

Investment and Sustainable Development of Tourism in Kosovo

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Abstract

Investments in sustainable tourism development could be one of the ways to increase the participation of Kosovo in the global economy by facilitating poverty, in particular through the creation of employment in micro, small and medium enterprises. Defects in terms of necessary physical infrastructure, marketing and availability of appropriately qualified human resources are elements which hinder the sustainable development of tourism. Kosovo promotion at national and international level would have major effects on the information of tourists. Micro-credits from micro financial institutions of tourism sector, small enterprises and tourist agencies together, stimulate tourism and strengthen the link with the other economic sectors. Attracting investments in tourism, especially FDI, strengthens the link between tourism and organic and crafts products in Kosovo as a small landlocked country. Attracting tourists in Kosovo will boost the economy but at the same time, if not well managed, it will have negative impact on the environment. Tourists are interested in the social, cultural, and environmental issues of the country they want to visit. They should have knowledge about destination choice, accommodation, travel, food, markets and the friendly behaviour of Kosovo residents. Inseparability of production and consumption in space as well as in time make the development of the green tourism even more necessary. To recover the quality of air, water, food, parks, hotel environment, countryside beauty areas, investments are necessary, especially those from foreign sources which are not considered as a debt because Kosovo has insufficient resources to invest. Diaspora should also be targeted as a significant segment of the market growth, and household income.

Key words: *Touristic investments, tourism promotion in Kosovo, employment creation, green tourism.*

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1. Introduction

The great increase of foreign direct investments (FDI) in general is one of the clearest signs of globalization in the world economy over the last 20 years. Even as a percentage of Gross Domestic Product (GDP), there is an investment increase. First, FDI can provide new capital, allowing additional investment in human and physical capital, which can be very useful for developing countries. In the long term foreign investments are more likely to be available for the local - host economy, if the investment takes the form of creating new productive enterprises or expand the existing ones. The local firms may benefit from the influx of new knowledge through imitation and learning (Findlay 1978, Mansfield and Romeo 1980, Blomström 1986). The increasing competition in local markets, facilitated human and capital mobility among the firms (Glass and Saggi 2002). FDI stimulates export promotion Balasubramanyam et al. (1996), or according to Borensztein, who argues that the host economy must have educational capacity to incorporate technology effects. Investment in the tourism sector which is one of the strongest global trade drivers would bring prosperity to Kosovo, too. Poverty alleviation is one of the biggest global challenges. At the Same time, Microfinance is Being Promoted Poverty alleviation as a key strategy to enable poor women and men to pieces with the adverse Economic and social impacts of structural adjustment and globalization Police (Mayoux 2001 Forthcoming). In many countries, tourism acts as a development engine through foreign exchange earnings and creation of direct and indirect employment. Tourism contributes 5% of GDP in the world. It is responsible for 6% of the world's exports in services being the fourth largest sector from export. Tourism is responsible for 235 million jobs, or one in every 12 jobs worldwide. In 2011, international arrivals grew by over 4% reaching 982 million, from 939 million in 2010, a year characterized by a global economic stagnation. Kosovo in 2011 had an increase in tourism development compared with the previous years, although the general FDI trend was descending. Investment in the tourism sector is mainly oriented towards the construction of hotels, restaurants, swimming pools, horseracing fields etc. Tourism in Kosovo in the future is likely to become the second important sector as it has multiple effects in other sectors. From tourism revenue if managed towards the poverty alleviation focus, poor groups can directly benefit through the employment of local people in tourism enterprises, offering goods and services, running small enterprises etc. There was a significant diversification of tourist destinations in developing countries in 2011, which was reflected in Kosovo, too. Profit in developing countries accounted 46% of total international gains in 2011. Tourism has become a major player in the economy of developing countries. Although Kosovo has no sea, there are such comparative advantages as suitable climate, rich cultural heritage, inspiring landscapes and abundant biodiversity. These strong sides are evident in rural areas. Tourism is a relatively intensive labor sector and is traditionally made by small and micro enterprises. Many activities in tourism are particularly suitable for women, youth and marginalized groups such as ethnic minority populations. Many tourism jobs are potentially quite accessible because they relatively require less skill and little investment. Some may work part time and be used to supplement income from other activities. By tourists expenses can benefit a wide range of sectors such as handicrafts, agriculture, transport and other multiple effect services. All can benefit from the cultural, environmental and economic growth.

