



# KOSOVO TOURISM SECTOR NEEDS

Summary Report

## ABSTRACT

This Needs Assessment Report was developed by Sustainability Leadership Kosova (SLK) as part of The Green Hub Program funded by the UNDP implemented in partnership with VentureUP

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## OVERVIEW

Tourism is one of the largest industries in the world, accounting for about 9% of global GDP and generating more than \$ 6 trillion in revenues each year<sup>1</sup>. It provides livelihoods for more than 255 million people worldwide. The sector is particularly important for some of the world's poorest countries such as Kosovo, where risks related to sustainability challenges are not considered a priority.

Kosovo is divided into five tourism regions<sup>2</sup>:

- Central Pristina Region
- Accursed Mountains
- Sharri Mountains
- Ana Morava
- Mitrovica



According to the data of the Tax Administration of Kosovo for 2012, the largest number of businesses in the tourism industry were based in the region of Prishtina (36.6%), followed by Prizren (17.2%), Peja (10.1%) and Gjilan (9.3%).

In 2019, the tourism sector in Kosovo recorded an increase of 14% in turnover, contributing to the employment of 12,000 workers<sup>3</sup>. The same report shows that the COVID-19 pandemic has halted the progress experienced in 2019, reporting a sector decline of 50% in 2020 and millions in lost revenues. Given the lack of data on the contribution of sectors to Kosovo's GDP, in Q1 2021 trade, transport, accommodation and food services marked an economic growth of 1.79%<sup>4</sup>.

However, our attention in this analysis of tourism sector needs is focused on the current and future needs of the industry. It is also based on global, national, and regional trends.

The assessment was conducted by applying the systemic thinking approach described by Peter Senge as *"a discipline to see the whole and not parts, to see patterns of change rather than static images, and to understand the subtle interconnection giving to (living) systems their unique character"*<sup>5</sup>.

<sup>1</sup> CISL (2014), Climate Change: Implications for Tourism, University of Cambridge Institute for Sustainability Leadership, accessed via: <https://www.cisl.cam.ac.uk/business-action/low-carbon-transformation/ipcc-climate-science-business-briefings/tourism>

<sup>2</sup> Ministry of Trade and Industry (2014), Tourism Sector Profile, accessed via: <https://kiesa.rks-gov.net/desk/inc/media/3FE96539-4003-415B-B708-3F3466CFEC3A.pdf>

<sup>3</sup> PPSE (2019) Kosovo Tourism Supply Side Survey, accessed via: [https://ppse-kosovo.org/file/repository/Kosovo\\_Tourism\\_Supply\\_Side\\_Survey\\_2020.pdf](https://ppse-kosovo.org/file/repository/Kosovo_Tourism_Supply_Side_Survey_2020.pdf)

<sup>4</sup> Kosovo Statistical Agency (2021) Gross Domestic Product by economic activities and expenditure approach (at current and constant prices), Q1 2021

<sup>5</sup> Peter M. Senge, John D. Sterman (1992), Systems thinking and organizational learning: Acting locally and thinking globally in the organization of the future, European Journal of Operational Research, Volume 59, Issue 1, Pages 137-150

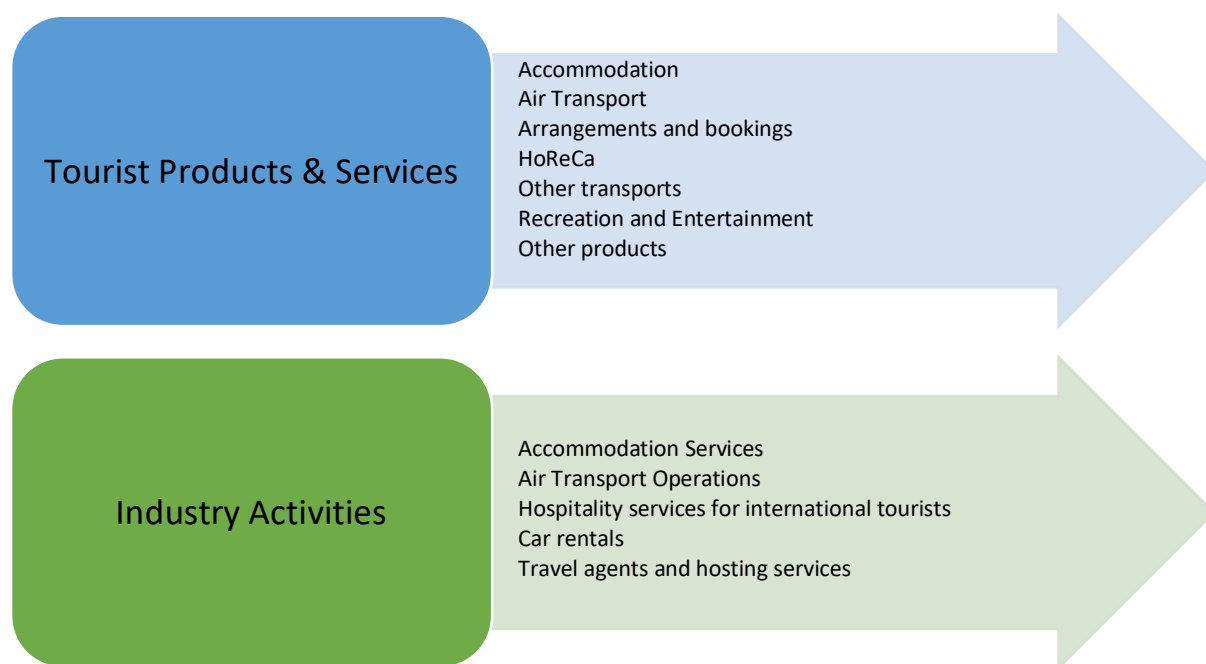
## RESEARCH PURPOSE AND OBJECTIVES

The main objective of the assessment is **to understand the current state of the tourism sector** in Kosovo, to analyze the impacts of Covid-19 on their business, and **to identify opportunities for integrating the principles of sustainability and eco-tourism** into their operations. Our focus will be on Micro, Small and Medium Enterprises (MSMEs), prioritizing businesses run by women and ethnic minorities.

## DEFINITION OF THE TOURISM INDUSTRY

Tourism is defined as international visitors spending across national borders, mainly for business trips, conferences, government business, along the more popular tourism for holidays, entertainment, or to visit friends and relatives<sup>6</sup>. The main industries that benefit from tourism spending include domestic and international air transport, accommodation services, catering services, restaurants, car rentals and travel agencies.

Therefore, the operation of the tourism industry is divided into two categories:



The tourism sector in Kosovo is exposed to numerous direct and indirect impacts from climate-related risks, loss of biodiversity, lack of resources, wildfires, cooling, rising temperatures and most recently the COVID 19 pandemic which that put a stop to the tourism sector worldwide.

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<sup>6</sup> Peter M. Senge, John D. Sterman (1992), Systems thinking and organizational learning: Acting locally and thinking globally in the organization of the future, European Journal of Operational Research, Volume 59, Issue 1, Pages 137-150

Therefore, the needs assessment methodology has considered some of the risks, combined with the impacts of Covid 19. Our attention is focused on the current and future needs of the industry considering global, national, and regional trends.

