



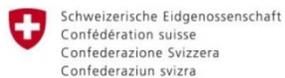
Market System Analysis

Tourism sector in Albania and business constraints to growth

Report by: Destination Management Organisation

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List of Abbreviations

ATA	Albanian Tourism Association
BSP	Business Service Provider
CEDEFOP	European Centre for the Development of Vocational Training
DMO	Destination Management Organization
GfK	Growth for Knowledge Group
GIZ	German Technical Assistance
INSTAT	Institute of Statistics
ITU	International Telecommunications Union
LGU	Local Government Unit
MUDT	Ministry of Urban Development and Tourism
NATGA	National Association of Tourist Guides in Albania
NGO	Nongovernmental Organization
NTA	National Tourism Agency
OP-BSP	Online Promotion Business Service Provider
SAA	Stabilization and Association Agreement
SNV	Netherlands Development Organization
TB	Tourism Business
TIC	Tourism Information Centre
TSA	Tourism Satellite Account
TSO	Tourism Service Office
USAID	US Agency for International Development
WFTGA	World Federation of Tourist Guides Associations

Executive Summary

RisiAlbania is an initiative addressing the issue of youth unemployment in Albania through interventions promoting job creation and effective job intermediation for young people. These initiatives are carried out in key sectors of the economy that were selected following a rigorous assessment of different economic sectors in Albania according to criteria of relevance for our target group (the youth), paying particular attention to gender and social equality aspects, the growth potential of the sector and our potential to intervene. Sectors of focus are Agro-processing, Tourism and ICT, selected during the inception phase for their high employment potential. The following analysis aims to back up with market information the intervention strategies for Risi's second sector of focus: Tourism. The purpose of the *Market System Analysis* in Tourism is to look at the symptoms of underperformance at tourism business level and uncover the underlying systemic constraints to growth. In other words, to find out *what keeps Albanian Tourism businesses from growing and investing in job creation?* The study initially lays out a comprehensive overview of the current market situation, followed by an analysis of key identified challenges and strategic suggestions for facilitating solutions through the project's interventions.

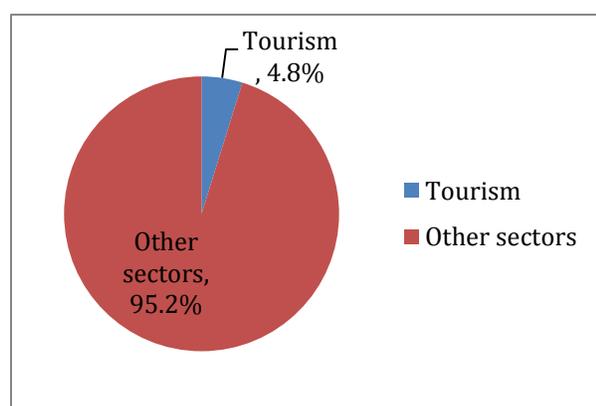
Tourism was selected as an important sector with great relevance to the Albanian economy and to employment as well as for its growth forecasts. The direct contribution of Travel & Tourism to GDP in 2013 was ALL 68.1bn (4.8% of GDP). This is forecasted to increase in 2014 by 5.5% to ALL 71.9bn. This contribution also includes interconnected activities of restaurant and leisure industries, which thrive and are supported by tourists and which increasingly play a bigger role in the Albanian economy as source of income and employment. The total contribution of Travel & Tourism to GDP (including wider effects from investment, supply chain and induced income impacts) was ALL 239.8bn in 2013, which corresponds to 16.7% of GDP. This is expected to grow by 4.6% to ALL 250.8 bn or 17.1% of GDP in 2014, consolidating Tourism as a growing industry with important contributions to employment and income generation. However, the sector suffers from several constraints such as lack of infrastructure, lack of market information, poor customer care, lack of agreed upon standards, poor marketing and a touristic product that often falls short of customers' expectations. These shortcomings have stunted the arrivals of tourists and have resulted in a short touristic season and a short time of stay of foreign tourists in Albania. The Tourism sector is complex with a wide value chain that involves many interconnected sectors through its supply, activities, transportation, etc. This means that any improvements in the sector will have an impact also on many other interconnected industries that support tourists in Albania.

The Tourism Market System Analysis is built on secondary data from public and private institutions as well as primary data from focus groups and semi-structured interviews with different stakeholders in the Tourism sector. A key document consulted is the new draft National Strategy for Tourism 2014-2020 of the Ministry of Urban Development and Tourism.

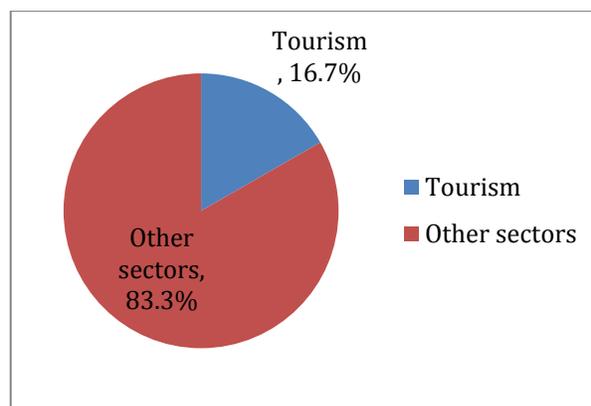
1. Relevance for the Albanian economy and disadvantaged groups