2. The history of modern tourism

Fifty years ago there were only 25 million passengers as people who had spent at least one night in a foreign country. In 2000, 698 million people were classified as international tourists. By 2020, it is estimated that 1.6 billion people or a fifth of the world will be international tourists. The history of modern tourism began three centuries ago, but women were not privileged to be part of such trips. The scientists traveling such as Carl Linnaeus' in 1700 and the formation of the aristocracy in Europe made people feel the need for relaxation, sun, thermal waters, health and pleasure in the Mediterranean, Italian and Greek coasts. Also honeymoon flights became trendy by 1830. Nowadays we have a large list of competitive countries which are in the List of the World Heritage, but only a few will be mentioned:

- Historic Mosque City Bagerhat,
- Taj Mahal, Komodo National Park,
- Eman Mejdán Esfahan,
- Sagarmatha National Park,
- Taxila,
- Historic Town of Vigan,
- The Golden Temple of Dambulla,
- Archaeological Ban Chiang site,
- Ha Long Bay and many others.

Even Kosovo has got a lot of amazing locations as an independent country with an area of 10,887 km², with a population of about 2 million inhabitants, being a part of Eastern Europe, it has a specific weight in the Balkans. Until 1970s due to the absence of good roads, in Kosovo there was little movement of tourists. Modernization of the roads and public infrastructure as well as the improvement of the economic situation increased the movement of tourists. During the last ten years, the economic performance in terms of GDP has increased and it ranges from 1% to 3.8% (IMF Reports, 2012), the tourism sector participation is 8 to 10% of GDP. Such level of performance is insufficient in making any impacts on the socio-economic conditions in the country. To influence the change of the living conditions, an increase of over 7% of GDP is requested. Kosovo's economy is increasingly becoming less dependent on remittances but dependent on the readiness of the Kosovar Diaspora to invest. Lack of specialized information has caused Kosovo to have the lowest number of tourists in the region which ranges from 1 tourist per 12 inhabitants, while in other countries it is 1 tourist per 1 inhabitant (coastal areas). Kosovo, in absence of the sea, must aim the development of mountain, health and cultural tourism. Kosovo has got 25 winter tourist centers, gorges, canyons and caves. Tourists visit ski centers as those in Brezovica and Rugova and many other small countries. Kosovo with five

tourist regions is the pearl of the Balkans. The Department of Tourism in Kosovo has declared these places as important tourism areas:

- Brezovica,
- Sharr Mountains,
- Rugova Gorge,
- Cave of Gadime,
- Waterfall of Mirusha,
- White Drini Spring,
- Prevala,
- Cultural monuments, etc.

The geographic position of Kosovo with altitude (811m) and its middle and high mountains create fascinating landscapes. Waters of Kosovo in Suka e Dermalit of Nerodime stop and flow into the Adriatic, Aegean and the Black Sea. Numerous lakes are unexploited wealth of clean energy. Also, investment in health tourism and recreation in the thermal waters in the Klllokoti Spa, Peja Spa, Banjska in northern Mitrovica, Malisheva Water Spring, Ujln, Poklek, Doberqan, Lluzhan, Decan will economically develop these territories. Lack of evaluation by local residents that the investment in these thermal waters would bring benefits as well as the lack of projects by the government to invest has made these areas be the most underdeveloped parts. Kosovo is at an important stage of development and due to the internet Kosovo is promoting a positive image and qualitative tourism products, quality services and consultancy.

3. The development of sustainable tourism

Sustainable tourism, according to McLaren (1998, p. 109), is defined as fulfilling of needs of the present tourists in the host countries, protecting and enhancing opportunities for the future. The difference between tourism and sustainable tourism is that: tourism aims maintaining the profit realization as a generating activity for a certain period of time. While tourism, as a sustainable development, is based on ecological principles which enable revenue growth protecting the existing nature and human welfare. According to Honey (1999, pp 22-24), ecotourism has the following features:

- Travel to natural destinations,
- creates environmental awareness,
- provides direct benefits and employment for local people,
- respects local culture,

- supports human rights and free movement.