## METHODOLOGY

The needs assessment is based on the four-capital framework<sup>7</sup>:

Financial Capital	Natural Capital	Human Capital	Social Capital
Facilities and equipment Access to grants and funding Income and profit Transport and infrastructure	Natural resources (water, food, energy) Air and climate Land (mountains, forests) Water (lakes, rivers)	Workforce access Skills and education Health and well-being Intellectual Capital (IC)	Institutions and agencies Policies and regulations Culture Peace and trust

♣ *Financial Capital*: Some examples might be transportation like cars and buses, tourist equipment such as bicycles, canoes, skis, and caves, climbing, etc. Buildings and infrastructure that may include equipment necessary for the performance of day-to-day tasks and services.

♣ *Natural Capital*: In addition to traditional natural resources, such as wood, water, and energy and mineral reserves, natural capital includes natural assets that are not easily valued in monetary terms, such as biodiversity, endangered species, and ecosystems performing ecological services (e.g., air and water filtration). Natural capital can be considered as a component of nature that can be directly or indirectly related to human well-being.

♣ *Human Capital*: refers to the health, well-being, and productive potential of individual people. Types of human capital include mental and physical health, education, motivation, and job skills. These elements not only contribute to a happy, healthy society, but also improve opportunities for economic development through a productive, healthy, and environmentally safe workforce.

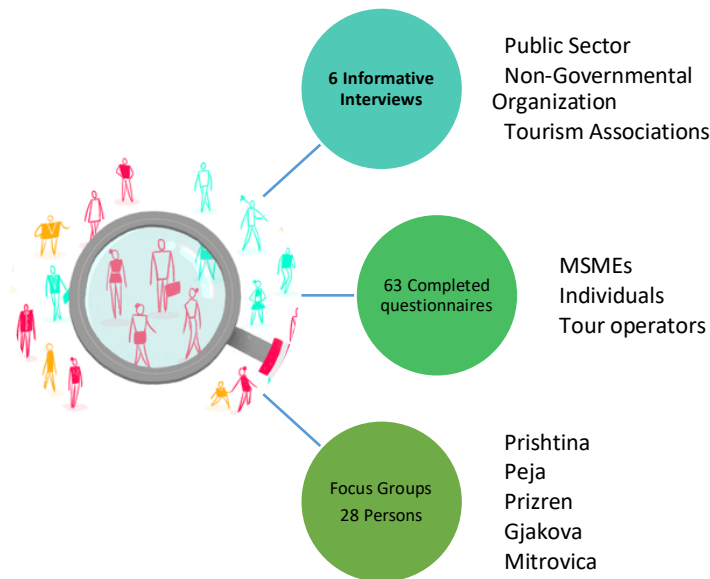
♣ *Social Capital*: like human capital, it is related to human well-being, but on a social level and not individual. It consists of social networks that support an efficient society, including and facilitating social and intellectual interactions between its members. Examples of social capital include community associations, non-governmental organizations, and cooperatives. Political and legal structures that promote political stability, democracy, government

<sup>7</sup> Paul Ekins,\* Simon Dresner and Kristina Dahlström (2008) The Four-Capital Method of Sustainable Development Evaluation King's College London, Policy Studies Institute, London, UK

efficiency, and social justice (which are good for productivity as well as desirable in themselves), are also part of social capital.

## DATA COLLECTION

Our assessment focused on data collection and collation, their analysis, and this briefing report. Data is collected through quantitative methods - information that is measurable and can be analyzed numerically and presented using statistics in tables or graphs; or qualitative



methods - produced through research that results in non-numerical data.

Data was collected using the following techniques:

**Key informative interviews:** expert individuals have been identified for their specific knowledge of the tourism sector in Kosovo. This included interviews with five key individuals from relevant institutions in the tourism industry. Respondents include:

- Mr. Virtyt Morina - Director of the Tourism Sector in the Municipality of Peja,
- Mr. Adrian Berisha - Director of Culture in the Municipality of Prishtina
- Mr. Milot Berisha - Head of the Ulpiana Archaeological Park
- Mr. Baki Hoti - Director of the Tourism Union of Kosovo
- Mr. Zekë Ceku - Tourism Expert
- Ms. Lumturije Geci - Director of Tourism at the Ministry of Industry, Entrepreneurship and Trade

**Focus group discussions:** structured discussions with a small homogeneous group of individuals identified with selected criteria. These discussions included 28 individuals, representatives of the tourism sector in the regions of Prishtina (5 individuals), Peja (5 individuals), Prizren (3 individuals), Gjakova (6 individuals) and Mitrovica (5 individuals).

**Online Survey:** This was conducted through a questionnaire prepared and shared with the tourism sector, MSMEs or individuals - owners of tourism enterprises. The questionnaire aimed at gathering information on their direct experiences, perceptions, expectations, and situations or conditions. In the case of enterprises that did not possess the technological infrastructure or digital knowledge to complete the online questionnaire, personal surveys and telephone calls were organized. In this survey we received 63 responses.

## PROFILE OF RESPONDENTS

*“Archaeological parks do not have their own budget, which would enable them to gradually move towards sustainability and the provision of more attractive packages for tourists.”*

Milot Berisha

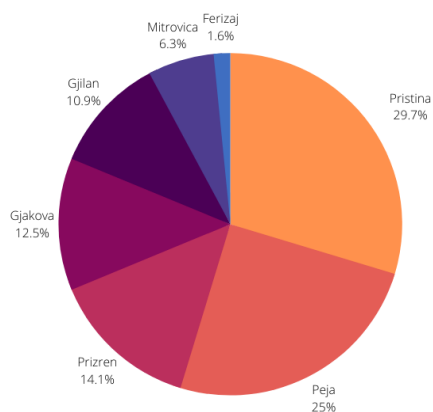
The highest number of surveyed businesses is in Prishtina with 30%, followed by 25% in Peja. While the smallest number of businesses operate in Mitrovica and Ferizaj, with 6% and 2% respectively.

- Over 40% of companies operate in the GUESTHOUSE sector (hotels, motels, hostels). While about 20% as travel operators, 12.5% as restaurants, and 10% as tourist offices.
- About 30% of respondents are owners of companies. While 25% are managers. 20% of respondents have other administrative roles that do not fall into any of the listed roles.
- Nearly 20% of companies were established in 2019. 20% of companies were established before 2010. Most companies are new, with 50% established after 2018.

