

The Impact of Tourism on Economic Growth in Kosovo

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Abstract

Tourism is an economic activity that is oriented to the utilization of tourist potentials. With the difficulties that had passed in different stages in the Republic of Kosovo, the development of this activity has reached along with the economic development of the country. The Republic of Kosovo has sufficient resources to develop some types of tourism, which can be used as attractive places for tourists, both domestic and international, who assist the economic development in Kosovo. The central tourist region of Prishtina, that of the Albanian Alps, the tourist region of Sharr, Mitrovica and Anamorava, is considered as the five main tourist regions in Kosovo that also affect economic development.

Our research aimed at studying the impact of tourism on economic growth in Kosovo. In this study, 250 subjects were surveyed, dividing from 50 subjects from 5 tourist centers in Kosovo, the central tourist region of Prishtina, the Albanian Alps, Sharri, Mitrovica and Anamorava regions, considered to be the top five tourist regions in Kosovo.

The respondents are from 26 to 64 years of age. The methodology of this study was used to integrate quantitative and qualitative methods. The collected data were analyzed using the Statistical Sacks for Social Sciences (SPSS).

The findings of this study have shown that tourism is one of the main priorities of economic development, because through tourism we can absorb more foreign investment and could attract more foreign investors, how can this be the attraction when tourists visit various aspects of wealth and natural beauty, free labor force as well as legal and managerial security, as well as a sound economic education in the Republic of Kosovo.

Key words: Tourism, Economic Development, Republic of Kosovo, Types of Tourism, Tourist Places.

INTRODUCTION

Today, more and more, tourism is turning into the main sector of the economy by generating financial revenues and creating opportunities for new jobs. However, as one of the sectors where the country's economic economy is expected to focus in the future, tourism is still not finding itself in the development of the genuine sector. One of the many problems facing Kosovo's tourism economy today is the identification of the tourism product development strategy and the use of marketing strategies that will lead to sustainable tourism development. At a time of market economy, unfavorable fiscal policies in Kosovo often become an obstacle to the development of tourism enterprises even when they have the capacity and potential for development. How well are tourism tourists able to recognize and understand sustainable tourism principles and strategic sectors, and how they can implement in practice, which in most cases are ad hoc actions, will be identified through this research.

Kosovo has inherited a low level of economic development from the past, which has been accompanied by: violent economic measures (the destruction of the economic system), the recent war, the slow privatization process, foreign direct investment etc. In this context, the tourism sector has been an inseparable part of these unfavorable processes. The tourism sector is a heterogeneous sector

that requires coordinated activities both in the public and private sectors. Along with the development of the tourist product, which has had significant difficulties, marketing has been at a low level, so to say that there was not at all a marketing organization as a separate function within the tour operators, in particular, the sector of tourism in general. Tourism has been developed without any plans and tourist resources are still outside the normal course of genuine tourism development. Tour operators continued at the same pace of development, not focusing on the sustainability of tourism product development or professional promotion but trying to get the most out of the case as there was a considerable number of international tourism staff in Kosovo and its sustainable development temporarily located in Kosovo and their demands were persistent, especially for accommodation and food. Awareness of touristic clientele and increased demand for tourism products and services has lured tour operators to orient themselves towards offering the tourism product according to the standards and initially think of the regional competitiveness they have and finding new strategies to achieve a better position in the tourist market. Kosovo's tourism economy, in particular, and the economic sector in general are dominated by small and medium-sized economic operators, while large economic operators are still in the process of privatization, and therefore it is required to find a favorable sectoral strategy which long term will ensure the sustainability of tour operators, providing a diversified tourist product. This study will provide an analysis of the existing situation and identification of favorable sectoral strategies to argue the need for recognition and implementation in practice, as well as to provide the necessary recommendations on how successful strategies can be implemented by tour operators. Also, this paper will help developers of the tourism sector strategy in Kosovo.