Travel and Tourism was selected as an important sector with great relevance to the Albanian economy and to employment as well as for its positive growth forecasts. The direct contribution of Travel & Tourism to GDP in 2013 was ALL 68.1bn (4.8% of GDP). This is forecast to increase in 2014 by 5.5% to ALL 71.9bn. This contribution also includes interconnected activities of restaurant and leisure industries which are directly supported by tourists and are increasingly playing an important role in the Albanian economy as source of income and employment. The total contribution of Travel & Tourism to GDP (including wider effects from investment, the supply chain and induced income impacts) was ALL 239.8bn in 2013 (16.7% of GDP) and is expected to grow by 4.6% to ALL 250.8 bn (17.1% of GDP) in 2014, consolidating Tourism as a growing industry with important contributions to employment and income generation (*Source: World travel and tourism council (WTTC)*)¹

Direct Contribution to GDP in 2013



Total Contribution to GDP in 2013



With regards to employment, the Tourism industry in Albania directly generated 41,000 jobs in 2013. This corresponds to around 4.3% of total employment in Albania. The sector's number of jobs is forecast to grow by 5.2% to 43,500 in 2014 or 4.4% of total employment. The total contribution of Travel & Tourism to employment was 146,500 jobs in 2013 or 15.2% of total employment. This is forecast to rise by 4.1% in 2014 to 153,000 jobs which corresponds to 15.6% of total employment (*Source: World travel and tourism council (WTTC)*)²

These numbers primarily reflect the considerable economic activity generated by industries such as hotels, travel agencies, airlines and other passenger transportation services (excluding commuter services) and Tourism's important contribution to the Albanian economy. The economic benefits of tourism are reflected in businesses' balance of payment, higher employment, rising incomes and the rise of new entrepreneurial activities in Albania. The most noticeable economic argument in favor of tourism is its multiplier effect. In this way, tourism can generate revenues and it also acts as a driver for general economic development, supporting a variety of local and national businesses that act as suppliers or service providers to restaurants, hotels, transportation and touristic guides all over the country.

¹ WTTC, Travel & Tourism: Economic Impact 2014, Albania, www.wttc.org

² WTTC, Travel & Tourism: Economic Impact 2014, Albania, www.wttc.org

As a service-oriented industry, tourism offers a wide range of different professional opportunities, ranging from low to high-skilled professions, which are particularly interesting for **women and young people**. To illustrate the importance this has for Albania we must know that almost half the poor people in Albania are under 21 years of age. Larger families tend to be poorer and around 50% of families with seven or more members live below the poverty line³. Poverty in Albania weighs particularly hard on women and young people, which makes sectors like tourism very important for their employment.

Women especially make up a large portion of the formal tourism workforce. To illustrate the relevance of the industry for rural areas and women we must know that more than half of Albania's population lives in rural areas with 57% of them being women. In fact, 85% of the businesses run by women are located in urban areas while only 15% in the rural areas. Women run only 18.2% of the non-profit organizations and are poorly represented in leadership positions: only 17%⁴ of leadership positions are held by women. About half of employment for women is composed of 30% professional jobs (finance, accountant etc.) and 20% service workers jobs (cookers, waiters, cleaner, tourist guides etc). According to the interviews of the tourism businesses representatives, often tourism managers are preferred to be women, but owners (decision makers) usually are men. The artisans and souvenirs subsector, highly relevant to tourism employment, is particularly dominated by women. In this way, the tourism sector has almost twice as many women employees as other sectors. Women also make up a much higher proportion of own-account workers in tourism than in other sectors. It must also be said that a large amount of unpaid work is being carried out by women in family tourism businesses, whereas men manage the incomes of the family. Additionally, women have more limited access than men to assets that could help them earn a living, adding to their vulnerability. Given this situation, we believe growth in Tourism businesses can create equal opportunities for men and women, employment for women at all levels and better chances for their economic empowerment.

Youth in Albania is engaged and well represented throughout the tourism value chain in different positions within hospitality services such as tourist guides, accommodation, food and beverages services, transportation; youth are less represented within artisans and souvenirs production. Given its nature, the tourism sector provides a great possibility for young people to be employed throughout the sector (including during festivals and many other events) though employment remains seasonal and with high informality. Vocational education and certification would be of a particular strategic importance providing the youth with skills required by employers in this sector, especially for those young people who do not attend university.

As mentioned in the beginning, another very important reason why Risi selected tourism is the inter-connection between tourism and other local sectors in its supply chains such as food processing, handicraft or transport. This interconnectedness means that any improvement in the Tourism sector will have a positive impact on many other sectors in its supply chain, therefore creating more opportunities for income generation and employment in Albania.

³ Rural Poverty Portal; Rural poverty in Albania; <http://www.ruralpovertyportal.org/country/home/tags/albania>

⁴ Source: Albania Gender Equality Fact sheet, UNDP 2013 (www.al.undp.org)

2. Market System and Constraints

This section describes the structure and constraints of the Tourism sector in Albania and its main interconnected systems.