Figure 1. Enterprise operations regions

Figure 2. Role of questionnaire participants

**In which region of Kosovo do you operate?**



**Which is your position within company?**

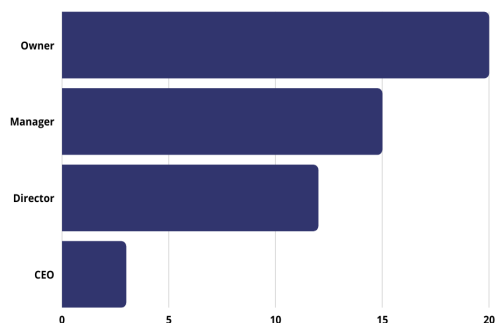


Figure 3. Enterprise sector

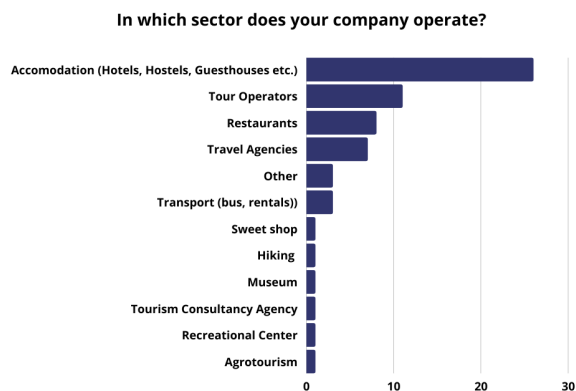
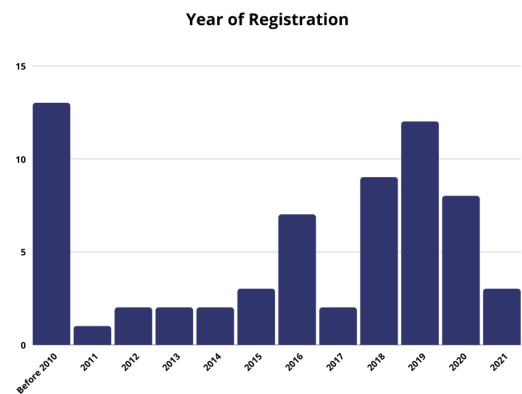


Figure 4. Year of establishment of company



The profile of the respondents shows that there is still room to improve enterprise-client communication. Approximately only half of businesses have websites, and enterprises need to enhance their capacities and make more use of information technology for communication with clients.

Also, from these data we understand that:

- There is a good employment balance by gender, with 46% of employees being female.
- The data confirms that enterprises use social media to a large extent.
- Generally, companies that do not have social media have an annual turnover of less than €20,000.
- The number of employees has not changed over the years. This means that COVID-19 has had a negative impact by not allowing the expansion and increase in the number of employees.

Figure 5. Number of employees by gender

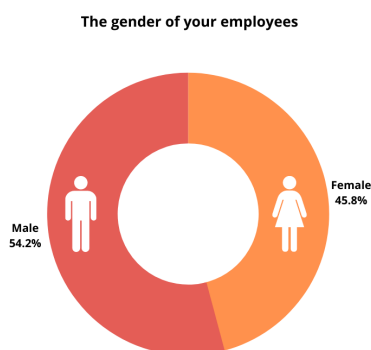


Figure 6: Social media

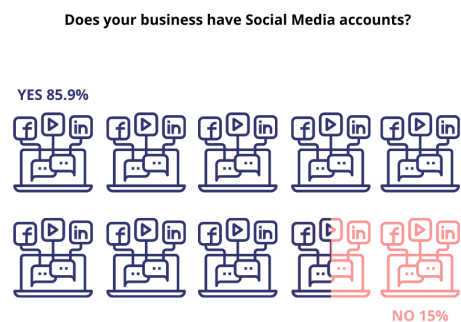




Figure 7. Number of employed persons

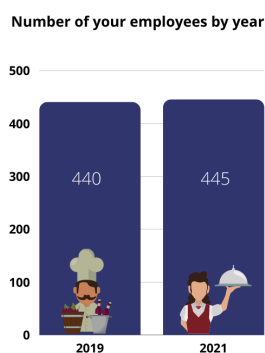
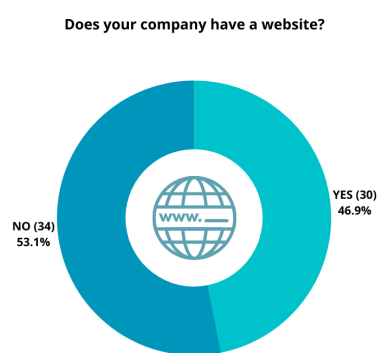


Figure 8: Number of enterprises with web sites



## KEY CONCLUSIONS AND RECOMMENDATIONS

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*“Two essential issues that need to be addressed very quickly are the organization of a campaign on environmental protection and waste management throughout the country.”*

Baki Hoti

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Tourism has been significantly impacted by a massive decline in domestic and international demand due to global travel restrictions, including lockdowns due to COVID-19, especially in 2020.

However, they also show that tourist demand has increased significantly in 2021 compared to 2020, which means that there are some signs of recovery in the field of tourism. The increase in the number of people vaccinated is expected to gradually increase tourist confidence and contribute to the easing of travel restrictions.

### Conclusions: key informative interviews

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*“Tourism and agriculture are two main pillars for municipal development that also depend a lot on climate change”*

Virtyt Morina

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Interviews confirm the negative impact of the pandemic on the tourism sector. To address the challenges, cooperation between tourism organizations and the central and local level should be promoted, especially for the advancement of digitalization and capacity building in the tourism sector.

Respondents have different roles to support tourism in Kosovo, such as: implementation of tourism strategy, support through training and curricula for HoReCa. Establishment of tourism policies at the national level, as well as coordination of actors in the tourism sector. From these interviews we understood that:

- All sub-sectors of tourism have been affected by the pandemic, including travel agencies, guides, HoReCa, accommodation, transportation, etc., resulting in a decrease in the number of tourists especially in 2020.
- According to a study conducted in Kosovo, the pandemic has disrupted up to 92% of the guide sector, 86% of hotels, about 80% of travel agencies, and 54% of HoReCa. There is a lack of support and coordination from the central level for the tourism sector.
- The tourism sector is somewhat resilient to the small risks associated with climate change, but unfortunately lacks proper organization, such as associations, institutions and awareness. There is no preparation in case of drastic climate change.
- There is still no law and strategy to support the future of the tourism sector in Kosovo. But the current government is dealing with greater seriousness with tourism, and the approval of the tourism strategy is expected.

### Recommendations: key informative interviews

- Provide textbooks and support professors who are competent and professional in the field of tourism.
- The main actions needed to support sustainable eco-tourism in Kosovo should first be undertaken through municipal development plans, and areas where eco-tourism should be developed should be designated.
- Proper waste and wastewater management, especially in protected areas.
- Promote nature, raise awareness about the importance of nature and against its degradation.
- Increase support from institutions and promote the management of natural resources and the development of human capacities.
- Enterprises are still in the early stages of applying sustainability practices and need to continue working with businesses in Kosovo to raise awareness of these practices.

### Conclusions: focus group discussions

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*“The municipal directorate must determine exactly the areas where eco-tourism should take place, and then approach the issue of eco-tourism seriously.”*

Adrian Berisha

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COVID 19 has had long-term consequences for enterprises, and this was also confirmed

through the focus groups. Consequently, many companies were closed for several months during 2020. Down time was used for some infrastructural changes and facility cleaning.

The pandemic has also caused the dismissal of some workers, and bookings have been canceled. But 2021 shows significant improvements compared to the previous year. There is generally a lack of support from the Government.

