

Development of Tourism Through Effective Policies and Legislations

**Identification of potential steps
of tourism policy and legislation
reform.**



Democracy for Development
Demokraci për zhvillim
Demokratija za razvoj

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Pristina, July 2017

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Paper prepared by:

Isuf Zejna

Edited by:

Anthony Jordan

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Background information

The aim of this policy paper is to advocate tourism policy changes and establish the National Tourism Organization (NTO) by evaluating the current legal framework, providing incentives for improvement of the tourism sector, initiating an intensive and inclusive private-public dialogue, seeking to increase stakeholders' awareness regarding tourism development, and ensuring buy-in from the Ministry of Trade and Industry to initiate the establishment of the National Tourism Organization.

The Law on Tourism and the Government's Program 2015-2018 presents a framework and clear priorities for the development of tourism and promotion as well as a plan to improve infrastructure, development, and the promotion of rural and mountain tourism. Despite this legal framework and its various programs, they were insufficient when it comes to providing incentives to better promote the tourism sector in Kosovo. Lack of private-public dialogue and defects in terms of necessary physical infrastructure, marketing, and availability of appropriate human resources are the elements which hinder sustainable development of tourism.

D4D has organized five public hearings, in Gjakova/Đakovica, Peja/Peć, Prizren, Mitrovica and Sterpce/Šterpce, and held them in collaboration with all relevant stakeholders throughout Kosovo. In addition, a sixth public hearing has been organized in Pristina/Priština to present the preliminary findings. This paper provides a fair basis for an open deliberation amongst all stakeholders. All five public hearings were closely linked to their relevant ministry to ensure that the public hearings follow the most advanced rules. After each consultation, a report has been prepared with the recommendations compiled from all of the participants.

Acronyms and Abbreviations

B2B	Business to Business Fair
CNTB	National Tourist Board of Croatia
D4D	Democracy for Development
DMO	Destination Management Organization
EMMIT	Eastern Mediterranean International Travel and Tourism Exhibition
EU	European Union
EUR	Euro currency
GDP	Gross Domestic Product
HRK	Kuna, the official currency of Croatia
ICT	Information and Communication Technology
IPA	Pre-accession assistance
KIES	Kosovo Investment and Enterprise Support Agency
LTO	Local Tourism Organizations
MESP	Ministry of Environment and Spatial Planning
MFA	Ministry of Foreign Affairs
MoD	Ministry of Diaspora
MTI	Ministry of Trade and Industry
NGO	Non-Governmental Organization
NTA	National Agency of Tourism
NTO	National Tourism Organization
OECD	The Organization for Economic Co-operation and Development
Sabor	National Assembly of Croatia
SME	Small and Medium Enterprises
TOS	National Tourism Organization of Serbia
UNDP	United Nations Development Program
UNWTO	World Tourism Organization
USAID	United States Agency for International Development

Introduction

Tourism today is among some of the largest industries in the world, creating more jobs than most of the other sectors. Countries in early stage of tourism development, like Kosovo, have a chance to receive many benefits from tourism, such as lowering poverty and increasing economic development. For tourism to thrive in a sustainable manner, public institutions need to provide supportive legislation, and an institutional framework that is both favorable for private sector development and of sufficient quality for tourists. This encompasses the appropriate infrastructure, promotion of touristic potentials, good transportation, visa facilitation, and appropriate policies to boost growth in demand. Intelligent taxation is an additional condition that can help investments without putting too much of a burden on the private sector, because without it can cause informality and/or an increase of prices which leads to non-competitiveness compared with the other countries in the region. Further, education of personnel on tourism and hospitality has a direct impact on competitiveness of tourism products. Currently, the universities in Kosovo do not offer comprehensive tourism and hospitality studies.

Even though, public institutions recognize the importance of tourism's economic impact, this sector suffers from the lack of a coordination mechanism, which would develop a dialogue between stakeholders in different ministries, departments, agencies, academic institutions, the private sector, civil society organizations, and the donor community. The current decision-making process in Kosovo can result in conflicting policy decisions, such as visa regime to Kosovo and promotion, taxes on departing airline passengers, and the lack of strategic objectives generally. Furthermore, the lack of an inclusive strategy on tourism promotion and development is an additional obstacle on

inter-agency coordination.

According to the World Tourism Organization, Europe receives 41% of the total international tourism receipts, making South East Europe one of the fastest growing regions. Tourism is ranked as the 6th highest source of exchange in international trade for developing countries. With that in mind, Kosovo could benefit particularly from being a part of Balkans tours.