2.1 Structure of Core Market Systems

The tourism industry in Albania includes a wide variety of activities and actors, which interact within the value chain to create an enjoyable experience for tourists and generate income and employment for the local people and businesses. A simplified tourism value chain in Albania may be visualized as below:



As the tourist experience goes through the above general stages, activities in different stages of the value chain are framed by the legal framework in place and by different market players.

2.1.1 The tourism value chain

Information & Planning: It involves getting information on line through national/regional promotional and information websites, or through personal contacts, booking for accommodation, transport, guides, events, etc. This is done through online platforms, tour operators or individual travel arrangements. In Albania, the estimated number of tour operators is around 400, out of which around 15 are large, well-established ones. Even though internet usage has spread, it is still difficult to fully and adequately research destinations in Albania online, or to compare prices and arrange transportation and other activities exclusively via the internet. This is due to the lack of regional websites that provide all needed information in one place or because many business websites for services and events are missing. Nevertheless, it is a fact that the internet has greatly affected the increase in the number of rooms occupied per night. In fact, from Risi's fieldwork and meetings with hotel owners/managers and tour operators in Tirana, Shkodra, Berat, Korca, Vlora and Gjirokastra, around 70% of the reservations for many hotels are coming through online channels, many from sites such as booking.com or other hotel websites.

Accommodation & Restaurants: The estimated number of registered tourism accommodations in Albania is approximately 27.700 beds in 670 hotels while there are approximately 10,000 Bars & Restaurants⁵. However, real figures should be considerably higher due to the high informality in the sector; this is also supported by findings in the new Draft National Tourism Strategy. Informality is a general characteristic that Albanian tourism businesses struggle with, particularly in the coastal area but also in other areas. The high levels of informality make it difficult to collect accurate statistics on the sector, which then greatly affects policy framing aimed at improving the situation. Additionally regarding accommodation, currently, there is no accreditation system for hotels and their facilities which, combined with informality, makes it difficult to exercise quality control. The capacity overall is very limited (80% of the registered accommodations have max 20 rooms per hotel⁶) which makes it also difficult to accommodate groups of tourists visiting various areas and seeking overnight accommodation. This is one of the main constraints in Albania with regards to accommodating very large groups of tourists in one destination. *Restaurants and other food services* enjoy a reputation of generally healthy food, which is promoted as one of the attractions of the tourism product.

Transport and Infrastructure: International transport in Albania involves: by air through the Nene Tereza Airport in Tirana; by land through several crossing points with Greece, Montenegro, Macedonia and Kosovo; and by sea through the ports of Durrës, Saranda, Vlora and Shengjin. *National transportation* for tourists is via public transport buses, most notably inter-city lines and the Riviera lines, or via tour operators' transport. There are around 250 travel companies in Albania, 142 operating in Tirana. *Transport companies* and *taxi services* focus on providing travel services to local residents or visitors and operate on demand in cooperation with tour operators or hotels. There is also a well-established network of companies offering rent-a-car services mainly in Tirana, which is relatively affordable and quite reliable. Road *infrastructure* has improved a lot in the last years, but as focus groups revealed, some cities are still suffering from unfinished roads – most notably Berat – and from missing terminals for transport. Regarding other infrastructure, according to the interviews during this study, the tourism businesses continue to suffer the lack or frequent interruption of electricity, problematic water supply and sewerage system, poor quality of roads, lack of pedestrian areas, parking, public areas lighting, etc. Two problematic areas that came up more prominently during fieldwork were insufficient tourist signage at the destinations and poor waste management at municipality and commune level.

Activities: Albania is a rather new tourism destination. Thanks to its impressive natural environment and a variety of attractions, Albania offers opportunities for very different types of tourism including cultural and natural tours, hiking, biking, rafting and many other activities in the frame of rural tourism, sports and adventure tourism, nature tourism, coastal tourism, etc. This richness in opportunities, combined with the diversity– yet impressive geographical proximity – of different landscapes and with the mild moderate climate creates ample opportunities for a rich and diverse product mix. However, existing touristic offers, packages or itineraries often need much improvement to be considered as authentic/unique or as based on tradition and specific values (according to each destination). These

⁵ Source: National Tourism Strategy 2014-2020, Draft (According to statistics collected from the TSOs)

⁶ Source: National Tourism Strategy 2014-2020, Draft

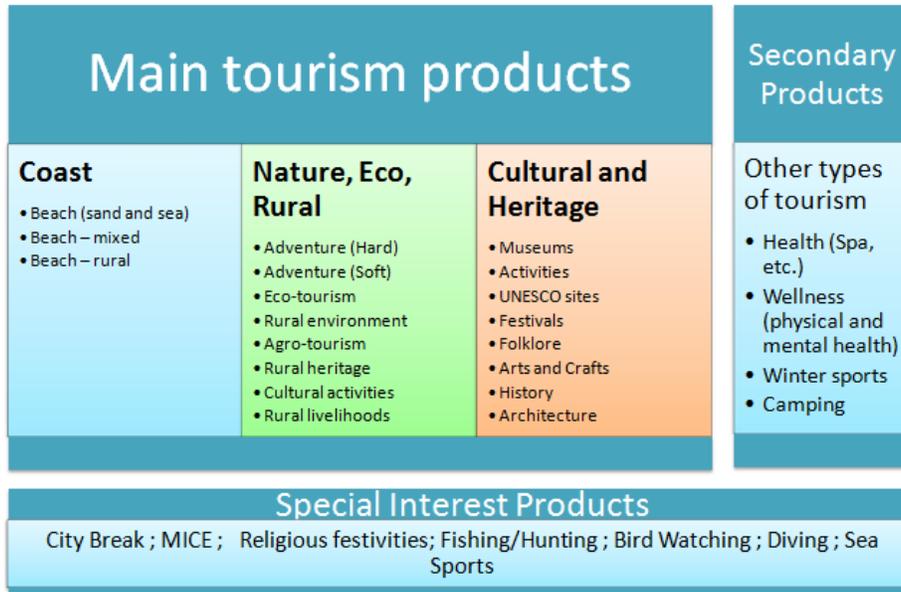
need to be diversified with the aim of managing seasonality challenges and attracting tourists in different times of the year as well as with the aim of keeping tourists longer in the destinations. According to interviews with tour operators, the length of stay could thus increase from the current half a day to 2.7 nights to hopefully 3-5 days and longer.

