribution of businesses by regions*




*Source: Tax Administration of Kosovo, 2013*

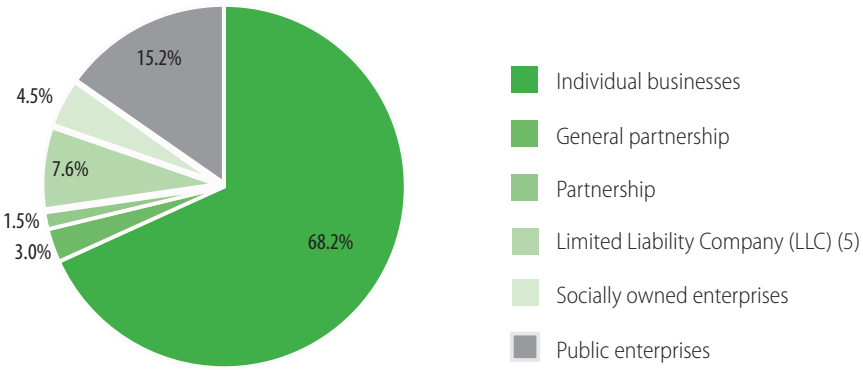
4 Tax Administration of Kosovo, 2012. The following TAK codes were utilized to derive these figures: 5511, 5512, 5530, 5540, 6010, 6021, 6023, 6210, 6220, 6330

5 However, based on their nature, the following activities were utilized to generate sectoral statistics from TAK data: hotels and motels with restaurant, hotels and motels without restaurant, restaurants, bars, transport via railways, other scheduled passenger land transport, other passenger land transport, scheduled air transport, non-scheduled air transport, and travel agencies and tour operators/tourist assistance activities.

6 Ibid

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.

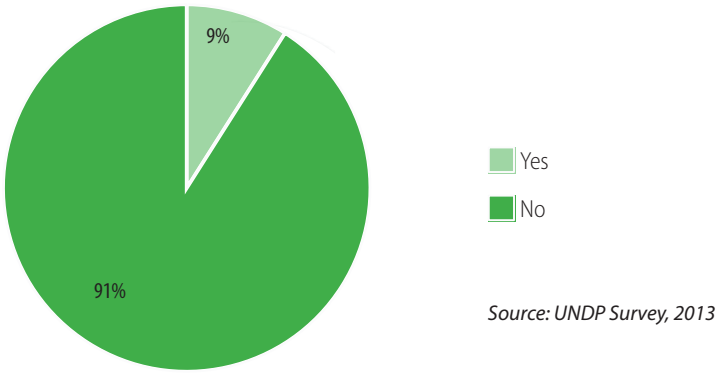
**Figure 3.** *Distribution of businesses by ownership structure*




*Source: UNDP 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 owners women?*




*Source: UNDP Survey, 2013*

## *Box 1: Profile of a Successful Business Operating in Kosovo* [7]

### Çarshia e Jupave (hotel & restaurant)

*ÇÇarshia e Jupava is located in Gjakovë/Đakovica and offers accommodation services (hotel) and has a restaurant; it is considered one of the most successful companies of the area. The company has a long family tradition; it has operated for over 60 years, starting from the father of the current owner of the company. The current owner is the only shareholder of the company, with close family members also engaged in the management of the company. Additional facilities include a conference hall, while two new services are in the preparation phase: a wine hall and a recreation area (fitness and other).*

*The company offers quite competitive prices, where an overnight stay ranges from €40-80. The approximate amount of monthly expenditures of the company is €6,000, while the annual turnover is over €340,000. During the last two years, the company had an average 8-10% increase in the turnover for each year. A 10% increase is predicted for the coming year, as well. The hotel is one of the most attractive destinations for the prime choice of foreign tourists. In addition, it hosts many civil society, business and governmental events, where the conference hall, accommodation and food services are offered as a package. The company's success derives mainly from the long family tradition combined with quality services offered at competitive and reasonable prices. The hotel's restaurant receives not only tourists, but also local clients from Gjakovë/Đakovica.*

*It has 30 employees, out of which 13 are women and 17 men. The absolute majority of employees are Kosovo Albanian, while only 1 comes from the Roma, Ashkali and Egyptian community. In addition to this number, the company hires seasonal and part-time employees depending on its needs and the season. Among those currently employed, 80% are high school graduates, 10% are university graduates, while the remaining 10% only possess a primary level of education.*

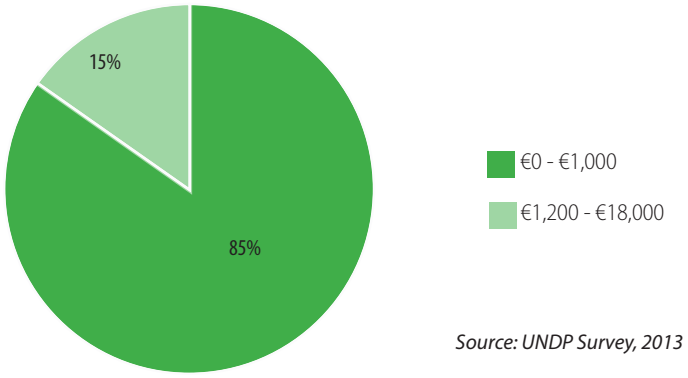
*The owner speaks of positive relations with local businesses (mainly Gjakovë/Đakovica-based) who are the main suppliers for the company. Among the areas that need improvement and would enhance business development opportunities, the owner emphasizes energy supply, a public service necessary for the normal functioning of the hotel and restaurant. Regarding legislative policy, the owner insists on the need to reintroduce licensing and categorization for hotels, which were previously thought to be barriers and eliminated to incentivize hotels. Last but not least, he insists on the necessity to review VAT applied to hotels, in order reflect the practices in other Balkan countries.*

7 The profile of the company was drafted using qualitative data from the interview with Shkëlqim Jupa, the owner of Çarshia e Jupave on 26 November, 2013