The tourism industry in Kosovo is a nascent industry at a very early stage of development compared to other countries in South Eastern Europe. This is mainly due to the lack of investment for many decades, poor touristic programs offered by the private sector, the lack of educated tourism personnel, unfriendly policies for investors, and the lack of coordination between private stakeholders and governmental agencies. Even though the number of tourists and the length of their trips in Kosovo has significantly increased in the last ten years, the number of international visitors per year is far below the regional average. The largest numbers of tourists visit Kosovo during the summer. This is believed to be primarily due to the diaspora, which, when they return each summer, brings with them a huge impact on the local economy and tourism sector in particular. Currently, Kosovo does not have a comprehensive strategy on tourism, and the current Law on Tourism is not fully implemented. The mandate for the development of tourism in Kosovo is shared between both the local and central levels. However, the central government has the most authority to act due to having a larger budget than the local governments and by having the authority to draft laws and develop strategies. Among other things, the central government is mandated with establishing tourism-friendly legal and institutional frameworks, easing and facilitating strategic investments, and coordinating the dialog between stakeholders.

Significant improvements in infrastructure have contributed in improving transportation, and this has had a positive impact in the flow of tourists into the Kosovar economy. For instance, in 2011 the Pristina-Tirana highway was opened while a second highway, Pristina-Skopje, is due in 2018 and is expected to further boost the flow of international tourists. Pristina Airport, the only commercial airport of Kosovo, was taken over by a Turkish-French consortium in 2010, and, in 2013, a new terminal was built that doubled the airport's capacity and modernized its infrastructure. Further infrastructure projects are planned, especially concerning railways and other alternative means of transportation, which will create an even higher potential for tourism development.

Tourism industry

Despite the lack of institutional support and investments in tourism sector, the number of international visitors staying in Kosovo has progressively increased from 24,616 in 2008 to 79,234 in 2015.¹ The most visited regions in Kosovo in 2015 by international guests are Pristina (53,057), Peja (12,694) and Prizren (9,779).²

Data availability is very limited for the sector. Tourism is assumed to contribute directly to more than 1% to Kosovo's GDP and the industry employs more than 9,000 people (3.5% of total employment), while the world average contribution of tourism to GDP is 3.3%.³ Public investment (both human and financial) in the sector is insignificant. The responsible Ministry for tourism development is the Ministry of Trade and Industry who, within their sub ministry Tourism Division, employs only three full-time public officials. The Kosovo Investment and Enterprise Support Agency (KIESA) is the responsible public institution for tourism promotion. Both bodies commit very small amounts of finances to the development of this sector (less than

€100,000 annually). In contradiction to the central government, the level of commitment (product development, promotion and initiation of public-private projects) of some municipalities, such as Peja, Prizren and Gjakova, to tourism development has been significantly higher.

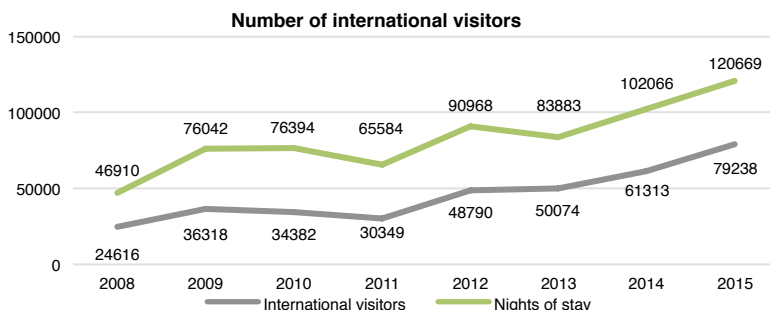


Table 1 illustrates the number of international visitors during the period 2008-15, and the number of nights they stayed.

According to the Kosovo Agency of Statistics, the sector of hospitality (hotels and restaurants) contributes slightly more than 1% to Kosovo's GDP. In addition, this sector has been one of the fastest growing industries, with a 14% average rate of growth for the past two years.⁴ Moreover, the contribution of the tourism sector to Kosovo's GDP is assumed to be much higher than 1%, due to a high number of diaspora tourists visiting Kosovo during the year.

Various magazines recommend Kosovo as a touristic destination. Recently, Kosovo was recommended by Vogue Magazine as one of the tourist destinations for 2017.⁵ Correspondingly, a British Magazine called The Sunday Times, recommends Kosovo as destination of 2017 for vacations, for hiking and for Gjeravica Mount.⁶ Media coverage illustrates the fact that Kosovo is developing its identity in touristic guides despite the lack of proper

promotion and investments from the government. So far, investments on the promotion and policy making have been primarily conducted by the donor community, including Promoting Private Sector Employment (PPSE), USAID Empower Private Sector Project, GIZ, and UNDP.