Handicrafts and Souvenirs: Thanks to many recent initiatives, the artisans and handicrafts' sector is reviving in many areas of Albania though it is still fragile and highly informal. Through the development of souvenirs and handmade crafts for the tourism market, this subsector carries particular importance and potential for the tourism value chain and contributes to the local economic development and especially to women's empowerment (around 70% of beneficiaries are claimed to be women⁷). In Albania, this development has been supported through different projects in Gjirokastra, Shkodra and Korca, by setting up artisan incubation centers, training the artisans and supporting the marketing and promotion of their products. The artisans in Albania are capable of creating beautiful handcrafted products such as carpets, bags, socks, postcards, flags, wood works, vests with traditional elements, etc. but are still unable to efficiently reach new markets. Additionally, infusion of new ideas on current/modern design preferences and information on consumer trends are missing and often artisans could benefit greatly from improved design and marketing. While current projects have helped to breathe new life into this sub-sector, and helped greatly to maintain the tradition alive, they have also resulted in the sub-sector being highly dependent on donor or other funding while very few initiatives are sustainable at the moment.

2.1.2 The Albanian tourism product

A successful tourism product should be based on existing attractions and resources organized, but also take into account the essential infrastructures, facilities and services needed to sell it and deliver it. Albania has more than 2000 recognized touristic sites and items considered as cultural monuments. Four of these – Butrinti, Berat, Gjirokaster and the Transboundary Biosphere Reserve 'Ohrid-Prespa Watershed (as part of UNESCO's World Network of Biosphere Reserves) – are declared World Heritage Sites and are protected by UNESCO. Albania also has a favorable climate, a richness of attractions capable of sustaining a diversified tourism sector and a long coastline, which has attracted most tourists in the past years. Albania's typical tourism product is a rather general one that encourages visitors to discover the many facets of Albania's culture and nature. Specialized tourism products are developed under this general umbrella, broadening the diversity of opportunities for the main tourism market and other specialty markets. At this time interviews in the public sector confirmed the importance given to product diversification as the government is also likely to focus its efforts in product development or improvement. A visualization of the tourism product in Albania, adapted from the recent draft National Strategy for Tourism is presented below:

⁷ SNV Albania, "Culture and Heritage in Albania Report", 2011



2.1.3 The legal framework

The new tourism law in Albania is in the final stages of a recent consultation process and will soon be approved in Parliament. The law aims to enhance coordination between government agencies, tourism businesses and various investors thus facilitating improvements in the sector and making destinations more appealing to visitors. The existing tourism law (drafted in 2007) was initiated to comply with the Stabilization and Association Agreement (SAA). The Ministry of Urban Development and Tourism (MUDT) is preparing the new law in line with integration requirements as Albania adapts its laws and economy in preparation to join the EU. This new law presents several important novelties such as: better local and regional organization, program assistance, new funds and projects, better tourism infrastructure, development plans, responsibilities and deadlines on implementation of the plans, technical assistance, vertical and horizontal cooperation, public private partnership, standardization of tourism structures, etc.

Other laws important for the tourism industry performance are: the new law “On territory planning” which provides an opportunity and responsibility for park administration to play a role for future planning and control of development; the law “On protection of trans-boundary lakes” which strengthens and clarifies the primary role of park administration and of the management to plan on permits for activities in the area; other laws on solid waste management; laws that regulate business activities; regulations on the environmental impacts, etc. It is important to note that the MUDT has placed a strong focus on sustainable development and is planning to reflect this in all relevant regulatory frameworks. Some important new elements of the new draft national strategy, compared to the old ones are: better integrated concepts, more focus on product development and quality, an emphasis on implementation structure and a more careful assessment of resources and mechanisms. According to discussions with stakeholders during the consultation of the new strategy, it is stressed that in this new strategy, product development and the implementation framework are not yet consolidated topics, taking into account that implementation will be subject to different stakeholders such as ministries,

local government, private sector, etc. A detailed interpretation of strategic measures is given in the content of the strategy and indicators are reflecting the input-result chain approach bringing the whole strategy implementation into a better monitoring scheme. However, during discussions it was mentioned that in the future, when modifying input or result indicators, the whole chain of indicators will need to be revised. The review and finalization of the new strategy is still ongoing.