Focus group discussions confirm that enterprises are open to capacity building towards sustainable development and investment in the tourism sector. These discussions also concluded that:

- Owners are worried about their future but are optimistic that there will be no lockdown in the future and expect that they will be supported and assisted by the Government.
- Tourists mainly demand the preservation of virgin areas, increase of green spaces, greater tranquility and no littering, security, no use of plastic, and demand vegetarian and vegan food.
- Enterprises confirm that they have not changed service/product fees due to the pandemic.
- Enterprises are in the early stages of understanding the sustainable model and show willingness to continue training in this area.
- At present enterprises have no capacity to align sustainable practices in their business.
- Enterprises are not making eco-friendly innovations but are interested in investing in solar panels and eco-guesthouses.

### Recommendations: Focus Groups

Participants in these focus groups have also expressed readiness for more innovative approaches, and interest in participating in the Green Hub Program (GHP). They noted that with the help from donors, their enterprises would try to integrate:

- Development of new touristic products
- Digital Marketing
- Extension of tourism up to 12 months
- Planning of sewage treatment
- Reducing the use of plastic, and
- Electric bicycles



## CONCLUSIONS: ONLINE SURVEY

Online survey data confirm the negative impact of the COVID-19 lockdown in 2020, when the number of tourists dropped significantly. But they are also hopeful that 2021 has started strong, and there has been a doubling of tourists compared to 2020.

- In 53% of enterprises the COVID-19 pandemic had a severe impact, and they had to close their enterprise for periods of 1 to 6 months.
- 27% of companies had to close for more than 6 months, while 15% of companies closed down completely.
- Less than 5% of companies were not affected by the pandemic.
- 64% of companies have an annual turnover of €20,000 or less. 22% have an annual turnover of more than €60,000.
- Over the last 3 years, about 70% of companies have achieved their best performance during the summer, i.e., in July and August. While 50% of companies performed worst in January and February.

According to the survey, 80% of companies' main sources of income come from sales. For about 10% of companies from grants, and 15% have combined revenues. Whereas less than 2% of companies have bank loans as their main source of income.

In terms of promotion channels, over 90% of enterprises use online promotion channels. While 36% mainly promote the company with referrals from their circles. Less than 10% of companies promote their operations on TV and print media (Fig.

The most used sales and marketing channels are Facebook and Instagram, with 81% and 64% respectively. While 40% do not promote their operations, because they cannot afford the additional costs associated with promotion/advertising. While 5.6% say they have no skills and knowledge to promote their operations.

### Conclusions: Production and Financial Capital

Enterprises must maximize effectiveness and efficiency in the use of production and financial capital, as well as practice policies that maintain quality and ecological materials, and make maximum use of innovation and human capabilities. By implementing these practices, companies will have various benefits within the organization. From the data extracted from the electronic survey it is proved that:

- About 80% of companies have the capacity to adapt to the demands of the tourism

sector, and have direct access to road infrastructure, while only 50% say that the transport infrastructure conditions are suitable for their needs.

- About 50% of companies have requests from clients to adopt environmentally friendly practices.
- 40% of companies are informed about eco-friendly equipment, and only 19% have sufficient access to equipment to support eco-services and products.
- 97% of companies plan to expand, but have poor access to grants, loans, and other financial resources.
- More than 50% of companies are not beneficiaries of grants, and do not have access to bank loans and other financial resources.
- 3% of companies have electric/hybrid vehicles, which shows there is still large room in Kosovo to increase sustainability in the field of tourism.

This data also shows that the requests from clients to adopt environmentally friendly practices are mainly related to waste recycling, clean energy and water, and wastewater recycling systems. Client requests are mainly related to waste recycling, solar energy, capacity building, and digitalization of services.

## Conclusions: Natural Capital

Enterprises should increase investments in human resources and knowledge, as well as offer a range of various and **satisfactory opportunities** for work, personal **creativity** and **recreation**. **Negative impacts** on tourist destinations should also be reduced, including reducing the **use of natural resources** and reducing **waste** generation. Analysis of this data shows that:

- About 90% of companies have access to clean water, while only 34% have access to clean energy.
- About 80% of companies have sufficient access to areas of natural beauty (lakes, rivers, mountains).
- 77% of companies have sufficient access to cultural heritage sites.
- Only 31% of companies say that the condition of natural resources (rivers, forests, lakes, etc.) are very good in the areas where they operate. While 30% say that the state of natural resources is poor.
- 23% of companies believe that pollution completely affects the client experience. About 20% believe that pollution generally has an impact on the client experience.

While 15% believe that pollution does not affect the client experience at all.

- About 72% of companies are involved in activities that support environmental protection. Activities mainly include clean energy generation initiatives, clean-up actions, environmental awareness campaigns, recycling, and tree planting.
- Reduce the negative impacts on tourist destinations, including reducing the use of natural resources and reducing waste generation.

## Conclusions: Human Capital

According to the surveyed enterprises, there are various skills that are missing, and the most important are: **adequate education** and **experience, communication and management skills**, and knowledge of **foreign languages**. All companies are interested in learning about opportunities that support social, environmental and economic trends.

- 72% of companies have easy access to hire new staff.
- 85% of companies indicate that the staff is equipped with the necessary skills.
- 77% of companies have internal policies that promote employee well-being, but only 33% of companies provide workers with health insurance.
- Half of companies prefer to hire a skilled (non-family) workforce, and less than 5% of companies prefer to hire family members. A fairly large number of companies, around 45%, prefer a mix of both.
- 15% of companies do not find it difficult to implement policies regarding the health and safety of workers. While about 22% find it generally difficult and 9% very difficult.

The answers to the social, environmental, and economic trends that affect companies, are diverse and fall into one of the categories such as: very aware, somewhat aware, moderate awareness, and no awareness.

## Conclusions: Social Capital

This social capital analysis reveals that it is necessary to increase support from institutions and promote the management of natural resources and the development of human capacities. Also, the promotion of welfare in local communities should be increased.

- About 20% of respondents underline that it is not at all easy to run a business in Kosovo. 30% think that it is easy to run a business in Kosovo.

- Nearly 40% of businesses are moderately satisfied with current suppliers. 20% are satisfied and 15% of businesses are dissatisfied with current suppliers.
- 28 respondents, or 44%, underline that the policies and regulations of the Government are at an unsatisfactory level in terms of adequacy to support the tourism sector. About 30% think these policies are moderately appropriate.
- 30%, or 22 businesses, believe that business structures do not work at all to support the tourism industry. The same holds true for the legal system. According to the data, companies have greater trust in civil society to support the tourism industry.
- Corruption, inefficient governance, inefficient legal system, and criminal activities, have the same level of negative impact on the tourism sector. Inefficient governance has a higher negative impact.
- 62%, or 40 companies, think that our culture is very tourist friendly.

## CONCLUSIONS: SUSTAINABILITY AND INNOVATION

*“Kosovo is not prepared for drastic climate change...”*

Lumturije Geci

This survey shows that knowledge and practices of **sustainability, climate change, biodiversity loss** and the impact of **excessive consumption** by tourism, is lacking. Less than half of enterprises are aware of sustainability practices. However, some are investing in eco-friendly practices and the most important are: efficient equipment and solar energy, recyclable packaging, and cultivation of vegetation.