The institutional framework

The weight tourism administrative bodies have in the government hierarchy often times indicates the level of development of the sector as well as the care and priority national governments commit to tourism. In case of Kosovo's tourism, administrative bodies have been downgraded from a full governmental department to a division within the Department of Trade and Industry, which represents the lowest body of a ministry. Therefore, it is clear that Kosovo has a poor national framework regarding tourism, which contributes to low institutional priority and budget allocation. The National Tourism Administrative (NTA) body is also a division within the Ministry of Trade and Industry. The NTA's low status contradicts government programs which rank tourism as an important sector for Kosovo's economic development for the private sector and the economy in general.⁷ In other countries in the region, the level of tourism development is represented in the government hierarchy. For instance, Croatia has a Ministry of Tourism, Albania the Ministry of Economic Development, Tourism, Trade and Industry, and Serbia has the Ministry of Trade, Tourism and Telecommunication. Macedonia is the only country along with Kosovo that does not have a ministry for tourism, however, unlike Kosovo, the government agency dealing with tourism in Macedonia is a department within the Ministry of Economy.

Country	Ministry for Tourism	NTO	Private Sector Inclusion	Comprehensive Strategy Adopted
Albania	✓ ⁸	✓	✓	X
Croatia	✓ ⁹	✓	✓	✓
Kosovo	X	X	X	X
Macedonia	X	✓	✓	X
Serbia	✓ ¹⁰	✓	✓	X

The distinction between an NTA and an NTO lies in their mandate and their composition. NTA-s are governmental bodies responsible for policy making and developing strategies, whereas NTO-s are usually mandated more in terms of promotion and marketing. Moreover, NTO-s sometimes have private sector ownership and the composition of the NTO is always mixed between public and private sector. Furthermore, the Council of Tourism in Kosovo was mandated with the coordination of all the stakeholders, but it was not operational for several years. The Council of Tourism is comprised of seven members and two observing members, including a member from civil society. It was only just recently that the Government of Kosovo established the Council with the purpose of fostering the dialogue between the public and private sector on tourism issues. However, this promotion of tourism also falls within the mandate of the Kosovo Investment and Enterprise Support Agency (KIESA) which is, among other things, mandated to promote the brand of Kosovo's tourism potential.

The Ministry of Culture, Youth and Sport (MCYS) contains the Department for Cultural Heritage. This department is in charge of developing policies and protecting cultural heritage. So far, this department has developed a national strategy on cultural heritage, cultivate the list of cultural

heritage designated for protection, and create a nationwide archeological guide. In addition to the Department, there is also the Forum for Cultural Heritage. This is a co-ordination body that was established to advice and give recommendations to the Ministry regarding the protection and promotion of cultural heritage. The last body within the Ministry is the Division of Movable Heritage, Spirituality and Database Administration. This division is mandated, among other things, to raise awareness pertaining to cultural heritage, conduct archeological research, and establish Kosovo's national collection of movable heritage.

Environmental and spatial planning are a core part of tourism development; therefore, the Ministry of Environment and Spatial Planning (MESP) is also involved in tourism development. The Department of Environment Protection is in charge of drafting new laws, providing the basis for the creation of environmental protection policies, drafting of strategic documents pertaining environmental protection, and defining and proposing the reasonability for investment and financing in the area of environmental protection. In addition to this Ministry, the Division for Nature Protection is also in charge of nature protection. Other bodies, such as the Ministry of Foreign Affairs (MFA) and Ministry of Diaspora (MoD), help with promotion of Kosovo identity, culture, and tourism.

As listed above, numerous ministries and other governmental bodies are mandated with different powers regarding tourism. However, these governmental bodies remain uncoordinated due to the lack of an operative national coordination body. Current legislation is not fully implemented and, even if it were, it does not implement the best international practices regarding interagency coordination and coordination with other stakeholders such as the private sector, civil society and academia.

The Role of NTOs

Entities which are mandated with overseeing the tourism development policy of any given country play a significant role in modern tourism. Since competitiveness in the tourism industry continuously increases due to numerous factors such as transportation and overcoming local bureaucratic obstacles, countries are induced to undertake coordinated activities aimed at strengthening the competitiveness of their destination. In many European countries, commonly named National Tourism Organizations (NTO-s) are mandated for boosting tourism destination management. These organizations are mainly responsible for both marketing and management related to their assigned destination.