2.2 Dynamics and performance: key constraints

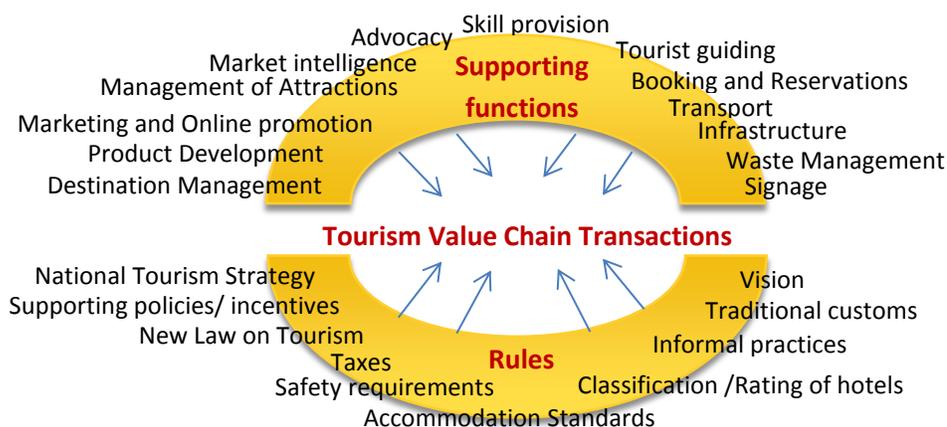
This section offers a synthesis of the market system constraints identified. We list briefly below those main constraints that were prioritized during fieldwork focus groups and interviews:

- Overall, there is still a lack of future vision for tourism in Albania and the collective conscience on the importance of tourism for the economic and social development seems to be still weak.
- There is limited accurate tourism data to identify and understand the tourism market.
- Destinations in Albania suffer the lack of a platform for cooperation and coordination body, which takes a wider look at the region and enhances a suitable environment for the development of tourism.
- Tourism businesses are not very efficient in marketing and promotion, and rarely select professional business service providers for this purpose.
- All stakeholders have recognized an evident gap between the offer of training and education programs in the regions and the demand for specific skills coming from the tourism sector enterprises.
- Market research capacities and information on tourism of both state officials and private sector were also brought up during fieldwork. This is part of a larger need for skills in the areas of marketing and promotion like services that can create the identity of a business or that can improve positioning in the market (branding, promotions, market intelligence gathering, etc.)
- Concerning hotel capacity, the existing structures of hotels have an average capacity of 20 rooms. Hotels of this size are not yet able to work with bigger tourist groups organized in package tours by the western tour operators.
- Employment in tourism is characterized by seasonality and high turnover rates. In terms of internships, which are badly needed, businesses have the feeling that internship programs are organized at random and have no continuity.
- Artisans are not well-organized to develop their subsector and attract new markets.
- Another very specific but crucial requirement is foreign languages throughout the tourism value chain.
- With regards to adventure tourism and extreme sports, there is a need to develop skills in the area of safety in all of these sub-sectors.
- Certification and standardization of the tourism services will become a priority due to requirements in the new law and strategy. However, there is uncertainty as to how the businesses, esp. hotels, will respond and how they will adapt. There is a need for skilled consultants that will assist this transition and will help hotels and other businesses to comply with the new requirements.

Having summarized key constraints, we have used focus groups and interviews to pin down some key concerns related to certain functions in the market system. Stakeholders interviewed rated these functions as most important and their underperformance was a key concern. They are analyzed in the next session, while an analysis of other functions may be found in Annex 1.

2.3 Key underperforming market functions and rules

The key functions and rules of the Tourism market system in Albania are mapped in this section. During workshops and interviews, the main functions and rules that influence the market system and the value chain performance were identified, together with key stakeholders and the below map was developed:



This map includes the different **supporting functions**, which were identified as most essential to the Albanian tourism industry and to business growth in the sector. Supporting functions are the range of context- and sector-specific functions that inform, support, and shape the quality, in this case, of the tourism value chain and businesses' ability to develop, learn, and grow⁸.

So too were identified key **supporting rules**, which frame the environment in which tourism businesses operate. Supporting rules are formal (laws, regulations and standards) and informal (values, relationships and social norms) and they strongly define incentives and behaviour of market players in market systems⁹.

An extended analysis of other the key identified functions and rules is included in Annex 1. The underperformance of some of these functions and rules heavily affects not only the current performance but also growth prospects of tourism businesses. From focus groups and interviews four key functions and rules emerged, whose underperformance particularly influenced tourism businesses in Albania, and where stakeholders prioritized interventions. These were: *Online promotion, Market intelligence, Product development, Tourist guiding*. We analyze their performance below:

⁸ M4P Operational Guide - Second Edition

⁹ M4P Operational Guide - Second Edition

1. Online Promotion: The visibility of destinations online is still relatively weak but during interviews and focus groups businesses mentioned that they now recognize that opportunities are ample, especially with social media and booking websites for accommodation units, which are increasingly used. The main challenges of internet promotion in Albania relate to **the lack of infrastructure, skills and awareness on the value of this service**. Some of these obstacles have been overcome given the great results many hotels have had from investing in online promotion but visibility overall remains low. Companies have started to invest in a computer and internet connection and now many hotels and other tourism related businesses have the **physical infrastructure** to initiate online promotion. However, in many areas ICT infrastructure has yet to penetrate, especially in villages. **Skills** in this area are mostly lacking, not only in setting up the initial promotion channels (which can easily be outsourced), but most importantly in maintaining them and customizing the promotion continuously. **Awareness** on the value of such services has been increasing with many hotels witnessing the benefits of joining online booking platforms or promoting their business through social media. The current need for hotels and other businesses to develop an online presence or have better promotion channel maintenance as a key contact point with tourists, may be addressed by working with service providers in this sector. Due to the worrying lack of ICT skills across the sector, identified by our research but also by the new draft national strategy, there is potential to develop services related mostly to online marketing, online booking, etc. for which there is higher awareness among businesses.