This shows that enterprises are still in the early stages of applying sustainability practices and need to continue working with businesses in Kosovo to raise awareness of these practices. This can be achieved through trainings, workshops, and individual meetings.

- About 45% of companies are aware of business sustainability practices, while 38% of businesses are unaware of these practices. 17.5% admit that they are aware of sustainability practices.
- Over 50% of companies have no Sustainability strategies. While 34% of companies have Sustainability strategies. 12.5% do not know if they have a CSR strategy, which means they do not have such a strategy.
- The responses to innovative initiatives that companies have heard about are diverse

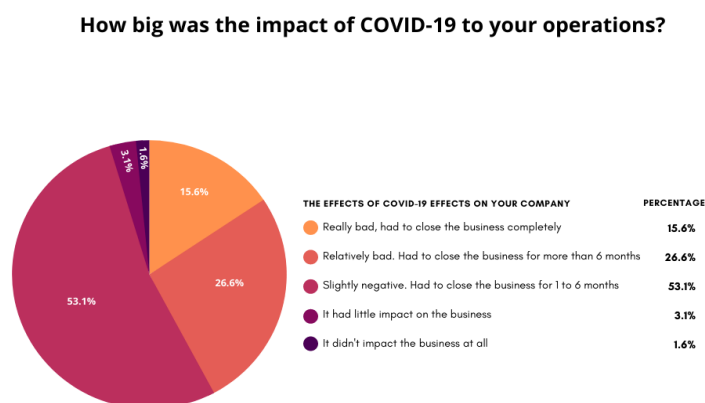
and fall into one of categories such as: solar energy, electric cars and bicycles, and recycling.

- 53% of companies define sustainability as “doing business ethically and professionally”.
- While only 14% define sustainability as “taking initiatives to create benefits for society”, and only 12.5% as “taking initiatives to reduce the company’s impact on the environment”.

## DETAILED FINDINGS: ONLINE SURVEY

The data confirm the impact the impact of the COVID-19 lockdown in 2020, when the number of tourists dropped significantly. But the data collected shows that 2021 has started strong, and there has been a doubling of tourists compared to 2020 (Fig. 9 & 10).

Figure 10. Impact of COVID-19



- Most companies have an annual turnover of €20,000 or less. 22% have an annual turnover of more than €60,000.
- Data shows that over the last 3 years, companies have achieved their best performance during the summer, i.e., June, July and August.
- As for the worst performance, the data shows that it was January and February.
- About 50% of all activities take place in mountainous regions. While 42% of activities are in cities.
- Nearly 80% state their main sources of revenue come from sales. About 10% of companies state from grants, and 15% have combined revenues. While less than 2% of companies have bank loans as their main source of income.



Figure 9. Number of tourists

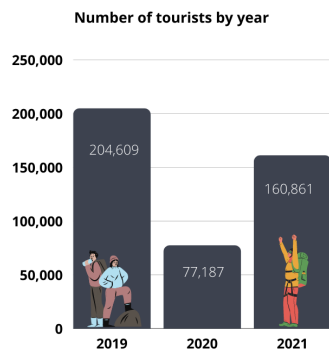


Figure 10. Annual turnover

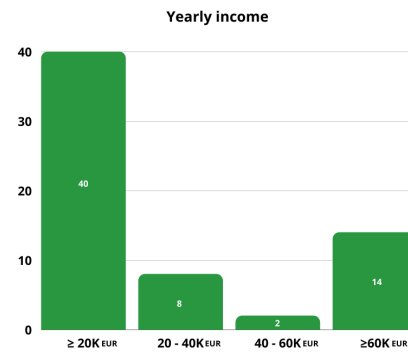


Figure 11: Three-year performance by months

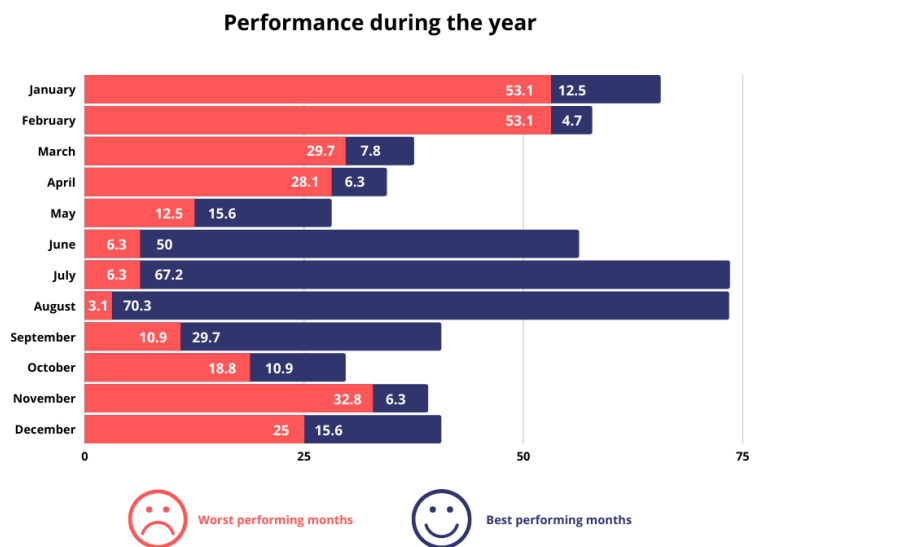


Figure 12: Main activities

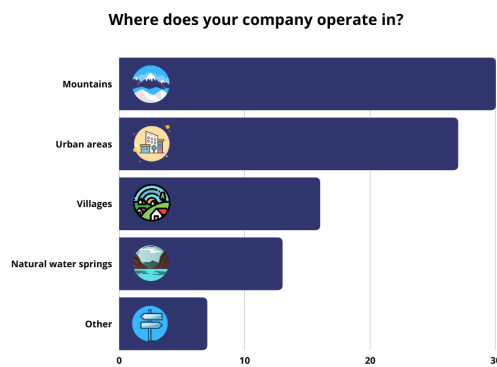
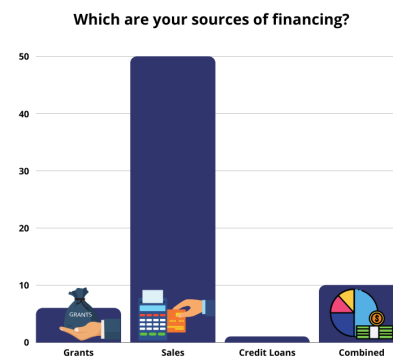


Figure 13: Financial sources



Over 90% of companies use online channels for promotion. While 36% mainly promote the company with referrals from their circles. Less than 10% of companies promote their operations on TV and print media. The most used sales and marketing channels are Facebook and Instagram, with 81% and 64% respectively.