With the purpose of promotion and marketing, National Tourism Organizations in Europe were established first by the most developed countries, such as France (1910), Italy (1919), and West Germany (1948). However, the first ever NTO was established in New Zealand (1901) as the Department of Tourism and Health Resorts. In South-East Europe, NTOs were established much later, starting with Croatia (1992), Serbia (1994), Albania (2015), Montenegro (2007) and Macedonia (2012).¹¹

The primary role of every NTO is the promotion of its country as a destination for international tourists and increasing the number of international visitors each year. The typical NTO plays the role of a promoter and facilitator in the destination's marketing. Nonetheless, other responsibilities have emerged for NTOs regarding tourism development, planning, and research. Therefore, the typical activities and aims of an NTO include the following:

- Tourism promotion;
- Forecast demands;
- Monitor tourists' satisfaction;

- Research emerging markets;
- Identify all touristic segments which have the best potential;
- Provide information to interested parties;
- Promote education regarding tourism;
- Develop marketing intelligence;
- Market research on tourism.

However, the mandate and responsibilities can vary from one country to another, depending on the practices and legislation of each. Thus, there cannot be one typical model of an NTO. For instance, some of the NTOs conduct their marketing through mainstream media and allocate their budget in very traditional marketing means. Other NTOs show a much more commercial oriented mindset by utilizing new means of promotion for touristic destinations. Digital technology and social media represent both an opportunity and a challenge for tourism development. Tourists nowadays primarily depend on the tourism related apps that help them book and review numerous services, such as hotels, car-rentals, tour guides, and local transportation. Platforms such as Airbnb, Booking.com, Expedia, TripAdvisor and others have become so popular that they tend to shape the growth and dynamics of the tourism industry. Tourist behavior and NTOs' approach to this emerging trend is shifting, especially pertaining to the power of digital media and the need for capacity building. Many economies realize today the need for capacity building, particularly for small and medium enterprises (SME), and they respond with policies for more effective utilization of social media. For example, the European Commission is taking steps to raise the profile of digital tourism by strengthening the digital skills base of tourism SMEs, including small businesses in the digital value chain, as well as boosting the Information and Communication Technology (ICT)-driven innovation potential of SMEs and empowering tourism entrepreneurs in online marketing.¹²

The legal status of an NTO can be a full-fledge ministry, a department, or a semi-public institution with a wider inclusion of all stakeholders in the tourism sector. In the South-East Europe, most have several institutions that deal with tourism policy development, coordination, and promotion. However, good practices show that NTOs work closely with other institutional bodies to bring both outside investments and tourists in their respective countries. For example, in Croatia, tourism promotion lies within the responsibility of the National Tourist Board (CNTB). The Minister of Tourism also serves as the president of the CNTB, yet they also have an additional Executive Director in charge of daily basis operations. The Ministry co-operates with all the professional associations of travel agencies, other touristic companies, trade unions, and NGOs.

The management bodies involved within the CNTB are: the Sabor (the Parliament), the Tourist Board, the Auditing Committee, and the President. The duties of the President of the Croatian Tourist Board are undertaken by the Minister of Tourism. Activities are based upon an Annual Work Program and the Financial Plan passed by the Assembly. The organization's revenues are issued from the following sources: tourist taxes, membership fees, allocations from the state budget, and other sources.¹³

Among other things CNTB is responsible of:

- Promotion of Croatia as a tourist destination at national level independently and through joint advertising;
- Coordinating the work and tasks of tourist boards;
- Adopting the Strategic Marketing Plan of Croatian Tourism;
- Tourist promotion in the country and abroad, in accordance with the Strategic Marketing Plan of Croatian Tourism (mainly by presentations on fairs and through representative offices);
- Setting up of an integrated tourist information system,

tourist signing-in and signing-out system, and statistical processing per tourist boards at the lower organizational level;

- Establishing tourist representative offices and local offices abroad, as well as organizing and supervising their operations;
- Undertaking measures and activities aiming the development and promotion of tourism in the parts of the Republic of Croatia which are not developed in terms of tourism.

What makes Croatia different from Kosovo in the institutional setup is the result of the merger between promotion and coordination institutions. CNTB is responsible for both promotion of tourism and coordination of the stakeholders. In Kosovo, tourism promotion lies within the mandate of KIESA whereas the coordination of stakeholders are within the Council of Tourism. In terms of budget allocation, Croatia allocated 12 million euros to the CNTB in 2014 for promotional activities. The budget for the Ministry of Tourism was 27.27 million euro in 2014. Kosovo, on the other hand, cannot compare with the budgetary dimensions of Croatia. A more similar example to Kosovo's budget would be Macedonia's tourism budget.

In Macedonia, there are two departments dealing with tourism within the Ministry of Economy: the Tourism Department and the Agency for Promotion and Support of Tourism. Both of these two departments have two subunits that deal with research analysis and classification, the Unit for international cooperation, the Unit for Promotion and the Unit for Research. Macedonia invests around 2 million euros for promotion and marketing, and another 100,000 EUR for funding the institutional operations of the Ministry.