# 3. Firm/Industry Input and Output

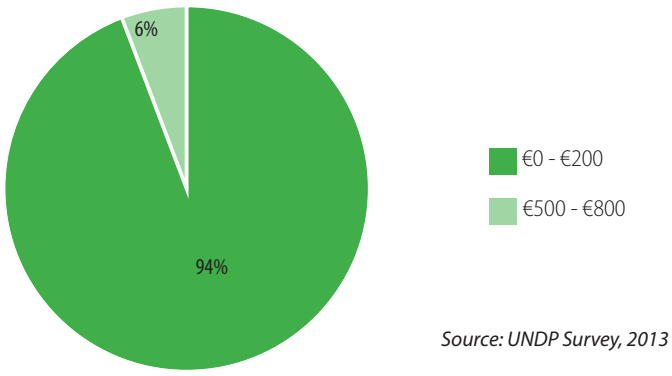
The average monthly cost of supplies for the businesses surveyed was €21,214 (minimum cost) and €32,732 (maximum cost) in 2012. Regarding utility costs per year, 85% of the businesses declared paying up to €1,000 annually for electricity (Figure 5), 94% paid between €500 and €800 for water (Figure 6) and around 80% of them paid up to €1,000 Euros for fuel.

**Figure 5.** *Average cost of electricity for 2012*




*Source: UNDP Survey, 2013*

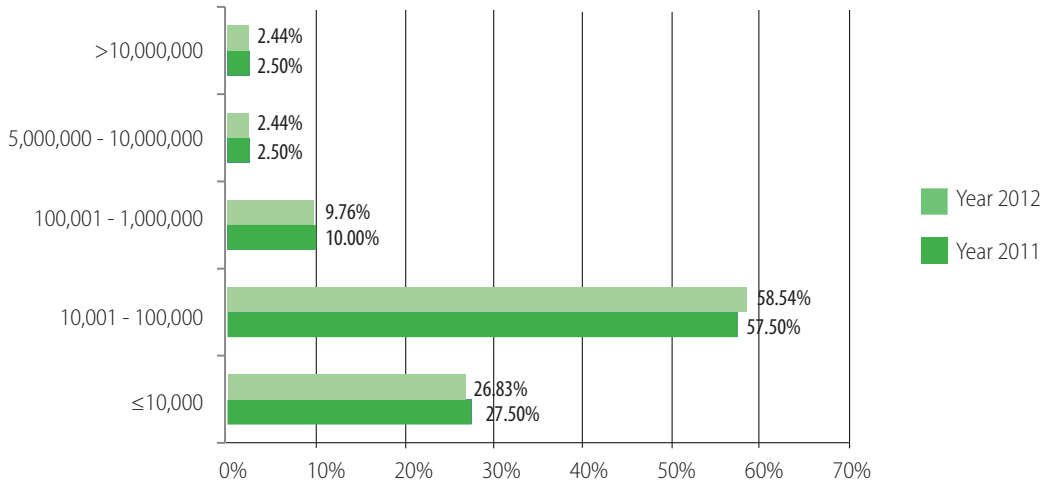
**Figure 6.** *Average cost of water for 2012*




*Source: UNDP Survey, 2013*

Regarding their total value of outputs, most of the surveyed businesses reported that this amount does not exceed €100,000 annually (85% for 2011 and 83.37% for 2012). Only 3% of the businesses reported the value of their outputs being higher than €5 million (Figure 7).

**Figure 7.** *Annual output for 2011 and 2012 (in Euros)*



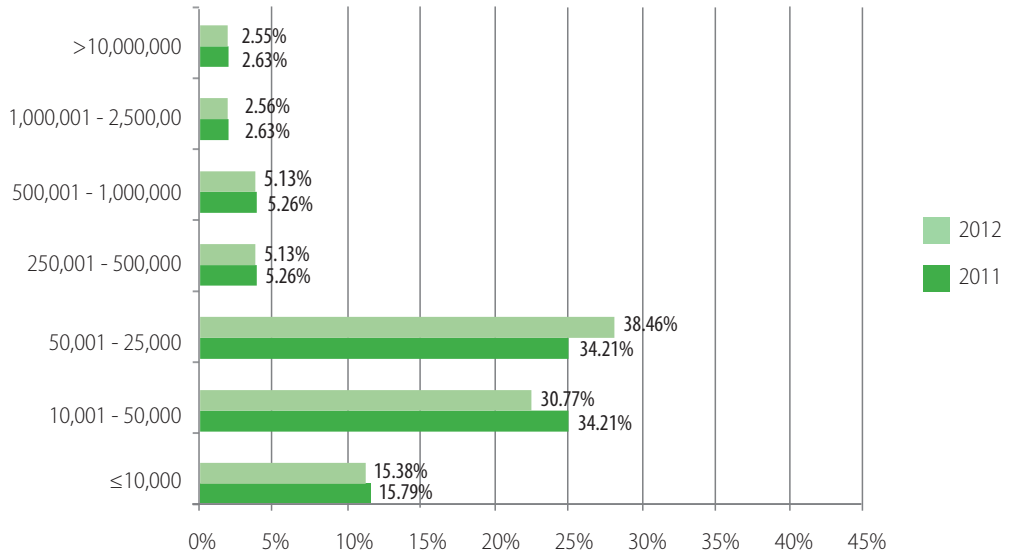

*Source: UNDP Survey, 2013* [8]

8 Calculations/percentages include only businesses that responded to this question.

# 4. Firm 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 8).

**Figure 8.** *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. [9] 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.[10] 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 %). [11]

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 9). An increase was also realized in the number of foreign visitors (60.76%), as well as in their stays overnight (38.7%).[12]