Tourists who arrive in Kosovo and are interested in its culture, take trips and go on picnics near the rivers, pools, thermal waters seeking knowledge about them. Each visitor is satisfied if the hotel where they are staying provides greenness. Strolling through the regions of Kosovo you will be led across the remote and wild mountainous regions of the Western Balkans. Using the shepherds trails and paths where no human foot has stepped before, high alpine mountains up to 2300 meters above sea level, lead you through the wild mountain scenery, landscape of green valleys, crystal clear mountain lakes, waterfalls, rivers and remote picturesque mountain villages, with a variety that are breathtaking, where the time seems to have stopped. Until twenty years ago, the region was virtually inaccessible to visitors, which makes it an authentic cultural experience and a rising adventure in the mountains of Kosovo. Accommodation facilities in the Kosovo region are from five star luxury hotels to modest hostels through mountain villages. In the Dukagjini region only, 54 accommodation facilities, hotels, motels and restaurants are found. Most of them are embedded deep in the mountains where families in the villages provide services and traditional food. Politicians must know the socio-economic importance of tourism and its potential to create new jobs at difficult economic times. Kosovo should serve as an example in the field of marketing, tourism policy, and visas to encourage more tourists. Kosovo is close to the coastal places such as Albania and Montenegro, which for the next 10 years are considered to have a faster economic growth in the world so creation of interactive relations with these two countries will create tourist arrivals in Kosovo, too. Kosovo should have the tourist agenda in the short and long term to attract investments and tourists:

- Economic contribution of Travel & Tourism in Kosovo 2011-2021,
- Policies that bring compensation from tourism activities,
- Review of the market resources and diversity of the tourism product in the country.

Rarely during the past 20 years have we been challenged by economic and political uncertainty such as we are now. In developed economies, consumers are likely to remain cautious, especially in European countries where austerity programs are being implemented. Tourism and travel which derive from it are global stability strength, providing jobs, generating prosperity and facilitating international trade and investment. Government through its investment projects should provide:

- The purchase of new buses, taxis, airplanes and construction of new hotels;
- Collectively to use marketing and tourism promotion e.g. aviation, buses, taxis, public administration, security services, accommodation and food services, better management of waste, water, energy etc..

4. The main areas of tourism action

To promote the sustainable tourism, it must be supported by local institutions as well as by foreign investors. The government should create these preconditions:

1. The establishment of an institutional and legal framework, and a strategy compatible with economic, social and environmental factors;
2. Better management of airports, accommodation of foreign visitors and the creation of security;
3. Preservation of natural resources, expanding the scope of attractions incorporating Foreign Direct Investments;
4. Solution of problems and desires to invest through negotiations for the realization of the interests of each group;
5. The establishment of protected parks, preservation of cultural - historical values, even while doing tourism, increases the value of tourism in Kosovo;
7. Improving the quality of urbanism and environment creating a positive image to tourists;
8. Promotion of a wider network of small and medium enterprises, involving the local population and human promotion and training of entrepreneur's profession;
9. Promoting social awareness campaigns regarding sexual transitive diseases in tourism through tourist audiences, entrepreneurs, visitors, workers, public, training centers;
10. Promotion of the manner codes for sustainable tourism, promoting the introduction of eco-labeling as a tool for sustainable tourism among consumers;
11. Development of online program information as well as numerous internet websites for promotion of Kosovo.

5. Creating the basic conditions for development of tourism

Kosovo has a range of small and midsize businesses at about 96%. Only 4% of large businesses contribute about 85% of the internal revenue. It is a challenge to expand the contribution of small businesses to create revenue. As the most appropriate would be the stimulation of these businesses by institutions to build capacity for soft loan financing.² Subsidies by the ministries of agriculture and tourism are also necessary in rural and remote mountainous areas. These subsidies would create jobs especially for the female sex which in these areas is outside integration. Increasing of these employment capacities should be seen with absolute priority by the government. This would affect the overall willingness to improve infrastructure in villages. To grow the tourism sector, it means that you must understand what you will produce

² The government in agreement with the Central Bank of Kosovo, was to stimulate commercial banks and micro financial institutions in Kosovo which are for giving loans with lower rates 2 to 3%, SME or family groups 4 to 6 to start the business sector tourism, especially in rural areas and in areas that have population influx.

for those who will come tomorrow. Kosovo is still an untouched area which provokes curiosity. This is the activity that starts anywhere where there is the eco-tourism slogan win-win rather than win-lose. It is necessary for audio-guides and tourist guides to be everywhere in Kosovo, so the visitors would know and understand what is that they are visiting. It is necessary for the fiscal system to add another tax rate of 3% for large businesses to have destination the funds which deal with cultural and tourist wealth.