2. Market Intelligence: Research and information on customer trends and preferences is generally missing in Albania. The most important indicator of this constraint is an almost absent **system of statistics** and data collection targeted directly at the Tourism industry. This has also been highlighted as a major challenge by the MUDT. Albania is currently unable to accurately measure the flux of tourists and, more importantly, unable to measure their levels of spending and how this spending influences the economy in the visited areas. Related to other ways of collecting much-needed data, Albania still faces a lack of awareness on the importance of **market research** and the importance of measuring **satisfaction levels** of customers (monitoring the market through continuous surveys, software that collects customer feedback, etc.). The interviews showed that a group of skills and services, which are needed and requested from current skill providers but largely uncovered, are those related to market research and market information which can lead to an improved packaging, marketing and selling of the tourism products. This function is crucial given Albania's critical need to measure tourism's impacts on businesses' (especially SMEs) revenue and communities' livelihood, online marketing effectiveness, media coverage, national tourism industry growth, agriculture sales, etc. Market Intelligence would provide data for inbound visitor statistics, tourism trends, forecasts, and analysis on the demand for a destination, which will help industry stakeholders with strategic and operational decisions.

3. Product Development: Product development emerged as a key concern during the market analysis throughout focus groups and interviews in all regions. The idea emerged from concerns that the current product does not satisfy the current needs of tourists – but also most importantly that the current product does not fulfill the potentials of the region and businesses within them. In Albania the touristic offer in general and **tourism products / packages** in particular are still somewhat underdeveloped. Focus groups and interviews highlighted the potential in the areas where the main tourism products are

focused. Current products were perceived by local businesses and other stakeholders as often poor in quality or limited in the number or attractions they include. The tourism product was also described as unorganized. In this regard, potentials of each region for the development of new products and itineraries were brought up. Additionally, there is a lack of knowledge on the stages a business should go through to develop a successful tourism product and rarely a complete understanding of tourism product cycle and roles and responsibilities of different stakeholders in making sure this product sells. This impacts job creation greatly because new better-organized tourism products can generate jobs (both for women and youth) *directly* through hotels, restaurants, taxis, souvenirs sales, etc. as well as *indirectly* through the supply of goods and services needed by tourism related services.

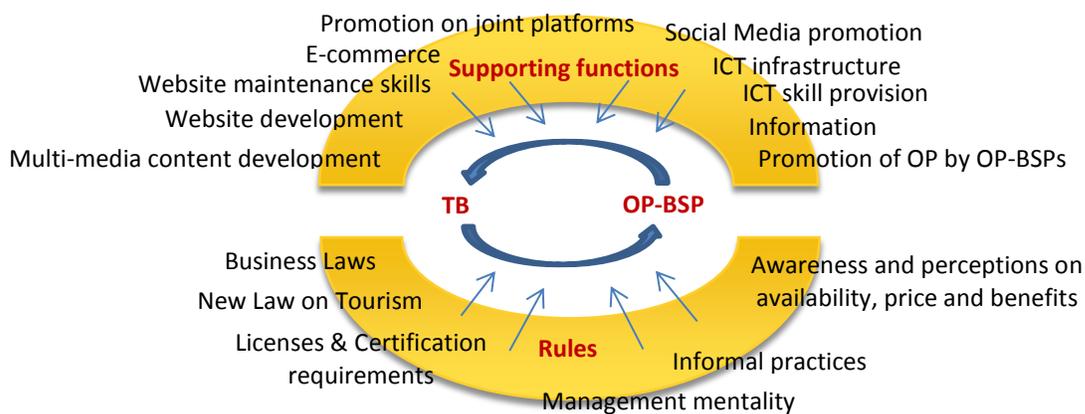
4. Tourist Guiding: Until recently, tourist guiding was not considered a formal profession in Albania, so the existing guides were exercising this profession without any certificate or license, apart from some attempts by past donor initiatives to support some guides with certificates. This was due to the lack of Albanian legislation that would certify guides and regulate the exercise of this newly recognized profession. Changes in recent legislation to make up for this have been announced as a “risi” policy priority by the new government, which will lead to the increase of the employment of young people as certified tourist guides. According to MUDT, there are 14 fully trained tourist guides in Albania until now. What remains as the next challenge, is the actual structuring of the process of certification and licensing with appropriate by-laws and the preparation of appropriate training modules by different bodies that will aim to cater to this market and train new tourist guides. This function is particularly important as tourist guides have the power to greatly impact the perceptions of tourists on the quality of the tourism product in almost all destinations. Therefore, it greatly affects the number of tourists likely to return or recommend a specific tour or destination.