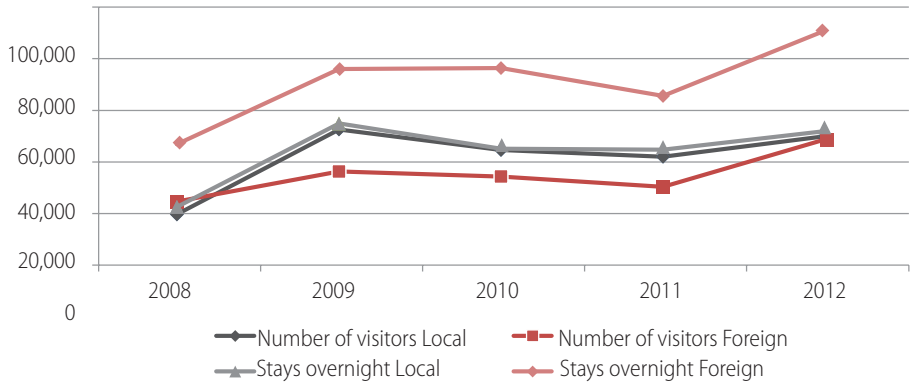
9 Investment Promotion Strategy for Investment Promotion Agency of Kosovo 2011-2013, at http://www.invest-ks.org/repository/docs/02_Investment_Promotion_Strategy_656355.pdf

10 Republic of Kosovo, Kosovo Agency of Statistics, Gross Domestic Product according to economic activities (2006 – 2011), 2012, at http://esk.rks-gov.net/eng/publikimet/doc_download/1059-gross-domestic-product-by-activities-2006-2011

11 Investment Promotion Strategy for investment Promotion Agency of Kosovo 2011-2013, at http://www.invest-ks.org/repository/docs/02_Investment_Promotion_Strategy_656355.pdf

12 Republic of Kosovo, Kosovo Agency of Statistics, Hotels Statistics, 2013, at http://esk.rks-gov.net/publikimet/cat_view/81-hoteleria

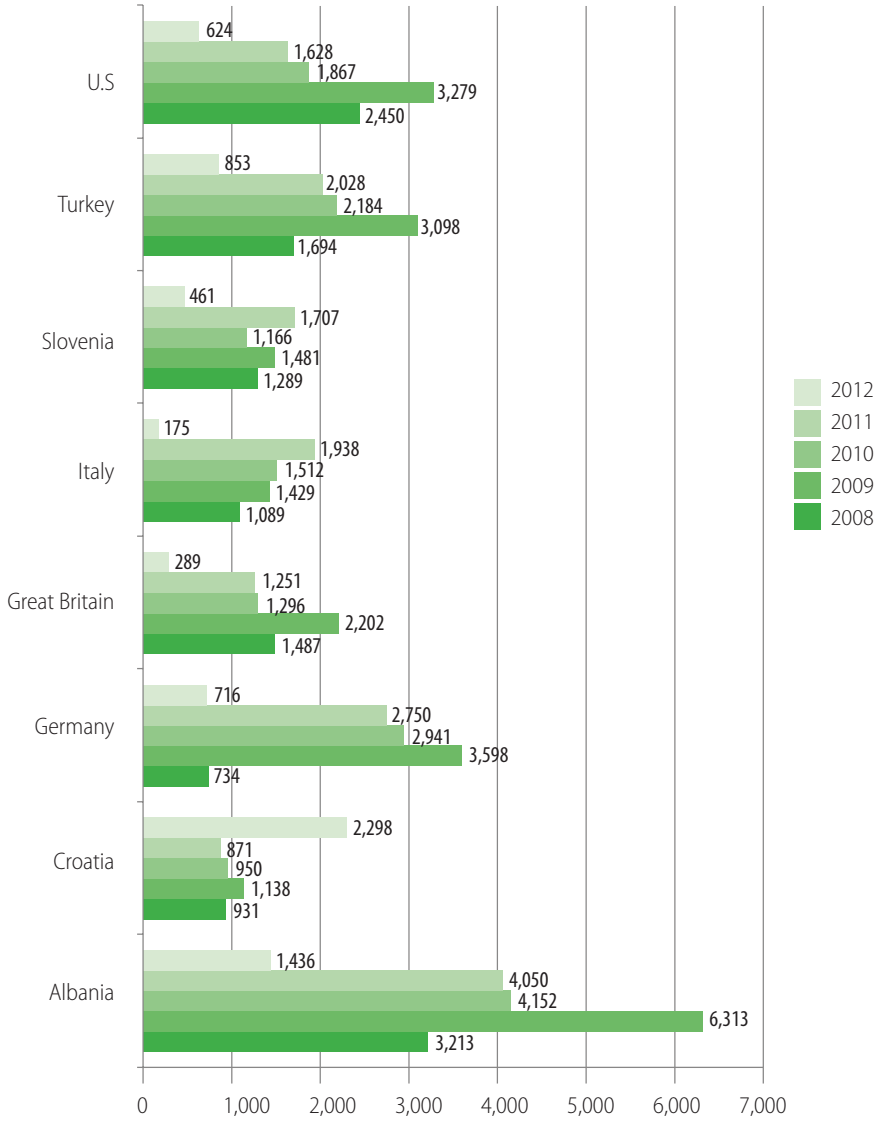
**Figure 9.** *Number of visitors (local and foreign) and their stays overnight for the years 2008 – 2012*




*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 10).[13]