The Albanian case is more similar to Kosovo's in practice, due to the division between the promotion and coordination institutional mandates. Responsibility for the promotional

activities in Albania lies with the National Agency of Tourism, whereas the coordination responsibility falls within the mandate of the Advisory Committee on Private Sector of Tourism. The (NAT) is a public institution under the Ministry of Economic Development, Tourism, Trade and Entrepreneurship. The mandate of NAT is to promote Albania as a tourist destination in the Mediterranean basin across the world.

NAT is composed of three main departments:

1. Marketing and Images Department
2. Public and Foreign Relation Department
3. Finance and Services Department

NAT is mainly financed by the state budget, donors, and other legal sources. NAT's budget is a separate category of the Ministry. There are no clear legal provisions on the composition of the members of NAT. The Prime Minister's proposal, along with other lower Ministers' proposals, decides the composition of the NAT.

The Advisory Council on Private Sector of Tourism is a body that is directly elected by the Minister of Economic Development. The Advisory Council consists of 12 members who have been chosen from all areas of tourism, including donors, private sector, civil society and academia. This Council is tasked with boosting cooperation between the state and the private sector as well as resolving as many issues as possible through the relevant groups of interest. This Council gathers at least four times a year, but they can conduct as many meetings as necessary if there is an emergency or another need for a meeting.

In Serbia, the national body responsible for tourism is the Ministry of Trade, Tourism and Telecommunication. The Ministry is in charge of strategy and policy development, categorization of tourist sites, implementation of touristic incentives, and the provision of material for promotion of

tourism in Serbia and abroad. Furthermore, the ministry also has power over decisions regarding to taxes, fees, penalties, property, and legal affairs about tourism and competitiveness of tourism.

The National Tourism Organization of Serbia (TOS) is responsible for the marketing and promotion of Serbian tourism domestically and internationally, and is a department within the Ministry of Trade, Tourism and Telecommunication and receives its budget directly from them. TOS is managed by the Management Board composed of five members. The board is appointed by the Ministry and is composed of the representatives of the Ministry, employees, business entities, and other organizations that perform touristic activities.¹⁴

TOS has a number of partners which include Ski Resorts, Air Serbia, and Tourist Guide Association of Serbia. The list of “friends”, which is available in the NTO website include tour operators, travel agencies and individual operators.¹⁵ Furthermore, Serbia has about 116 Local Tourism Organizations (LTOs), which are managed by Serbia’s local and regional entities and are supported by the TOS.

Legislation

Tourism is a multispectral and interagency puzzle due to the impact many sectors have on tourism. The need for policy coherence and long term strategic approaches is safeguarded not only by strategies which can easily change every governmental mandate but also through legislation and legal frameworks. As a result, laws are especially important to promote effective governance and policy approaches that help overcome sectorial gaps. The current legislation in Kosovo pertaining tourism encompasses three overarching laws:

- **Law on Tourism.** This law sets the relations between the public and the private sector on tourism, determines the rights of all subjects of the law on tourism activities. In addition to the Law on Tourism, three sub-normative acts have been adopted, including:
 - Administrative instruction on the content of the accommodation catalogue;
 - Administrative instructions on the categorization, voluntary registration, and revocation of the registration; and
 - Administrative instructions for the regulation and the development of the accommodation rating system.
- **Law on Foreign Investments.** The purpose of this law is to set rules and procedures for the protection, promotion, and encouragement of foreign investments in Kosovo. The law puts forward some basic safeguards for equal and fair treatment of foreign investors in accordance with best international practices. The sub-normative act of this law is:
 - Administrative instruction on the form and content of the foreign investment register.

- **Law on Cultural Heritage.** The purpose of this law is the protection of cultural heritage as well as legal and technical tools for the inventory, documentation, selection, protection, conservation and restauration of these treasures in accordance with international charters and conventions.

Other important laws include the Law on the Allocation for use and exchange of immovable property of the municipality, the Law on Public private partnership, and the Law on economic zones.

Strategy

There is no national tourism strategy currently in place in Kosovo. A strategy is being developed, however it will not stand by itself as a tourism strategy, since it will be a part of Private Sector Development Strategy. This strategy, however, is not yet approved by the government of Kosovo.