Figure 14: Marketing channels & social media

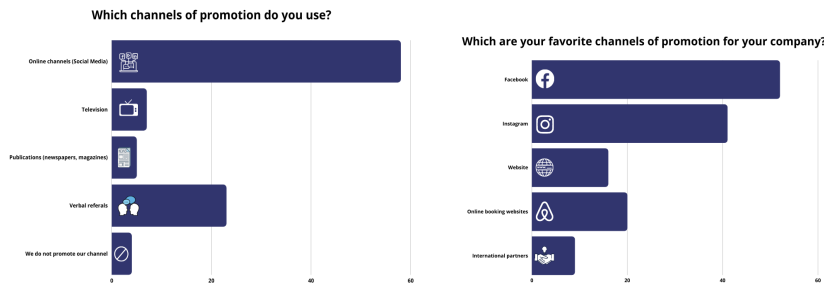
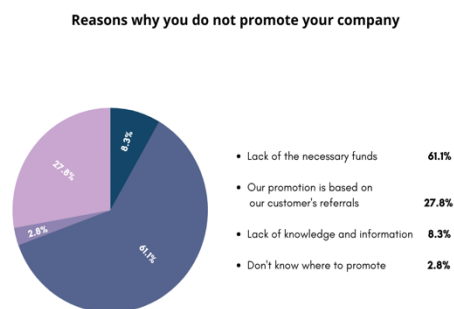


Figure 16. Reasons for non-promotion



- 40% do not promote their companies, because they cannot afford the additional costs associated with promotion/advertising. While 5.6% say they have no skills and knowledge to promote their companies.
- The data confirms that in 53% of the companies the COVID-19 pandemic had a severe impact, and they had to close the company for periods of 1 to 6 months. 27% of companies had to close for more than 6 months, while 15% of companies closed down completely. Less than 5% of companies were not affected by the pandemic.

## Production and Financial Capital

The following table explains that:

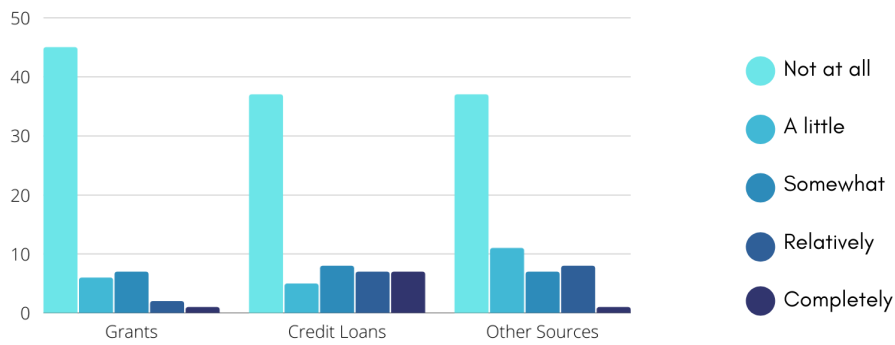
- About 80% of companies have the capacity to adapt to the demands of the tourism sector, and have direct access to road infrastructure, while only 50% say that the transport infrastructure conditions are suitable for their needs.

- While about 50% of companies have requests from clients to adopt environmentally friendly practices.
- 40% of companies are informed about eco-friendly equipment, and only 19% have sufficient access to equipment to support eco-services and products. While 3% of companies have electric/hybrid vehicles.
- 97% of companies plan to expand, but have poor access to grants, loans and other financial resources. More than 50% of companies are not beneficiaries of grants, and do not have access to bank loans and other financial resources.

To the question “Do you have enough capacities to adapt to the demands of the tourism sector?” respondents answered as follows.

Question	YES	NO
Do you have enough capacities to adapt to the demands of the tourism sector?	78.1%	21.9%
Do you anticipate any requests from your clients to adopt environmentally friendly practices (e.g. waste recycling, clean energy, water recycling systems)?	50%	50%
Is the transport infrastructure suitable for your needs? (access to public transport, condition of roads, cost of fuel)?	53.1%	46.9%
Are you informed about of eco-friendly equipment to support the tourism industry?	40.6%	59.4%
Do you have sufficient access to support equipment, eco-services and your products (e.g. solar panels, sewage filtration, trash cans, recycling bins)?	18.8%	81.3%
Do you have direct access to road infrastructure?	78.1%	21.9%
Do you have electric/hybrid vehicles?	3.1%	96.9%
Are you planning to expand your company?	96.9%	3.1%

Figure 17: Financial sources



Requests from clients to adopt environmentally friendly practices are mainly related to waste recycling, clean energy and water and wastewater recycling systems.

To the question ***“What are some of the key requests you have received from clients to adopt environmentally-friendly practices?”*** respondents answered:

- Remove single-use items. Use the most natural products and from the community where they operate.
- Use of clean energy, thermal insulation of natural materials, collection systems (e.g., on the roof) and water recycling.
- Waste categorization and recycling and conservation of nature.
- Alternative accommodation (environmentally friendly)
- Sewage regulation
- Possibility to rent bicycles, use of solar panels for power supply.

The key needs from clients on investments are mainly in waste recycling, solar energy, capacity building and digitalization of services.

To the question ***“What are the key investment needs in your company?”*** respondents answered:

- Investment in sustainable and ecological products and services, as well as business expansion in alternative services.
- Increase of processing capacities, increase of planted areas, increase of accommodation capacities and recreational spaces, as well as training of staff.
- Purchase of new equipment such as: electric bicycles, hybrid vehicles, installation of solar panels, recycling bins, and other technological equipment.
- Transportation and mountain equipment. As well as building human capacities of information systems, and staff who speak foreign languages.

- Improve conditions for access to finance by incentivizing loans at low interest rates.
- Development of marketing strategies and digitalization of services. Also, the development of curricula, the exchange of experiences with the markets that have developed tourism.
- Design and construction of a Tourism Information Point in the city center.
- Creating a modern website where e-commerce is also integrated to enable clients to book online.
- Investments in road infrastructure, clean/renewable energy and waste recycling.

## Natural Capital

- About 90% of companies have access to clean water sources, while only 34% have access to clean energy.
- About 80% of companies have sufficient access to areas of natural beauty (lakes, rivers, mountains) and cultural heritage areas.
- Only 31% of companies say that the condition of natural resources (rivers, forests, lakes, etc.) are very good in the areas where they operate. While 30% say that the state of natural resources is poor.
- 23% of companies believe that pollution completely affects the customer experience. About 20% believe that pollution generally has an impact on the client experience. 15% believe that pollution does not affect the client experience at all.
- About 72% of companies are involved in activities that support environmental protection. Activities mainly include clean energy generation initiatives, clean-up actions, environmental awareness campaigns, recycling, and tree planting.

Figure 18. Environmental protection activities

Are you involved in activities for the good of the environment?