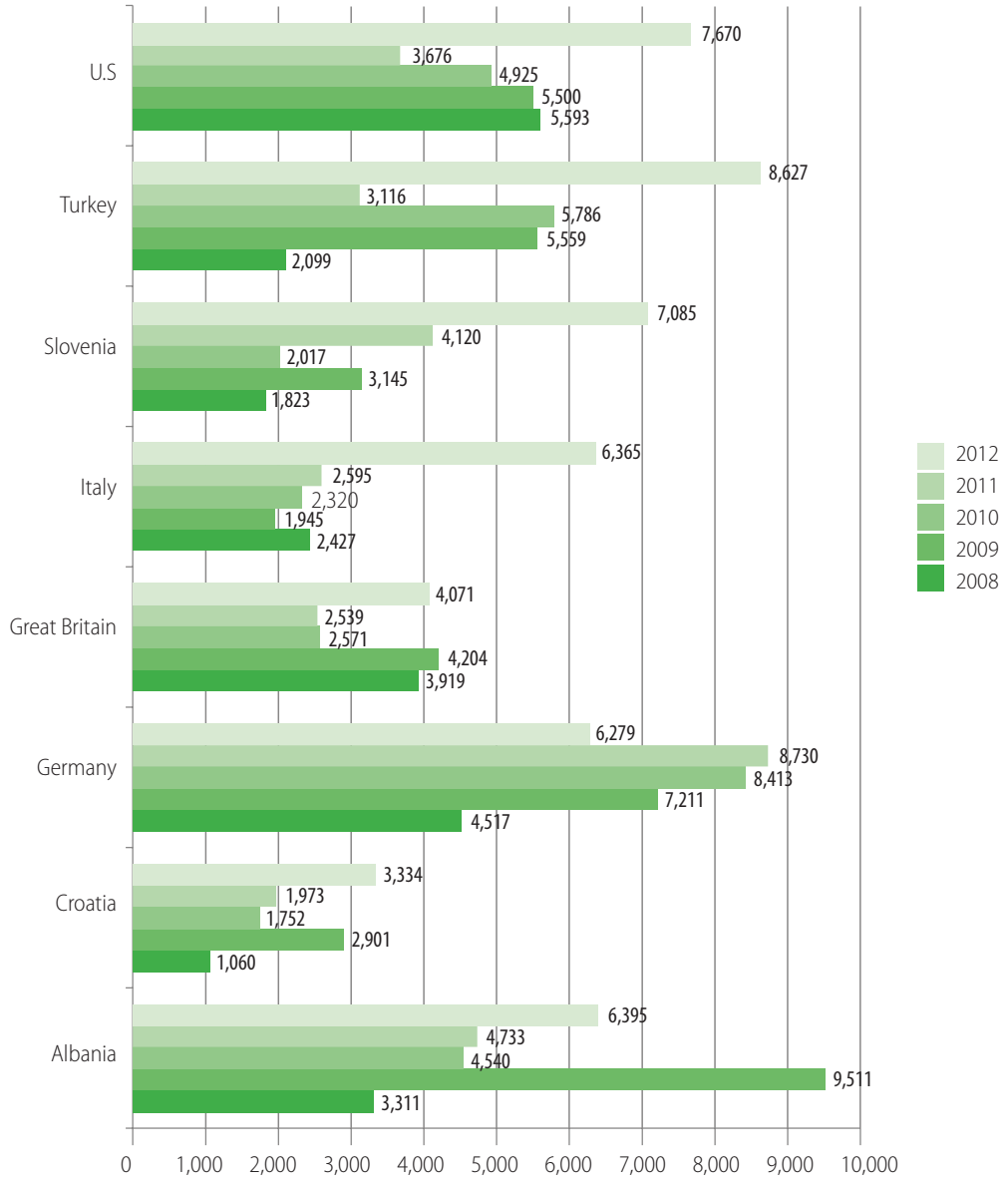
**Figure 10.** *Number of foreign visitors according to the countries of origin for 2008 – 2012 (top 8 countries)*




*Source: Kosovo Agency of Statistics, 2013*

13 Ibid

**Figure 11.** *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 2012.[14]

Kosovo, in the midst of substantial change, finds itself in a developmental phase where tourism is considered an essential asset. The Ministry of Trade and Industry (MTI) has set a goal 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.[15]

14 Interview with Baki Hoti, Head of Kosovo Alternative Tourism Association, interviewed on 19 November 2013.
15 Council of Europe, A dilemma: use of cultural heritage for tourism or utilisation of tourism for the protection and maintenance of cultural heritage? at http://www.coe.int/t/dg4/cultureheritage/cooperation/kosovo/PejaHeritageArticle.pdf

# 5. Trade Regulations and Free Trade

Kosovo is characterized as a territory with a liberal trade regime, with a general tariff of 10% for imports and 0% for exports.

The Central European Free Trade Agreement (CEFTA) is a trade agreement between non-EU countries in Southeast Europe. The agreement used to include Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, but their membership ended upon becoming EU member states. Currently, the agreement includes Albania, Bosnia and Herzegovina (BiH), Macedonia, Moldova, Montenegro, Serbia and Kosovo.[16]

Kosovo has a nonreciprocal, duty-free trade regime with the EU market based-on the EU Autonomous Trade Preference Regime, pursuant to EU Council Resolution (ATP)(2007/2000). [17]

Additionally, Kosovo enjoys Generalized System of Preferences (GSP) privileges from the US government, giving customs free access to the US market (with restrictions for a limited number of goods). The following are the export procedures according to the MTI: Businesses/Persons engaged in export should have the proper documentation required according to the following laws and administrative instructions: Customs and Excise Code of Kosovo, the Law on International Trade, and the Administrative instruction no 01/2011. During export procedures, as of 2011 and on, the following documents are needed: (1) The Unique Customs Declaration (UCD), (2) The Invoice and (3) Certificate of Origin (or Certificate EUR 1).

The Ministry of Trade and Industry 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.[18]

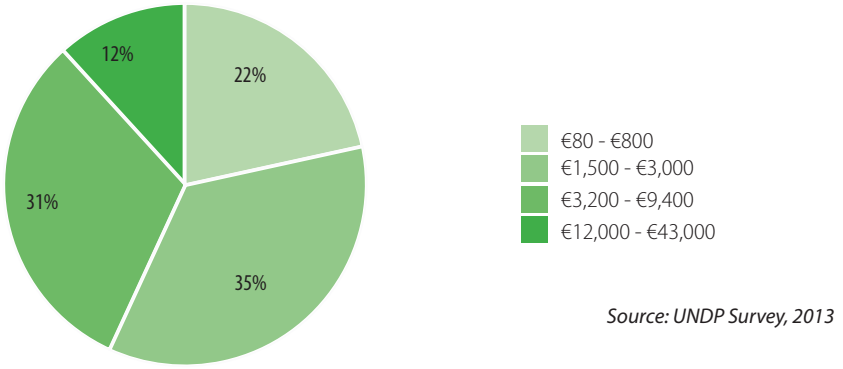
16 Central European Free Trade Agreement, at http://www.cefta.int/
17 Investment Promotion Agency of Kosovo, at http://www.invest-ks.org/en/General-Publications
18 Interview with Ministry of Trade and Industry official conducted on 25 November 2013.