6. Tourism-Tourism Satisfaction

Cultural and heritage tourism destinations are being developed as a tool to attract and enhance the visitor experience. Cultural tourism is described as a movement of people culturally motivated as study tours, art performances, cultural tours, trips to festivals, visits to historic places and monuments etc. It is concluded that customer satisfaction is an important issue to have a successful tourist season. This is an indication that when a tourist experiences enjoyment at a place where he had traveled he will again return to visit it. Therefore tourist customer satisfaction is becoming a target of corporate, enterprises and small to medium enterprises (SMEs) to enhance the quality of their products and services. Bitner and Hubbert (1994) describe the customer satisfaction as a feeling or an attitude of a client towards a service after it has been used. Lee, Graefe and Burns (2004), argue that tourist customer satisfaction can not be understood only in terms of the service quality effect but they also suggest the involvement of the product cost - the social aspect. Early studies, Mayo (1973) and Hunt (1975) showed that important elements for the development of tourism are climate, population, life-style, museums, galleries, theaters, festivals, shopping, markets, food, castles, sports, older cities etc. Kosovo has all these internationally recognized tourist elements.

7. Social impact of tourism through employment

The main indicator of macro level is creation of employment from the economy of tourism. It is important for the employment to be covered in terms of gender equality. Kosovo is still characterized with patriarchal attitudes for women not to serve in restaurants or not to deal with its direct management. This is very outdated in the region or specifically in Albania even though we are a nation. This has made the unqualified females in Kosovo not to be massively engaged remaining un-socialized. The tourism sector is very convenient and offers solid opportunities for women to get involved in social life and gain their independence. In 2003 the International Labor Organization (ILO), reported that employment of women in tourism is higher than in many other industries. They are employed in hotels, restaurants as waitresses, chambermaids, taxi drivers, receptionists, agents, tourist guides, etc. Most people employed in tourism are from 21 to 30 years of age and gender ratio is female 48.5%, male 51.5% (New York: UNDP, various years). Salaries in tourism are lower than in any other sector. Most SMEs are family businesses. This has enabled women a bit to appear as entrepreneurs, who also engage children doing a lot of

jobs. Employment shows the social impact that tourism has. Tourism has a significant direct and indirect impact in creation of employment. The year 2006 estimates 10% of employment created by tourism. But there are fluctuations in tourism employment because the work is 50% seasonal. Because of the multiplier effect that tourism has in the creation of employment and income it is difficult to have concrete evidence about the effects of tourism on employment (Vella and Becherel, 1995: 218). Tourism creates three types of employment in the economy:

1. Direct employment in tourist facilities, such as accommodation, food, drink, travel, etc.
2. Indirect employment - employment in other sectors in related to tourism but not directly in tourism;
3. Obligatory employment - additional employment in economy and re-spending of income which are acquired directly or indirectly from tourism;

The rate of employment in this sector depends on four grounds³:

- The intensity of labor,
- Low wage availability,
- Part-time availability and temporary work,
- Seasonal intensity.

The total number of the surveyed hotels in Kosovo was 112, licensed by the Ministry of Trade and Industry. ⁴ Only Dukagjini region has 54 hotel facilities of different categories that are active. Most of them are in Rugova, Istok, the Drini i Bardhë valley with amazing views, traditional food, high-level services, security and above all Albanian hospitality that can not be compared with anything.

Table 1. Number of visitors (local and foreign) and their nights stay, for the period from the first quarter 2008 – third quarter 2012 ⁵

Periods	Number of visitors		Nights stay	
	Locals	Foreigners	Locals	Foreigners

³ Burkart, AJ and S. Medlik, (1992), *Tourism its past, present and future*, Butterworth – Heinemann, London.