THE MAIN GOALS OF THE TOURIST ECONOMY

The main goals that can make economic tourism are:

- To analyze the quality, quality and benefits gained from the consumption of the tourist product that tourists receive in the host country.
- To analyze the profitability of businesses and mainly tourism businesses, which offer their prosperity and services to meet the needs and wishes of tourists.

•Analyze the primary and low impact of spending that tourists realize in a community. The above goals of the tourist economy are often related to one another.

The benefits of tourism create satisfied tourists and make tourists return to the host country, spend money and make everybody in the tourist industry and in the tourist area they visit, feel satisfied by the economy. In some cases, these goals may be incompatible, so for example. a long-term goal of maximizing profitability can cause a large expansion of tourist investment and other investment in the tourist destination.

TOURISM AND ECONOMIC DEVELOPMENT

Economic Impacts of Tourism Gradually, the economic importance of tourism was seen by many nations. The tourism industry is turning into a means of spreading and promoting economic benefits. Many nations and destinations have been successful, increasing the number of visitors. Positive impacts of tourism development are evident in substantial job generations or increased foreign exchange earnings. "According to Tosun & Jenkins, marketing is also a primary tool to boost the positive economic effects. Over time, used marketing techniques become more and more complicated, including considerations and understanding of tourist behavior, segmentation and consumer choice. For the positive tourism impacts of the economy, Mathieson and Wall & Hughes, in their publications emphasize that positive economic impacts can be seen in articles and textbooks devoted to economic analysis of tourism. Thus, such techniques, such as multipliers and input-output models, are advanced. This line of thought was aimed at finding the best, measuring what exactly tourism can contribute, or actually contributing to the economic development of a destination. One of Getz's major concerns was the highlight of the negative tourism impacts regarding the receiving community. From this point it became clear that orientation and marketing techniques and tourism planning began to change. This unbalanced form of tourism planning (or tourism promotion) remains to date as a dominant planning tool in many countries. Some studies have been conducted to determine the phases and models of tourism development. These studies have addressed the relationship between tourism development and host

communities. For assessing interactions and relationships, Doxey proposed an aggression index. This model consists of 4 steps: a. euphoria (pleasure in contact), b. apathy (growing indifference with a large number), c. dementia (disturbance and annoyance on price increases, crime, rudeness, violation of cultural rules), and d. antagonism (hidden and visible aggressiveness for visitors). According to the Butler model, for the evolution of tourist areas, tourist destinations are developed through several phases such as inclusion, development, consolidation, stagnation and decline or renewal. The emergence of social influences of communities becomes more important when the destination reaches the development and consolidation phase. Observations and assessments clearly suggest that the positive and negative impacts in local communities are closely related to the expansion of tourism. With the development of tourism, positive and negative impacts are becoming more and more visible. Tourism planning is focusing on how to maximize and minimize or mitigate negative impacts on the community. Also, Butler offers a significant conception of the dynamism of considerations in destination areas, so that both marketers and planners are used in planning and marketing. In marketing language, attention focuses on overcoming growth constraints. At the same time, tourism planning focuses not only on how to extend the growth stage of a destination, but also on the assessment of tourism resources in order to identify the desirable rates and acceptable forms of environmental change and in the perception of local residents for tourism development. This reassessment of tourism relationship with host communities presents considerable challenges for the tourism industry and tourism planners and has led to a strong call to apply an integrated planning method. Tourism scholars, Gunn Smith & Inskip, made it clear that a good tourism planning should include benefits in all aspects of the community, including sociological aspects (eg promoting community stability, family solidarity, cultural identity), economic (eg employment, income), environmental (eg protection / conservation). It is also argued that the community will benefit most from tourism development if the community is fully involved in making decisions that affect their welfare and the implementation of these decisions. Therefore, the involvement of local residents in each step should be required in the planning and decision-making process.