# 6. Firm/Industry Employment and Human capacities[19]

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 12).

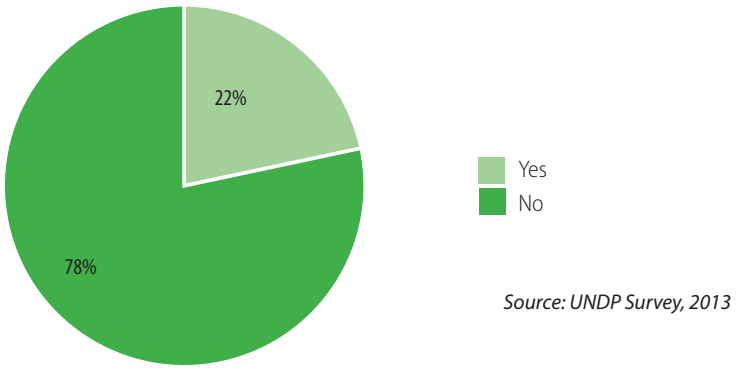
**Figure 12.** *Monthly average salary expenses in 2012*




*Source: UNDP 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 13).

**Figure 13.** *On-the-job training offered for employees*




*Source: UNDP Survey, 2013*

19 TAK also reports figures for the average number of employees per firm. However, this data was deemed to be unreliable due to underreporting, therefore, only data generated from the survey is reported here.

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 skilful workers (almost 50% consider it a problem), a lack of vocational 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%).

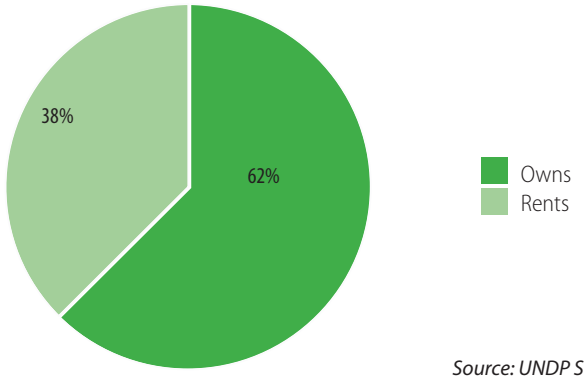
## 6.1. Labour regulation in Kosovo

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).

# 7. Assets, Technology and Investments

Around 63% of the surveyed businesses own buildings, while the rest operate in rented premises (Figure 14). The average value of the building/s owned by these businesses is around €1 million. 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 14.** *Percentage of companies that own or rent buildings*




*Source: UNDP 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.

## 7.1. Patenting, trademarks and industrial design

Industrial Property Rights are administered and registered at the Industrial Property Agency, within the Ministry of Trade and Industry.

Trademarks: are regulated by the Law on Trademarks (Law No. 04/L-026). The right holder of a registered trademark will, after registration, have exclusive rights in relation to the goods and services covered by the registration. The holder of trademark shall be entitled to prevent third parties to use without his permission. In particular, these rights are: to use the trademark, to authorize another to use the trademark or to obtain legal remedy for a violation of the trademark. Trademark is registered for a period of 10 years and can be renewed for an unlimited time.

Industrial design is regulated by the Law on Industrial Design (Law No.04/L-028). The right on industrial design protects the design, given that it is new and has an individual character. Protection of industrial design lasts 5 years and can be extended to a maximum of 25 years.

Patents: are regulated by the Law on Patents (Law No. 04/L-029). A patent shall be granted for any invention, in any field of technology that is new, involves an inventive step and is susceptible in the industry. A patent right is granted for the duration of 20 years.

# 8. Public Institutions and Business Environment

MTI's Division of Tourism is responsible for the tourism sector in Kosovo. The duties, responsibilities, organization and operation of this division are regulated by a sub-legal act on organization and the internal structuring of the Ministry. The Law on Tourism provided for the establishment of the Tourism Council of Kosovo. The duties and responsibilities of the Council are to propose policies and plans for tourism development and its promotion, to advise and make recommendations to the Ministry, and to develop standards and the Code of Ethics for registered entities. The Council is to consist of one (1) representative from the Ministry, three (3) representatives from the Government, and three (3) representatives from the associations of tourism, municipalities and independent experts.[20]

According to the head of the Division of Tourism "the Council is in its first phases of becoming functioning, with the members already appointed and the internal Rules of Procedure in the process of adoption".[21]

During the last few years, attempts have been made to advance the institutional framework for tourism at local levels of governance as well. Several municipalities have included tourism in their strategic development plans, while in organizational terms, they have created tourism positions within certain municipal departments, mainly those dealing with economic development. Recently, the municipality of Prizren has even gone so far as to establish a new unit named Tourism and Economic Development.[22]

20 Official Gazette of Kosovo, Law on Tourism, 10 May 2013, at http://mti-ks.org/repository/docs/LAW_No._04-L-176_ON_TOURISM,_Anglisht_772395.pdf
21 Interview with Ministry of Trade and Industry official conducted on 25 November 2013
22 Municipality of Prizren, Departments, at http://kk.rks-gov.net/prizren/Municipality/Drejtoret.aspx

# 9. Legislation and law enforcement

The main legislative act regulating the industry is the Law on Tourism (Law No. 04/L-176) that entered into force on 10 May 2013. The new law attempts to liberalize the industry, introduces free market logic and provides voluntary provisions for businesses (licenses and categorization). This law regulates the relationship between public institutions and private entities, natural and legal persons and citizens and foreigners that practice tourism activity. It defines the rights and obligations of participating entities in the field of tourism, in accordance with the standards set forth in the legislation. Since it replaced the old law and introduced a new concept of tourism development, the government is currently working on implementing its crucial provisions.