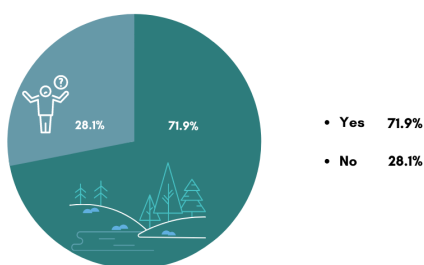
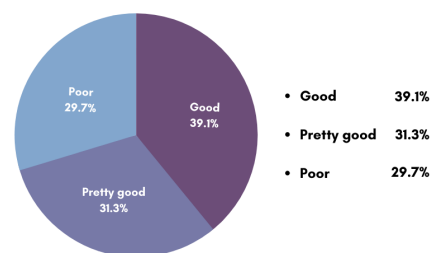


Figure 19. State of natural assets

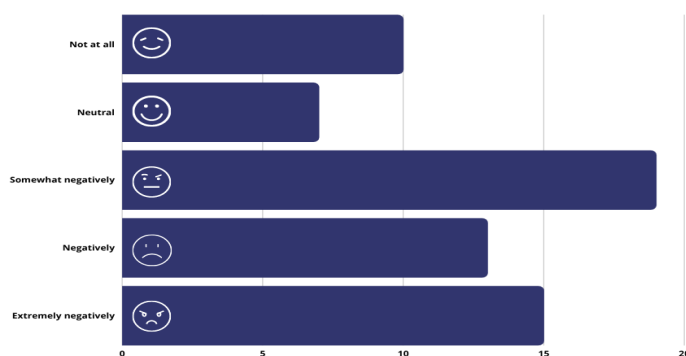
What is the state of the environmental resources around your company?



Question	YES	NO
Do you have access to clean water sources?	89.1%	10.9%
Do you have access to clean energy (from renewable sources)?	34.4%	65.6%
Do you have sufficient access to areas of natural beauty (lakes, rivers, mountains)?	78.1%	21.9%
Do you have sufficient access to cultural heritage sites?	76.6%	23.4%

Figure 20: Pollution's impact on visitor experience

**How much does the pollution/waste affect the tourists experience?**



## Human Capital

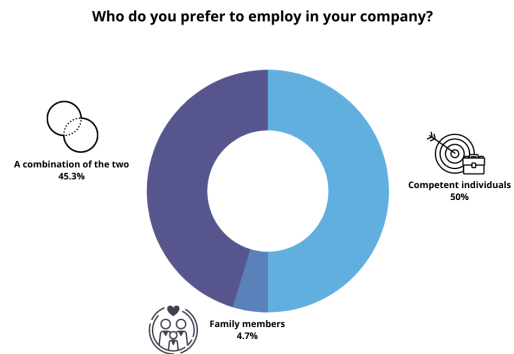
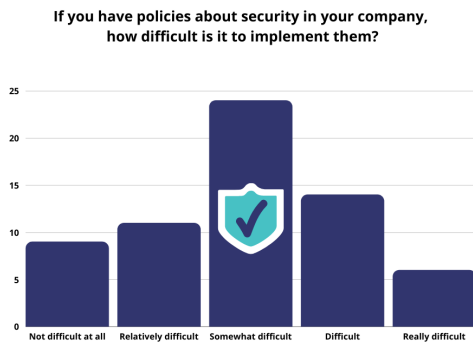
Under this part of the analysis, which examines human capital, all enterprises are interested in learning about opportunities that support social, environmental and economic trends. 72% of companies have easy access to hire new employees and 85% of companies indicate that the staff is equipped with the necessary skills. Also:

- 77% of companies have internal policies that promote employee well-being, but only 33% of companies provide workers with health insurance.
- Half of companies prefer to hire skilled (non-family) workforce, and less than 5% of companies prefer to hire family members. A fairly large number of companies, around 45%, prefer a mix of both.
- 15% of companies do not find it difficult to implement policies regarding the health and safety of workers. While about 22% find it generally difficult and 9% very difficult.

Question	YES	NO
Are you interested in learning about opportunities that support important social, environmental, and economic trends for your company?	100%	0%
Does your company have easy access to hire new staff?	71.9%	28.1
In general, are your employees equipped with the necessary skills?	84.4%	15.6%
Do you have internal policies that promote employee well-being?	76.6%	23.4%
Do you provide benefits to your employees, such as health insurance?	32.8%	67.2%
Do you have internal company policies regarding the safety and health of your employees?	65.6%	34.4%

Figure 21: Worker Safety Policies

Figure 22. Employee preferences



The answers to the social, environmental, and economic trends that affect companies, are diverse and fall into one of the categories such as: very aware, somewhat aware, moderate awareness, and no awareness. According to the companies, there are various skills that are missing, and the most important are: adequate education and experience, communication and management skills, and knowledge of foreign languages.

**To what extent are you aware of the social, environmental, and economic trends that affect your company? Please specify for each of the 3 categories.**

We are very aware of social, environmental, and economic trends.

Good in social trends, very well in environmental and economic trends.

To some extent in social trends, sufficiently in environmental trends, and somewhat in

economic trends.

We are moderately aware.

I do not know; we are not aware.

**In your experience, what skills are usually lacking in workers?**

Communication, management, and organization skills.

Lack of education and general experience in the field of HoReCa.

Knowledge of foreign languages, use of computers and software or apps.

Patience, consistency, desire, discipline, work ethic.

Knowledge of cultural heritage and training in the field of tourism.

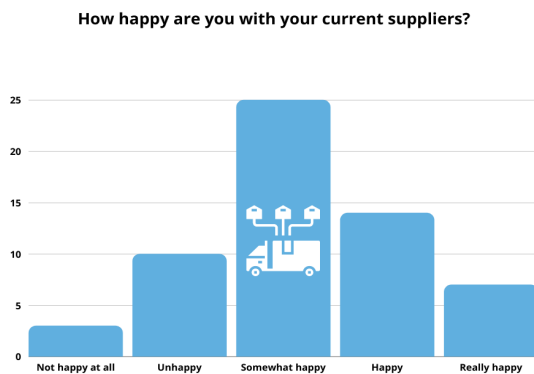
## Social Capital

In terms of social capital, about 20% of respondents underline that it is not at all easy to run a business in Kosovo. 30% think that it is easy to run a business in Kosovo. Nearly 40% of businesses are moderately satisfied with current suppliers. 20% are satisfied and 15% of businesses are dissatisfied with current suppliers

Figure 23. Running a business in Kosovo



Figure 24. Supply chain





28 respondents, or 44%, underline that the policies and regulations of the Government are at an unsatisfactory level in terms of adequacy to support the tourism sector. About 30% think these policies are moderately appropriate.

30%, or 22 businesses, believe that business structures do not work at all to support the tourism industry. The same holds true for the legal system. According to the data, companies have greater trust in civil society to support the tourism industry.

Question	YES	NO
Are you aware of government policies and regulations related to the Tourism sector in Kosovo?	50%	50%
Does our culture offer sufficient cultural value (history, national monuments, museums)?	78.1%	21.9%

Figure 25. Governance Policies

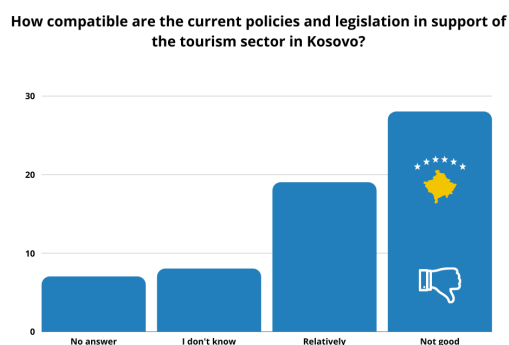
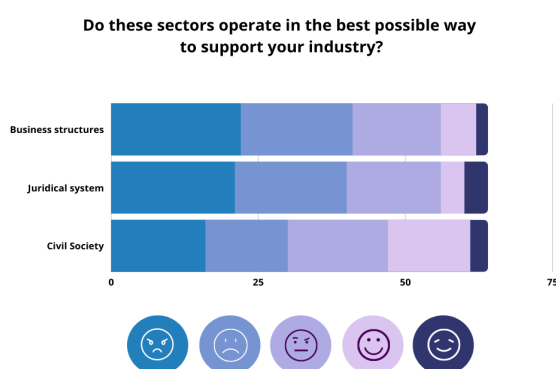


Figure 26. Efficiency of Institutions



Corruption, inefficient governance, inefficient legal system, and criminal activities, have the same level of negative impact on the tourism sector. Inefficient governance has a higher negative impact. 62%, or 40 companies, think that our culture is very tourist friendly.