3. Main interconnected markets

Having identified these key functions whose underperformance prevents Albanian tourism businesses from being more competitive and thus creating new jobs for women and young people, we look at the four interconnected market systems more in detail aiming to identify the causes for their underperformance.

1. Online Promotion

Online Promotion is the marketing of products or services over the internet and it ties together creative and technical aspects of the internet, including design, development, advertising and sale. Companies selling goods and services directly to consumers as well as those who operate on a business-to-business model use online promotion to make themselves more visible while at the same time cutting costs on marketing. The below graph visualizes the transaction between tourism businesses (TBs) and Online Promotion Business Service Providers (OP-BSPs) as well as the supporting functions and rules that are interconnected with this transaction.



The main challenges with regards to internet promotion in Albania relate to **the lack of infrastructure, skills and awareness on the value of this service**. As mentioned above, the visibility of destinations online is relatively weak but fieldwork interviews revealed that awareness is increasing on the value of online visibility and promotion. Regarding internet usage in Albania, according to data by ITU and GfK, from 2000 to 2013, internet users increased from 2500 to 1,815,145 which in % to the total population means an increase from 0.1% to 60.1%. This shows the immense outreach and potential of online promotion, not only for foreign markets but also for potential domestic tourists.

Our study shows that large hotels or tour operators in Albania usually use foreign web masters or companies in developing their online presence. Small businesses usually connect with one IT person to develop their website or their online presence. The minimum payment for this service (website) starts from 300 euro. However, the main difficulty rests with subsequent management by owners, after the development of the promotion channel. It is a fact that usually these websites or platforms are not updated. Nowadays it is also easier and much less costly for the small tourism businesses to use social media. This is why the Albanian businesses have more presence in the social media than through their own website, though this kind of promotion fails to present an organized product and target different demographics of tourists.

Information about the tourism businesses is generally missing online. The last two years the *booking.com* and *trip advisor* started to cooperate with Albanian hotels (currently there are around 300 hotels on *booking.com*). But in many of these cases, the only option to book is through these agencies since the contact details of the businesses are not available for direct contact. This results in higher commissions for Albanian hotels. What would be needed is for them to develop their own direct channel, in addition to these platforms, so that customers can purchase directly from there without the high commissions.

Virtual tours and tourism apps are still new in the market. Companies or individuals have capacities in developing them, but businesses are not buying this service to sell and promote their products. Mostly the tourism businesses or institutions that promote tourism in their areas, still need to be present

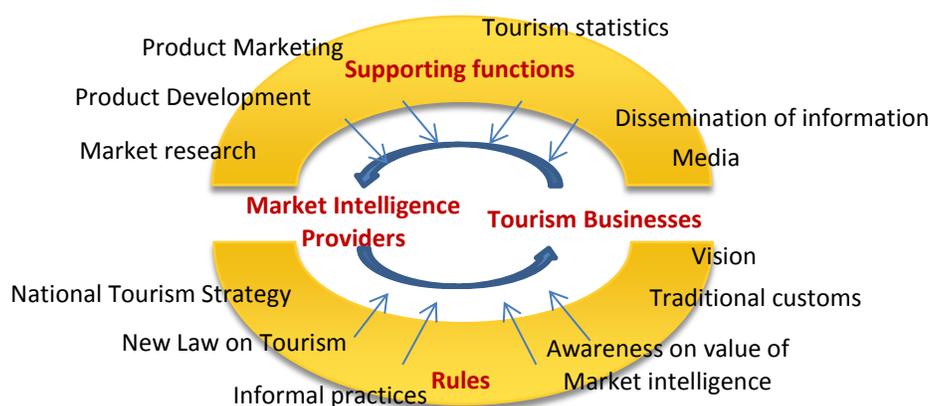
online, at least via representation in a website or platform that has the database of many other tourism businesses (such as for example www.albania-hotel.com).

Businesses that have a website have difficulties in updating and using them effectively while other small businesses that do not have a website are not so aware about the importance of online promotion. At the same time, the latter do not have information on the providers who could help them develop these channels (especially in the rural areas). They usually use word of mouth to find and contact a person for developing their website or other channels. Some stakeholders state that the reason why businesses are not finding it easy to develop and / or be trained on how to maintain these channels is that the main providers are based in Tirana and it is difficult to find professionals in the Regions. Creation of a common online platform for the tourism businesses and service providers could be helpful, especially for the small ones.

Regarding the level of interest for cooperating on improvement, all businesses are interested to cooperate, especially the ones that have no website. The others that have a website, but are unable to manage it well, are willing to be trained for maintenance and update their website. BSPs are also interested to cooperate in offering services and new products to this market.

2. Market Intelligence

The fieldwork and literature review revealed that many tourism businesses often lack the knowledge and information on current market trends, demand, supply, tourist expectations, etc. This is due to the almost missing function of tourism-specific market intelligence. This function involves national collection and analysis of information as well as any other research or dissemination of information that may inform on the tourism market in Albania. Below is a map of supporting functions and rules that are interconnected to market intelligence.