A number of other laws regulate the tourism industry in certain areas of the business operation and where tourism is a cross-cutting issue, namely: consumer protection, accommodation taxes, cultural heritage, infrastructure, protection of nature, agriculture products, etc. The Law on Accommodation Tax in Hotels and Tourist Facilities provides that persons who use accommodation services in hotel and tourist facilities should pay taxes for such services, adding that this tax is calculated as a percentage (%) of the sleep service price (which is also regulated by a sub-legal act issued by the MTI).[23]

23 Official Gazette of Kosovo, Law on Accommodation Tax in Hotels and Tourist Facilities, 07.01.2009, at http://www.gazetazyrtare.com/e-gov/index.php?option=com_content&task=view&id=318&Itemid=28&lang=en

# 10. Business associations of tourism

Several tourism associations exist and operate in Kosovo. The Kosovo Tourism Association (KOTAS) is a not-for-profit, non-governmental association, founded by individuals for the purpose of supporting the development of mutually beneficial tourism and its related sectors, programmes and initiatives implemented at all levels in Kosovo. Towards its purpose of supporting the development of the tourism industry in Kosovo and fulfilment of its designed goals, KOTAS cooperates and coordinates its activities with other tourism related associations and organizations, both in Kosovo and abroad.[24]

**The Kosovo Alternative Tourism Association (KATA)** is a recently established non-profit tourism association; it aims to contribute to the development of the tourism sector in Kosovo. KATA is strongly committed to its main objectives of working for the development of rural, cultural and mountain tourism; coordinating activities between tour operators, travel agencies and hotels; the conservation of cultural heritage; fighting the susceptibility of foreign direct investments in the tourism sector; and organizing different activities including tourism fairs, tourism conferences, and trainings.[25] KATA is currently composed of 146 members--mainly hotels, travel agencies, tour operators, transport companies, individual tourism experts and other institutions--and coordinates the Hotels' Council of Kosovo.[26]

***PRO IN Tourism***

***Association has 2500 individual members***

The **Tourism Association of the southern region** is a joint initiative between the Regional Development Agency South and Municipality of Prizren. The Association provides services for tourism entities by hosting a forum for exchanges and advocacy to address the challenges faced by businesses. At the same time, the Association offers capacity-building services, aimed at developing local businesses by strengthening their professional capacities and mainstreaming tourism into local economic development agendas. Special attention is given to exchanging experiences with regional peers in the areas of gastronomy, hotels, guides, wines and the like. In addition, the Association provides means for rural tourism development by engaging the community in service provision for visitors.[27]

The **association PRO IN** was established in 2012, and its goal is to promote locally produced food and drinks. It is active in the patenting of these products, as well as capacity-building of the hotels' and restaurants' staff. It has 2500 individual members and 120 businesses from all parts of Kosovo. The association is attempting to establish a structured cooperation with the local and central governments of Kosovo, a necessary precondition to address the challenges faced by respective businesses.[28]

24 Kosovo Tourism Association (KOTAS), at http://www.balkanalliance.org/kotas.php
25 Kosovo Alternative Tourism Association (KATA), at http://www.kata-ks.org/About%20Us.html
26 Interview with Baki Hoti, Head of Kosovo Alternative Tourism Association, 19 November 2013.
27 Interview with Bajram Basha, Head of Tourism Association, southern region, 27 November 2013.
28 Interview with Afrim Fushtica and Xhevdet Hyseni, Leaders of PRO IN association, interviewed 21 November 2013

# 11. Incentives and List of Licenses and Permits Required

The aforementioned Law on Tourism aimed to offer incentives for those engaged in the tourism industry, thus removing the requirement of certain licenses and permits. Article 6 of the Law states that all natural and legal persons that operate in the field of tourism can voluntarily be registered in MTI's Division of Tourism.[29]

In addition, the Law stipulates that the Ministry, in cooperation with th Tourism Council of Kosovo, shall develop the voluntary system for categorization of accommodations, based-on standards in accordance with an international assessment system that is available to registrants.[30] Licenses and this categorization were previously mandatory for tourism businesses (mainly accommodation), while the new law made them voluntary. Some businesses are questioning the new standards and even considering to bring back the previous provisions to make licences and categorization mandatory requirements. These requests are a result of the practice of individual categorization of the hotels, which according to key informants is hindering the fair competition in the sector.

## 11.1. Business perceptions on governance

Only 15% of businesses consider that taxes in this sector are 'very' high, while over 80% of them think that they are 'moderately' or 'somewhat' high. Additionally, over half of businesses consider the Tax Administration of Kosovo as 'moderately' efficient, while 62% of them perceive Kosovo Customs as 'moderately' efficient or 'somewhat' efficient. Furthermore, half of the businesses surveyed think that the ease of obtaining finance within the tourism sector is 'somewhat' difficult, while 35% of them consider the cost of finance (level of interest rates) as 'somewhat' high.

***Over half of businesses consider TAK as moderately efficient***

## 11.2. Strategic approach

In terms of central and local policies, tourism is still yet to receive deserved attention from relevant institutions, especially given MTI's aforementioned goal of the industry comprising 10-12% of GDP by 2020. The largest challenge to development in tourism, according to sectoral experts, is that tourism is left outside the priority areas of the wider development agenda of Kosovo.Therefore, Kosovo needs to have a coherent strategy for tourism development, one that would allow for parallel resource management and sustainable tourism development. However, this implies that, along with the government, the participation of local residents--as mediators between the private sector and government--is essential to protect natural resources and the environment in general.