The government of Kosovo acknowledges the potential for development of winter, mountain, recreational-sport, and cultural tourism. According to the governmental program, there is a plan to develop infrastructure, which includes air and road connections between Kosovo, Macedonia, and Albania. Road connections with Albania and Macedonia is supposed to incorporate Kosovo as a part of the larger Balkan tourist map for visitors. The focus of the government program for the 2015-2018 term will be:¹⁶

- Improving and developing the infrastructure that enables the development of tourism;
- Preparing tourist maps for each municipality;
- Reassessing Kosovo's tourism potentials based on international standards;
- Investing in enhancing local gastronomy and its usage as a tourist product;
- Promoting and supporting balneary (health) tourism;

- Promoting mountain tourism in high altitude tourist destinations, especially in Bjeshkët e Nemuna and Sharri Mountains;
- Cooperating with local communities in preserving natural monuments;
- Opening tourist websites for the entire territory of Kosovo and tourist sites separately;
- Drafting a joint tourist offer with Republic of Albania for foreign visitors and investors and for Albanian diaspora.

Even though, the government sees tourism as a sector with a great deal of potential, very little has been done to implement the projects foreseen by the program itself.

Promotion of tourism

Although, there is no national tourism promotion strategy developed by MTI, KIESA is mandated with promotion of tourism, which is done mostly through participation in business and tourist fairs. KIESA is composed of five departments; only one the five is responsible for promotion of tourism. The priority of KIESA as a whole is the promotion of investments opportunities in Kosovo, and tourism seems to be a secondary priority based on their previous activities. As such, the agency, together with tour operators from Kosovo, participated in the Mediterranean Fair in Tirana 2017, Destination Nature Paris 2016 & 2017 (Supported by PPSE and USAID Empower), B2B Fair Albania 2017, WTM London 2015 (Supported by PPSE and USAID Empower), International Tourism Bourse Fair Berlin 2015, 2016 and 2017 (Supported by PPSE and USAID Empower), Izmir Tourism Fair 2015 (Supported by PPSE), and EMMIT Istanbul 2017. In addition, as a result of the promotion of Kosovo's tourism during NEXT Adventure, which was done with the support and cooperation of USAID Empower project, National Geographic Magazine recommended Kosovo as one of the ten places that deserve more travelers.¹⁷

From the tourism association perspective, there were some initiatives for promotion of Kosovo in local and regional fairs. For example, Destination Management Organization (DMO) “West Kosovo” and their members participated in Tirana Alb Expo Fair 2017 (supported by PPSE) and also the Kosovo Alternative Tourism Association (KATA) and their members participated in EMMIT Istanbul Fair 2017 (supported by PPSE).

Regarding tourism promotion, PPSE has also engaged a local service provider to organize outdoor tourism fair in Pristina EKSPLORE I during December 2015 and EKSPLORE II during April 2016. Additionally, PPSE, jointly with USAID Empower and French Embassy, organized a familiarization trip with more than twenty five International Tour Operators and journalists during May 2016.

Natural heritage strategy

The Ministry of Environment and Spatial Planning has developed the 2011-2020 Strategy and Action Plan on Biodiversity¹⁸ as well as the Strategy for Environmental Protection 2012-2020¹⁹.

The Strategy on biodiversity is guided by the following strategic objectives:

1. Development of legal and institutional framework in line with EU standards and its effective implementation;
2. Conservation, protection, and improvement of the state of plant and animal species, natural habitats, and representative landscapes in natural balance;
3. Ensuring integrated protection of nature through cooperation with other sectors, sustainable use of biodiversity, and equal sharing of benefits;
4. Promotion of effective education and communication for biodiversity.

The Strategy for Environmental Protection is guided by the following strategic objectives:

1. Harmonization of tourism legislation with EU Acquis;
2. Development of a tourism strategy that respects environmental requirements;
3. Development and diversification of tourist offers;
4. Capacity building and education for the impact of tourism on the environment.

When it comes to strategic planning on tourism development, the MESP has developed some strategies. However, there is no reliable documentation on the level of implementation for both of MESP's strategies, and there is no public data to attest to the progress of the implementation.

Travel facilitation strategy

Tourist mobility is a crucial to trade in tourism, and it plays a significant role in determining the competitiveness of an economy. The requirements for issuing a visa can vary based on numerous of issues, starting with the purpose of the visit, nights of stay, and country of origin. By reducing and removing such barriers, countries can position themselves as a more tourist friendly destination and perform better than the other competitors.²⁰

Currently, there is no strategy on travel facilitation in place in Kosovo, nor was this a concern for businesses in the five public hearings conducted around Kosovo. Kosovo does not require a visa for visitors from 107 countries, including some of those who do not recognize Kosovo as an independent country yet, such as Brazil, Chile, Spain, Romania, and Greece.²¹ Although, this number represents some of the most developed countries in the world, other countries that are known for exporting tourists such as China, India or Russia need to go through a very

burdensome bureaucratic process to obtain a Kosovo visa. Citizens of the countries that do need a visa to enter Kosovo need to first travel to either Istanbul or Tirana and apply for a visa there. The process can take up to 14 days and visa requirements are complicated to fulfill. At least eight types of documents are needed to be provided by the consular service in order to be considered eligible for application process. A tourist visa fee payment is 40 euro. The time period for processing a visa application combined with the number of documents that need to be provided to get the visa, may deter tourists from wanting to come to Kosovo for tourism.