TOURISM STRATEGIES

In order for the proposed actions of the strategy to be as concrete as possible, it was necessary to select the most potential visitors flows in the Municipality of Prishtina. Prior to prioritization, a list with a total of 17 potential visitors flows was initially proposed. In order to ensure objectivity in the prioritization, in cooperation with DKRS, 8 criteria (mostly general) have been identified and weighed in importance (see Table 1). Subsequently, DKRS representatives together with other experts were invited to evaluate each visitor's flow to the criteria from grades 1 through 5, where 1 - lack of potential, while 5 - full potential. In the end, individual assessments are weighed and a general average is generated.

In Pristina municipality, there are at least 196 sustainable restaurants with different cuisine: traditional, Mediterranean, Italian, French, Asian and generally international. The 2016 exit survey shows that in a list of 18 aspects related to tourism, foreign tourists have ranked 'restaurants' in the top three places, averaging at 4.42 points 5 how high it was. In general, Pristina performs satisfactorily in this regard. The culture of coffee (makiatos) is characteristic of Prishtina. A total of 700 coffee and bars operate throughout the city (according to respondents). They are concentrated mainly in the city center. Moreover, in Pristina there are four major shopping centers; two are inside the city, and two others in the highway for Ferizaj. These centers promote the arrival of one-day visitors from other parts of Kosovo. On the other hand, the number of active souvenir shops is small. Moreover, they are missing in strategic points (eg near museums). Active Support Services Kosovo Tourism Council This council was established in 2017 and consists of 7 members and 2 observer members who are represented by the ministries responsible for tourism development. The role of this council is to establish a dialogue between the private and public sectors, in order to propose policies and plans for tourism development. At the same time, this council intends to offer recommendations to MTI, developing tourist and hotel standards for quality of services. According to the interviews conducted, the role of this council in practice is not satisfactory. Kosovo Tourism Association (KTA) This association was established in 2017 and operates within the Kosovo Chamber of Commerce (KCC). The main role of this

association is the advocacy and promotion of the tourism sector. The Cultural Heritage Foundation without Borders (CHwB) The Cultural Heritage Foundation without Borders is a Swedish non-governmental organization that promotes cultural heritage as a right in itself but at the same time as an asset. CHwB works with civil society and institutions to strengthen peacebuilding, sustainable socio-economic and democratic development, and the fulfillment of human rights. Relevant donor projects This is the largest donor supported project in the tourism industry in Kosovo. It is implemented by Swiss contact and supported by the Swiss Agency for Development and Cooperation (SDC). The main purpose of this project in this sector is to increase the number of tourists who stay longer and spend more through 20 21 interventions that support the development of tourist products, improvement of tourist attractions, promotion of Kosovo and provision of job training in this sector. This year, this project signed an agreement of understanding with the Municipality of Prishtina on the development of the tourism sector in this region. Among the joint activities envisaged is the development of this strategy

IMPACT OF TOURISM STRATEGIES ON ECONOMIC DEVELOPMENT

Municipalities in Kosovo have a lot of power under the Law on Local Self-Government. Tourism is ranked as one of its 20 competencies and as such the local level plays an important role in policy making and tourism development. Within this mandate, Prizren, Peja and Gjakova, the three most visited regions in Kosovo, have developed their own strategies for tourism and economic development. Moreover, Prizren has opened two tourist information centers, one funded by the municipality, and another as a project of a local NGO. However, efforts to provide information on tourist areas remain uncoordinated. Some of them come from local government where tourist areas are located, others come from the donor community. In the Pejë / Pec district, the three municipalities, Peja, Deçan and Junik, established a Destination Management Organization for Tourism Development through effective policies and legislation.(OMD). The purpose of this OMD is to ensure coordination in the development of destination and the promotion of sustainable tourism with the aim of attracting visitors and generating economic benefits through joint efforts of local

authorities, the private sector, government bodies and other stakeholders. Establishment of OMD with these three municipalities was done with the assistance and supervision of the PPSE project. During the consultation and public hearings process in other regions of Kosovo, OMD is mentioned as a good practice that other regions of Kosovo can take. This would require municipalities to join each other and stakeholders in order to coordinate investments and actions, develop common strategies, and build capacity to meet the needs of tourists. On the other hand, Gjakova is in the process of completing the tourism development strategy, led by three strategic objectives, including gastronomy, the development of adventure parks and cultural tourism. The strategy has been drafted with the help of the UNDP mission in Kosovo, however it has not gone through the consultation process with the private sector or with civil society. A significantly smaller municipality, Shtime / Štimlje has also adopted the 2015-2019 tourism strategy. The essential objective of this strategy is the development of rural tourism.