29 Official Gazette of Kosovo, Law on Tourism, 10 May 2013, at http://mti-ks.org/repository/docs/LAW_No._04-L-176_ON_TOURISM,_Anglisht_772395.pdf
30 Ibid

Furthermore, relevant government institutions need to expand their efforts to systematically identify areas of touristic potential and to determine their strengths and weaknesses. This process would pave the way towards creating a strategic plan for tourism, identify and highlight specific tourist destinations, determine the marketing strategy for the promotion of tourism and setting the principles of the master plan for tourism development in Kosovo's regions and the territory as a whole. A sector strategy has yet to be adopted, although a draft document has been prepared by MTI.[31]

This strategy is a requisite for development, and when adopting such a document, it needs to highlight the regions with the most potential for development, such as Prizren, Pejë/Peć, Prishtinë/Priština and Gjakovë/Đakovica.

"Kosovo has a tradition in tourism, which must be recognized comes from the 80s, and that because of the twenty-year period of political turmoil in [Kosovo] and beyond has stagnated and could not follow the world events in the tourism industry. It turns out that the existence of the tourist product of Kosovo cannot be ignored, but it is necessary to examine the resources recorded and categorized and with the help of marketing and its instruments makes a plan and a strategy for the best sectoral performance of available offer in the domestic and international tourism market." [32]Up to now, a number of tourism development initiatives have been carried out at both the central and local levels, mainly through donor assistance (GIZ, SIDA, Care International, USAID KPEP), and also by Kosovo's public and private sectors.

While these initiatives seem to have been individually successful on a small scale, their potential impact on sustainable development seems to have been hindered mainly by their narrow and single-faceted focus on local economic development and environmental conservation. They have not increased the number of overall tourists and, specifically, targeted local destinations, as a collective approach among these initiatives to market themselves as a joint product has been lacking. This is necessary if such actors wish to make Kosovo competitive in the global tourism market. [33]

Overall, the projects of international organizations and local civil society organizations have filled the void, to some extent, left by the government in order to responsibly manage the sector. However, most projects have relied upon imported models and lacked proper contextualization with local conditions and capacities. [34]

31 Interview with Ministry of Trade and Industry officials, interviewed on 19 November 2013
32 Fatos Ukaj, Marketing Concept as a Tool for Development of Tourism in Kosovo, 2010, at http://mpra.ub.uni-muenchen.de/21720/1/MPRA_paper_21720.pdf
33 Investment Promotion Strategy for investment Promotion Agency of Kosovo 2011-2013, at http://www.invest-ks.org/repository/docs/02_Investment_Promotion_Strategy_656355.pdf
34 Interview with Zeke Çeku, tourism expert, interviewed 21 November 2013

# 12. Culture and Tourism: a growing potential

"A proper and sustainable solution relies on the development and promotion of local tourism, based on the local resources, with local people involved in the decision-making process and directly benefiting from the outcomes/profits. Ideally, this is conducted with the idea of thinking globally and acting locally, as the local traditions and cultural identity are essential to communities in Kosovo."[35]

## 12.1. Festivals and cultural events

A number of cultural events take place in various cities of Kosovo. These activities are mainly organized by civil society organizations and cultural operators, and they attract local and foreign tourists.

One of the most influential events organized annually is Dokufest film festival in Prizren. According to the festival's statistics, some 10,000 people attended the last edition, while 23% of the total number of guests were foreign visitors.[36]Research conducted by the GAP Institute during the 10th edition of this festival (2011) revealed that the economic impact of Dokufest to GDP was €3.1 million, while this number is expected to reach €21.9 million over the following four years.[37]

***Economic impact of Dokufest over the next four years: €21.9 million***

Direct beneficiaries of this festival at the city level include businesses--such as bars, hotels, restaurants—and air travel companies, banks and telecommunication companies.

Similar cultural events are organized in other cities of Kosovo, as well. These include Green Fest in Mitrovicë/Mitrovica, Into the Park in Pejë/Peć, Tour de Kosovo in different cities, Anibar in Pejë/Peć, NGOM Fest in Prizren, Skena UP in Prishtinë/Priština and so on.

**Green Fest,** a music festival is an attractive event for Balkan audiences, especially young people. Being organized in Mitrovicë/Mitrovica, it offers a unique attraction element to the international' audience, given also the political specifics of the city. It is one of the rare cultural activities offered to foreign visitors in the north of Kosovo, but it has proved to be a successful festival.[38]

35 Council of Europe, A dilemma: use of cultural heritage for tourism or utilisation of tourism for the protection and maintenance of cultural heritage? at https://www.coe.int/t/dg4/cultureheritage/.../PejaHeritageArticle.pdf
36 Interview with Eroll Bilibani, Executive Director of Dokufest, interviewed 15 November 2013
37 GAP Institute, Economic Impact of Dokufest, 2011, at http://www.institutigap.org/documents/22462_TheEconomicImpactofDokuFest.pdf
38 Interview with Lulzim Hoti, Executive Director of 7 Arte, interviewed 29 October 2013

Into the Park is a festival which was established to promote the art, nature and tourism in the region of Pejë/Peć. Thus, the organizers set the festival date in summer every year and delegate the park as an area for performances. In addition, they offer bike tours and other activities for visitors in cooperation with tourist operators of the area.[39]

***Tour de Kosovo participants: 100 in 2008 and over 900 in 2013***

**Tour de Kosovo** is yet another tourist attraction event, which uses cycling to promote the cultural and natural heritage of Kosovo. The number of local and foreign participants of this event is increasing constantly (100 in 2008 and over 900 in 2013). [40]On the other hand, Anibar (animated film festival) organized its 4$^{th}$edition in 2013, hosting over 4,000 visitors. The number of applications increased by 200% and most of them came from foreign film-makers.[41] Anibar also offers special touring programs for cultural and natural heritage sites of the Pejë/Peć region.