Figure 26. Impact on tourism sector

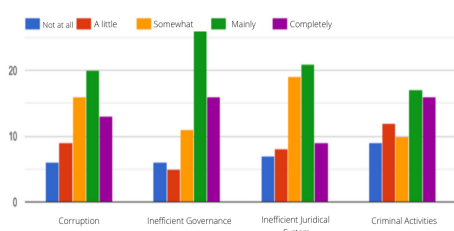
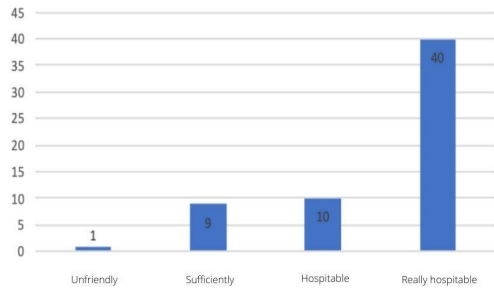


Figure 27. Friendly culture



About 45% of companies are aware of business sustainability practices, while 38% of businesses are unaware of these practices. 17.5% admit that they are aware of sustainability practices. This shows that businesses are still in the early stages of applying sustainability practices and need to continue working with businesses in Kosovo to raise awareness of these practices (Fig. 29 & 30).

53% of companies define sustainability as “doing business ethically and professionally”. While only 14% define sustainability as “taking initiatives to create benefits for society”, and only 12.5% as “taking initiatives to reduce the company’s impact on the environment”.

Over 50% of companies have no Sustainability strategies. While 34% of companies have Sustainability strategies. 12.5% do not know if they have a CSR strategy, which means they do not have such a strategy.

Figure 28. Familiarity with sustainability practices

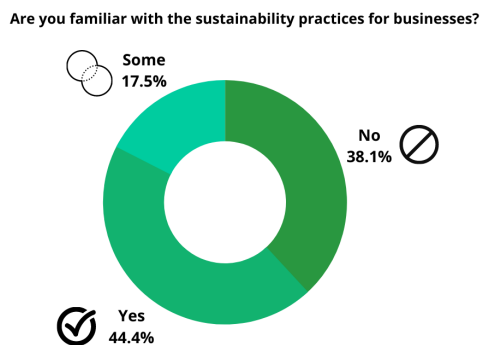


Figure 29. Defining sustainability

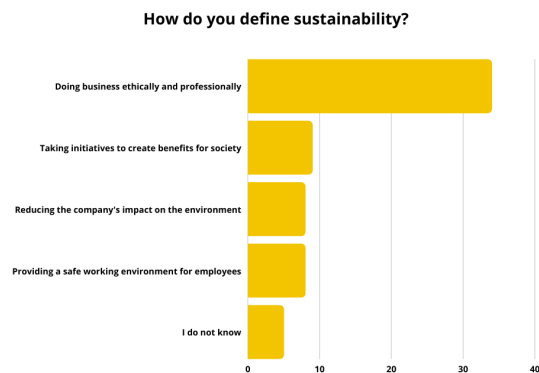
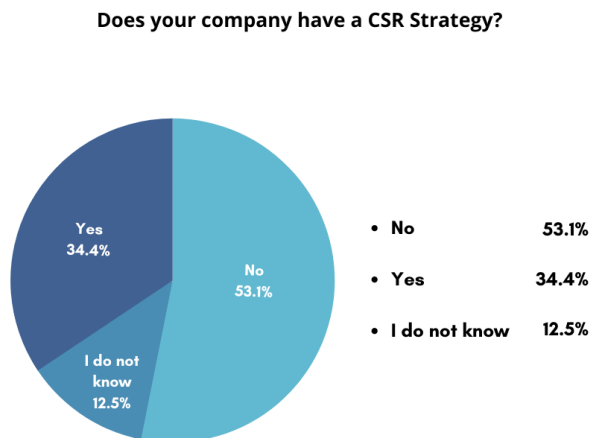


Figure 30. Sustainability strategies



According to the table below, the answers to the innovative initiatives that companies have heard about are diverse and fall into one of categories such as: solar energy, electric cars and bicycles, and recycling. Enterprises are investing in eco-friendly practices and the most important are efficient equipment and solar energy, recyclable packaging, and cultivation of vegetation.

68. What is the most innovative green initiative you have heard about and that relates to your company (open-ended question)?	69. Why do you consider it a good solution (open-ended question)?
Electric vehicles, ecological use of packaging, and electric bicycles.	To reduce the negative impact on the environment.
Bio accommodation (bio lodges) and LeaveNoTrace.	Because the impact on the environment is minimal as long as it offers a unique experience for tourists.
Sustainable use of water, minimal use of plastic.	Reduces the impact on the environment, contributes to the recycling of materials, raises awareness, and is a good basis for promotion to visitors.
Solar energy and packaging recycling.	Environmental conservation and lower electricity costs.
Publications of promotional materials with recyclable material.	Environmental conservation

**70. Are you currently investing in green/eco-friendly practices in your company (if so**

### what are they)?

In bio products, efficient LED equipment and renewable energy and vegetation of neighborhood areas.

Development of horseback riding in eco-tourism tours, bicycles for local transport, development of snowshoeing, recyclable packaging.

Planting and cultivation of vegetation.

Installation of solar panels to cover their own needs for energy, and electric cars.

100% organic garden, reuse, transformation, and recycling of food materials (compost) and non-food.

Removal of single-use items with plastic packaging. Implementation of a project for electric scooters for the needs of guest transport.

## SUMMARISED RECOMMENDATIONS

As a result of this assessment, the findings and the following recommendation are summarized below:

- The government should play a more active role in providing infrastructure and skills for the tourism sector and find new and innovative models of operation.
- Enterprises should adopt technological and digital innovations to create sustainability after COVID-19.
- The government should also play an active role in strengthening eco-tourism practices.
- Importance should be given to the establishment and empowerment of women business owners and owners from ethnic groups.
- To achieve consistent company revenues, supply must be increased, making products and services more attractive even during the winter season (e.g., skiing, hiking, etc.).
- MSMEs should be supported to adopt and integrate practices of eco-innovation a driving force for creation of economic, nature and societal value.

Acknowledgement: we would like to thank UNDP Kosovo, our implementing partners VentureUP. This project would have not been successful with our key stakeholders, MSME's who took part in this analysis, focus group participants and key experts.