Municipal Strategies

Municipalities in Kosovo hold a large amount of power according to the Law on Local Self-governance. Tourism is listed as one of the twenty own-competencies and, as such, local levels play a significant role on policy making and tourism development. In light of this mandate, Prizren, Peja, and Gjakova, the three most visited regions in Kosovo, have developed their strategies for tourism and economic development. Moreover, Prizren has opened two info tourist centers, one financed by the municipality and the other one as a project of a local NGO. However, the efforts to supply information on tourist areas remain uncoordinated. Some of them come from local government where the touristic area is located, others come from the donor community.

Three municipalities, including Peja, Deçan and Junik, established a Destination Management Organization (DMO). The purpose of a DMO is to provide coordination in destination development and promotion of sustainable tourism with the aim to attract visitors and generate economic benefits through a joint effort with local authorities, the private sector, government bodies, and other stakeholders. The establishment of the DMO in these three

municipalities was done with PPSE assistance and mentorship. During the consultation process in other regions of Kosovo, DMO has been mentioned as a good practice that other regions of Kosovo may adopt. This would require that municipalities team up with each other and with stakeholders in order to coordinate investments and actions, develop common strategies, and increase the capacities to deal with the needs of tourists.

Gjakova, on the other hand, is in the process of finalizing their tourism development strategy guided by three strategic objectives, including gastronomy, development of adventure parks, and cultural tourism. The strategy was drafted with the help of UNDP mission in Kosovo, however it did not go through a consultation process with neither the private sector nor civil society. A significantly smaller municipality of Shtime also approved a strategy on tourism from 2015-2019. The soul objective of this strategy is the development of rural tourism.²²

Tourism funding and finance

The development of tourism needs to be followed with the sufficient budget in order to conduct the necessary capital investments, develop policy, and finance the proper institutional foundations. Generally, more than one source of funding is required to finance all of these required dimensions. Regional practices in SEE show that there are three main practices of financing tourism industry:

- Public funding from the state budget
- Accommodation taxes
- Selling of NTO-s products

In addition to these three main sources, alternative means are applied, such as donor funds and private sector membership at NTO-s.

Kosovo adopted a Law on Accommodation Tax in Hotels and Tourist Facilities, but it has not been implemented yet due to the Tax Administration of Kosovo's lack of capability to collect it.²³ The two responsible bodies, including the Tourism Division and KIESA, commit very small amounts of the budget to sector development, which is less than €100,000 annually. The amount of money invested by the central institutions shows that tourism is not yet a top priority sector for the government although, it is ranked as a high priority in the programme of the government.

In Croatia, the budget allocated to the Ministry of Tourism is 0.2% of the state budget which is equal to around 30 million Euro in 2014. Croatia applies accommodation tax to tourists. The amount of the tax tourist's pay for one day varies between four categories. The lowest tax is 0.25 euro per day, whereas the highest is 1 euro per day. Children under the age of 12 are exempt from payment, and those between 12 and 18 have a discount of 50%. The Albania Hotel Accommodation Tax is calculated based upon the hotel's category, location, and the number of nights the visitor will stay. For four to five star hotels, tax varies from 105 leke (0.8 EUR) to 350 leke (2.6 EUR). Guest houses, dormitories, motels, and other facilities apply a tax of 25 leke (0.19 EUR) to 100 leke (0.75 EUR) per night depending on the location of facilities. Before this categorization, it used to be 5% of the original price for all categories and groups.²⁴

A less developed country in terms of tourism, Macedonia, allocates 250 000 euro for the Department of Tourism within the Ministry of Economy. The budget for promotion is 3 million EUR, and this budget is allocated to the Agency for Promotion and Support of Tourism. The amount of budget is collected through the state budget and the accommodation tax.²⁵ Macedonia on the other hand applies a tax of 5% for all accommodations on the original price.²⁶

NTOs are generally funded by:

- Bed-night tax (accommodation tax),
- State Budget, and
- Membership fees.

In Kosovo, the accommodation tax was stipulated in the law, however it was never enforced. Based on the public hearings held in the five regions of Kosovo, officials of the MTI declared that this was a challenge regarding the promotion of activities and the development of strategies. According to the representatives of the MTI and some of the municipal office's, the accommodation tax is the key element in enabling the public sector to finance marketing and promotion of tourism capacities in Kosovo. According to the representatives of the hotels, Kosovo has the most expensive prices on accommodation compared to all other neighboring countries. Enforcing the accommodation tax could further increase that price and drop the total number of international visitors.