***NGOM Fest had 6000 visitors during its 2013 edition***

**NGOM Fest** is a Prizren-based music festival, which brings dozens of music bands and DJs from all over the world to the city on an annual basis. It attracts thousands of visitors from Kosovo, the region and farther afield (the 2013 edition is reported to have hosted over 6,000 visitors) and it was also awarded by the local government as the most massive cultural event of the year.[42] Furthermore, Prishtinë/Priština hosts numerous cultural events during the year. One of the most successful events in terms of attracting tourists is Skena UP (film and theatre festival), which during 11 years of successful organization, has managed to bring thousands of tourist from all over the world to Prishtinë/Priština.[43]

*One successful cultural tourism initiative to highlight was implemented in Prizren during 2013. The Culture Organizations Network of Prizren (a network of over 25 local cultural CSOs) produced a Cultural Calendar of the city.[44] The calendar contains all cultural, natural, youth and other tourist attraction events that occur in the municipality throughout the year. The calendar was disseminated through different conventional and social media channels, and it represents a concrete attempt to structure the cultural and tourism offerings of the city.*

39 Interview with Gent Gorani, Into the Park, interviewed on 30 October 2013
40 Interview with Enes Toska, Program Manager at Cultural Heritage without Borders, interviewed 01 November 2013
41 Interview with Vullnet Sanaja, Head of Anibar Festival, interviewed 06 November 2013
42 Interview with Ardian Kazazi, Executive director of NGOM, interviewed 29 October 2013
43 Interview with Hana Qena, Skena UP staff, interviewed 04 November 2013
44 Culture Organizations Network in Prizren (RrOK Prizren), Cultural Calendar 2013, at http://rrok-pz.net/kalendari/

# 13. 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/Mitrovicahas 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 pri

# 14. International assistance for tourism development

There have been a number of tourism development projects in Kosovo, implemented by different organizations and institutions, which mainly received international funding. The most common donor agencies for tourism development projects were European Union, German International Development Agency GIZ, United Nations Development Program, United States Agency for International Development and several other national agencies.

European Union Office in Kosovo has given a high priority to support Regional Economic Development (RED) in Kosovo in line with European best practices, with tourism receiving a central attention in the regional development strategies. The work towards regional economic development began in 2008 when the first technical assistance project started preparations and support for the establishment of a network of RDAs to cover the territory of Kosovo. Currently the five Regional Development Agencies implement a dynamic agenda of development and in the last three years have initiated a number of tourism development projects.[45]

As one of the good practices, European Commission funded the Tourism Development Project "See you in Dukagjin", implemented by Cultural Heritage without Borders. The aim of the project is to contribute to creating the basis for sustainable development in Kosovo and to contribute to the consolidation of economic regions, creation of a regional development framework and supporting economic regeneration, job creation and human resource development in the economic regions.[46]

GIZ supported the Enhancement of competitiveness of private sector and Rural economic development projects. The projects tackled the following areas of intervention: Support of product development, qualification, and regional networking , Assistance with the implementation of the Kosovo tourism strategy, Promotion of planning and implementation of strategic projects in regional tourism development in the south and east of Kosovo, Analysis of the transnational tourism potential in the south of the Sharr-region as part of the study on the transnational cooperation, Promotion of community based tourism development in Shtërpce/Strpce with focus on strengthening year-round tourism products and regional integration and Promotion of spa tourism in the Kllokot region.[47]

UNDP Kosovo supports tourism development in Kosovo through its project Sustainable Land Use Management and Conservation of Biodiversity in Dragash/Dragas municipality. In addition, the Aid for Trade project aims to improve implementation of pro-poor trade reforms and trade capacity development measures, with a focus on capacity gaps, and technical assistance to the Ministry of Trade and Industry.

45 For more on the work of RDA's visit: www.rdawest.org, www.rdacentre.org, www.rdaeast.org, www.rdanorth.org, www.rda-south.org

46 Cultural Heritage without Borders, CHwB Kosovo receieve support for cultural tourism projects, at http://www.chwb.org/index.php?newsId=231

47 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Tourism projects of the development cooperation, at http://www.giz.de/expertise/downloads/en-tourism-projects.pdf

At the local level the project seeks to raise productivity, employment and entrepreneurship, focusing on the economic region south and working with small and medium enterprises.[48] The first project focusing on Dragash/Dragas aims at improving livelihoods of the local people through protection of natural resources; promoting local resources; improving capacities of farmers and producers; improving energy efficiency; and good governance and better gender equality.[49]

The Kosovo Private Enterprise Program was a four-year activity designed to stimulate Kosovo's economy by increasing the competitiveness of private businesses, supported by the United States Agency for International Development (USAID). The USAID-sponsored KPEP program was launched in late 2008. Tourism was launched as a key activity for KPEP in early 2009.

48 UNDP Kosovo, Aid for Trade project, at http://www.ks.undp.org/content/kosovo/en/home/operations/projects/poverty_reduction/AFT.html

49 UNDP Kosovo, Sustainable Land Use Management and Conservation of Biodiversity in Dragash/Dragas municipality project, at http://www.ks.undp.org/content/kosovo/en/home/operations/projects/environment_and_energy/sustainable-land-use-management-and-conservation-of-biodiversity.html

# 15. 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. MTI provides a 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. At the same time, responsibility for the sector is placed under the Ministry of Trade and Industry, and it is managed by four officials that make up the Division of Tourism.

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 shortcoming 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 sound 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.

It is evident that these challenges are not of a complex nature. Prioritizing tourism in the Kosovo development strategy and public policies would inevitably have a positive impact for overcoming many challenges identified in this report. The Kosovo government should consider tourism a real development potential and invite all relevant stakeholders (e.g. local governments, businesses, civil society, tourism operators, etc.) for an inclusive policy dialogue that could produce a strategic approach to tourism development. The role of the newly established Tourism Council of Kosovo is essential in coordinating the policy dialogue process.

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