FUNDING AND TOURISM FINANCING

Tourism development should be followed by a sufficient budget in order to make the necessary capital investments, to develop policies and also to fund the proper institutional structure. In general, more than one source of funding is required to fund all required dimensions. SEE regional practices show that there are three main financing practices of the tourism industry: Tourism development through effective policies and legislation

- Public funding from the state budget
- Accommodation tax
- Selling OT products

In addition to these three main sources, alternative means are used, such as donor funds and private sector membership in the OT. Kosovo has adopted a Law on Accommodation Tax on Tourist Hotels Facilities but has not yet been implemented due to the lack of capacities of the Kosovo Tax Administration. The two responsible bodies, including the Tourism Division and KIESA, pledge very small amounts of budget for the development of this sector, which is less than 100,000 euros a year. The amount of money invested by central

institutions shows that tourism is not yet a priority sector for the government even though it ranks as such in the government program. In Croatia, the budget allocated to the Ministry of Tourism is 0.2% of the state budget which is equal to about 30m euros in 2014. Croatia applies the accommodation tax for tourists. The amount of tax that tourists pay for one day varies between the four categories. The lowest tax is 0.25 euros per day, while the highest is 1 euro per day. Children under the age of 12 are exempt from pay, and those between the ages of 12 and 18 have a 50% discount. In Albania, Hotel Accommodation Tax is calculated based on hotel category, location and nights of stay. For four to five-star hotels, the tax varies from 105 Lek (0.8 Euros) to 350 Lek (2.6 Euros). Guesthouse, dormitories, motels and other facilities apply a tax of 25 ALL (0.19 EUR) to 100 Lek (0.75 EUR) per night, depending on the location of the facilities. Prior to this categorization, five percent of the initial price for all categories and groups was used.²⁴ Development of tourism through efficient policies and legislation.

A less developed country in terms of tourism is Macedonia that allocates 250,000 euros to the Department of Tourism at the Ministry of Economy. The promotion budget is 3 million euros, and this budget is allocated to the Agency for Promotion and Tourism Support. The budget amount is collected through the state budget and the accommodation tax. Macedonia, on the other hand, applies a 5% tax on the initial price for all accommodations. OTs are mainly funded by:

- Residence Tax Fees (accommodation taxes)
- State Budget, and
- Membership Fees.

In Kosovo, the accommodation tax is set out in the Law, however it has never been implemented. Based on public hearings held in five regions of Kosovo, MTI officials stated that this was a challenge for the development of promotional activities and strategy development. According to representatives of MTI and some municipal officials, accommodation tax is a key element to enable the public sector to finance marketing and promotion of tourist capacities in Kosovo. According to hotel representatives, Kosovo has the most expensive accommodation prices compared to all neighboring countries. In addition, they stressed that the implementation of the accommodation

tax could further increase the price and reduce the number of international visitors.

RECOMMENDATIONS

Reduce VAT on accommodation services from 18% to 8% to be competitive with other countries in the region (Macedonia 5%, Montenegro 7% and Serbia 10%

- Develop a national tourism strategy that defines the requirements and directions for development of this sector.
- To regulate by law that the tour within the territory of Kosovo be covered only by local guides as we have in the neighboring countries
- Include representatives of the Municipality of Prishtina as the main tourist destination, in economic development.
- Install audio guide at the National Museum and the Ethnological Museum.

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