Conclusions

This section aims to identify feasible policy options that target key problems identified in regional legislation and policy comparisons in order to maximize the future development of the tourism sector in Kosovo. All the recommendations given in the policy paper reflect the conclusions of the five public discussions made in the five regions of Kosovo.

Recommended policy options are analyzed from three main stand points include:

- Status quo, meaning the implementation of current legislation;
- Amendment of current Law on Tourism;
- Adopting a new Law on Tourism and reviewing all the tourism policies and organization.

The existing state of policy and legislation in Kosovo has been proven to be less effective and successful in the tourism sector compared other countries around Kosovo. Several components of the law were not implemented or were partially implemented, including the accommodation tax, which was never collected, the establishment of the Council of Tourism, and the development of proper strategies and other policies. Moreover, the promotion of tourism was left primarily to the donor community since the government did not allocate the budget necessary for KIESA to promote tourism properly. People involved in the regional discussions recommended a need for revision of the legislation, more budget allocation, and good practices to be adopted.

Compared to the other countries' tourism practices, Kosovo completely disregarded the role of private sector in the consultation and decision-making process. The Kosovo Council of Tourism, was not active until recently. Kosovo

has lagged behind in the tourism development compared to surrounding economies, not only regarding investments, the number of visitors, or the impact of tourism in the employment and GDP of the country, but also in terms of the education of tourism staff and workforce. Representatives of the private sector highlighted the challenges they encounter due to the lack of human resources.

Although, there were significant improvements in the last few years, data on international arrivals and business sector capacities are limited. The Agency of Statistics does not have comprehensive data on tourism, local business capacities, and the direct and indirect impact of tourism in GDP. All the above-mentioned challenges need to be effectively addressed, thus the current law does not create the necessary baseline for accelerated development. Therefore, the Ministry of Trade and Industry, in cooperation with the parliamentary Committee on Economic Development, need to conduct an assessment on the implementation of the current law and the effects it has had on tourism development and the economy in general.

Moreover, MTI needs to identify all of the shortcomings of the current legislation, including the secondary legislation, in order to prepare future steps for tourism development. The composition of the Council should be reviewed and be more inclusive, opening doors for full membership of academia and the private sector. Moreover, there is a need to find ways of funding for the Council activities, consultants, and strategy development. The current budget of Kosovo is not likely to dedicate funds for tourism and taking into account all the challenges with social schemes and capital investments. Therefore, collection of accommodation tax needs to be enforced and the budget to be used for promotion and sectorial investments. Representatives from the private sector who participated on

the public hearings supported the idea of enforcement of the accommodation tax as long as it is properly managed and for the purpose of promotion which would increase the number of tourists.

After MTI, has conducted the necessary assessment of the law and the level of implementation, a consultation process with all the stakeholder is needed to identify specific requirements of each stakeholder. The consultation should consist of the private sector, civil society, donor community, all the responsible public institutions, and academia.

Learning from regional and global good practices, Kosovo needs to establish a National Tourism Organization (NTO), with at least seven branches across all the regions of Kosovo. This institution could be within the Ministry of Trade and Industry, or established as a semi-public entity, and it could be funded by the accommodation tax as well as the budget of Kosovo. The composition of the NTO should be inclusive, giving the private sector, academia, civil society, and the municipalities a more substantial role in policy making, legislation initiatives, and the promotion of Kosovo tourism. This NTO should represent a merger between the mandates of KIESA and the Tourism Council.

Recommendations

- a) Development of a legal framework on tourism legal system as the current Law on Tourism does not address many of the concerns stakeholders have;
- b) The organizational structure of tourism in Kosovo should be the following: An independent department within the Ministry of Trade and Industry or Ministry of Economic Development should be established, followed by an NTO which would promote Kosovo as a destination and foster the dialogue between stakeholders;
- c) Regional DMO-s should be established, joining three to five municipalities together;
- d) In some municipalities with greater touristic potential, local tourism organizations should be established;
- e) A promotion strategy should be developed, giving priority to digital marketing, online platforms, and apps;
- f) Sufficient financial resources for tourism support should be allocated through state budget, accommodation tax, membership fee for the NTO and DMO-s, and other commercial activities;
- g) Harmonization and standardization of other laws and sub-legal acts should be done in order to ensure the prevalence of tourism law and full implementation;
- h) Give a higher discretion to the government on tourism issues to prevent the need for frequent changes in the law;
- i) Ensure a full registration and licensing of economic operators in the sector including travel agencies, tour operators, tourist's guides, accompanying persons, animators, sports, and recreation guides.

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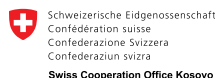
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