⁴ Department of Hotels and Tourism in this publication does not include: a number of hotels in Prishtina, Podujevo and Shterpca's hotels as well as some of the hotels which at the time of privatization were currently being renovated and were considered inactive.

⁵ Statistical Office of Kosovo, *Hotel Statistics, 2012*; esk.rks-gov.net/dmd ...

2008	197678	24616	22602	46964
2009	52631	36318	54876	76042
2010	44663	34382	45123	38613
2011	42044	30349	44757	65584
1Q-3Q/2012	37801	36107	38812	63913

In Q1-Q3 2012 the number of visitors was 73.908, where 46.91% are local visitors, and 53.09% were foreign visitors and the number of the nights spent in Q1-Q3 2012 is 102.275 approximately 35.33% of the nights are by locals and 64.67% are foreigners. Local visitors have stayed for a night on average and foreign visitors about two nights per visitor.⁶

8. Poverty

The poverty rate in Kosovo is too high. By counting the number of families with incomes below the poverty level, urban-rural disparity is 40 to 60%, rural families lead to poverty. In terms of access to water supply, sanitation and hygiene equipment in rural households is worse compared to urban ones. The government seeks to reduce poverty but there are no expectations to create places for everyone. Instead the private sector is likely to provide greater employment opportunities. The financial sector has created a monopoly without competition in lowering interest rates for private business loans for a few years to come. This is too expensive for the businesses and families who have initiative to start a business. It is estimated that 34.5 percent of the population live under the poverty line and 12.1 percent of the population live below the extreme poverty line. Kosovo weathered the 2008-2009 economic crises better than most of the countries in South-Eastern Europe (SEE). In fact Kosovo and Albania were the only countries in SEE in 2009 which recorded positive growth of GDP. However, the increase was modest, with declining foreign direct investment, weak governance and rule of law. Remittances from the large population living abroad by the beginning of the crises recorded a decrease, too. Therefore, Kosovo remains the poorest country in South Eastern Europe. In 2009, Kosovo GDP per capita of €1.760 (World Bank 2010) was the lowest in SEE, puts it amongst the poorest countries in Europe. Kosovo's unemployment rate, according to the Labor Force Survey (Statistical Office of Kosovo in 2010)⁷ in 2009 was estimated to be 46 percent. Nearly half of the population is younger than 24, and only 6 percent of the population is older than 65.

⁶ Referring to statistical data, Q3/2012, nights stay local and foreign tourists.

⁷ Statistical Office of Kosovo, 2009: Poverty in consumption in the Republic of Kosovo in 2009.

9. Conclusion and Recommendations

In this paper I explored how tourism affects the life of people living in Kosovo. Possibilities for amendment of the tourism industry are proposed where SMEs should be entrepreneurs which suit the tastes and requirements of the tourists' time. Also, what we can and want to do to support the sustainable tourism in areas where tourism can be developed. It is also recommended that the economic aspect of tourism is pro-poor where the financial benefits have multiplier effects for everyone. With the development of sustainable tourism all win, there are no losers. It is important for Kosovo to explore options for less visited areas, there should be given the chance especially to women to be involved in tourism industries. As well as creating financial policies to enable soft giving loans in opening family enterprises in groups of 4 to 6 families to set up manufactories, hotel enterprises, vegetable and flower greenhouses, etc. This would affect employment and would have multiplier effects on other sectors besides tourism. FDI will be of great help if they are channeled in tourism, mainly in the creation of new enterprises. To achieve this, fiscal incentives are necessary as low taxes, tax non-application for one year, preferential tariffs, special economic zones, export zones, lower loan rates, exploitation of wasteland for tourism purposes, subsidies in infrastructure. Investments have proven to be fast means with high impact on economic development given that the benefits are for investment firms as well as for host countries. Offices which recruit and stimulate investments must operate, especially those which can create jobs, train human resources, adaptation of good international practices and service models. Importation of modern technology and the establishment of workshops in rural areas would be of no environmental damage and no load to a region with transferred population. Infrastructure investments have proven to be successful in establishing a chain of benefits from other sectors.

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