One key aspect of the underperformance of this function in Albania is the lack of an Albanian tourism statistics system, which would enable tourism businesses as well as other players and institutions to have a better knowledge of the tourism market. This system can enable the collection of statistics and provide comprehensive analyses on the actual situation of tourism in Albania. Currently, there is no

organized process on data collection from visitors (e.g. by conducting regular accommodations surveys, annual statistics and quarterly market surveys). Interviewees claimed that these would make the market more transparent for all players, and facilitate the decision making for strategic planning, investments and product development.

Secondly, other research or dissemination of relevant information, that may guide any investment or decision making in the sector, is missing. Businesses are currently unable to ground their understanding of the market and needed products in market research; yet, this understanding would be necessary for providing quality products and services that match tourists' expectations. During interviews, businesses and other market players highlighted the importance of creating new tourist products and packages on the basis of unique resources and particular requests by tourists. However, designing and launching the new products on the market is impossible without first understanding trends in tourism.

Fieldwork revealed that there is a lack of incentive by business service providers, local governments or Universities to research out to businesses, analyze tourism trends and inform on where product development should focus. There are already some positive experiences implemented in the past towards addressing these gaps. For example, some years ago DMO Albania jointly with ATA coordinated several regional visitor surveys aiming to collect data on trends, expenses and expectations of tourists. This initiative has been replicated in Tirana, Durres, and Vlora, combining gathered data with information from the border control points. Such initiatives are slowly gearing towards establishing in Albania a system of Tourism Satellite Account (TSA) though it is unclear when this process will start. Recently, MUDT signed a two years agreement with UNWTO in three main areas: marketing and promotion, capacity building and destinations management¹⁰. Among other things, the agreement includes support on data collection through the system of TSA.

3. Product Development

Product development emerged as a key concern during the market analysis throughout focus groups and interviews in all regions. The idea emerged from concerns that the existing products do not satisfy the current needs of tourists – but also most importantly that the existing products do not fulfill the potentials of the region and businesses within them. This concern emerges at the right time when interviews with high officials in the public sector confirm also that the government is likely to focus its efforts in product development / improvement. *While the government is likely to focus more on coastal tourism, our fieldwork showed that other types of products can be less challenging in terms of requirements for large investments in infrastructure and in terms of awareness of businesses for the needs for improvement.*

Product development and subsequent promotion of the new / improved products is key to the development of all tourism businesses in Albanian destinations. Currently the demand for touristic products has not been as high as it should be in order to push for further development and

¹⁰ NTA (2014) UNWTO supports tourism development in Albania, Available online at: <<http://www.turizmi.gov.al/al/newsroom/lajme/organizata-boterore-e-turizmit-mbeshtet-zhvillimin-e-turizmit-ne-shqiperi&page=9>>

diversification of the sector's offer which would include: improvement of itineraries, creation of complementary services, better quality accommodations, organization of more leisure activities, improvements in infrastructure as well local shops, restaurants, bars, etc. Below is a map of supporting functions and rules that are interconnected to product improvement.



As mentioned above, market research on customer trends and preferences is often missing in Albania and it is still difficult to accurately assess the flux of tourists as well as their spending and how this spending impacts the economy. This means that the touristic offer in general and tourism products / packages in particular are considered as **underdeveloped**. Focus groups and interviews highlighted the potential in the areas where the main tourism products are focused and described the current products as often poor or limited in the number or attractions they include and / or the knowledge of the region they are located in.

The fieldwork brought up several reasons why products are not being improved. **Insufficient capacities and information on tourism** of both state officials and private sector have already been explained above. A second reason is the **lack of cooperation** among businesses. Nevertheless, several businesses stated that they are now aware of the need to organize and better coordinate with each other. This increased awareness may present opportunities for businesses to cooperate for new and better joint products / packages. Other reasons relate to factors that will take longer to change such as the current situation of infrastructure, challenges with waste management, ongoing land reform, the perceptions on safety from abroad, lack of common destination marketing at regional and national level, etc.

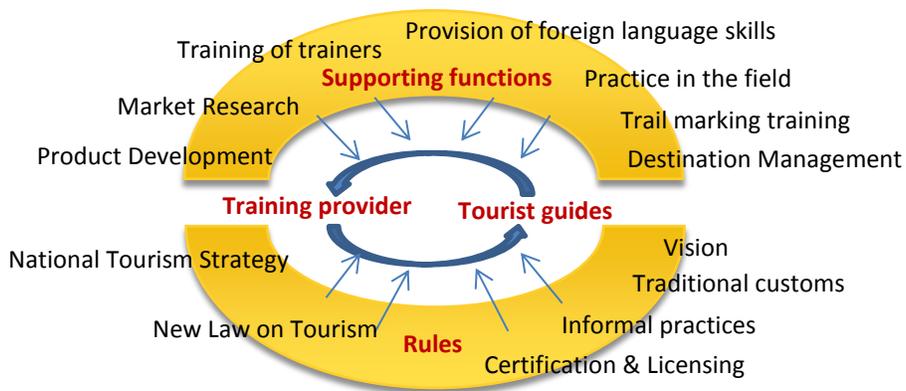
Concerning **hotel capacity**, the existing structures of the hotels have an average capacity of 20 rooms. Hotels of this size are not able to work with bigger tourist groups that western tour operators could provide. This is especially relevant to the coast tourism, which is unfit at the moment to accommodate large groups from cruise ships or charter flights. But the constraint also applies to other types of tourism such as nature tourism. Besides investments in infrastructure (such as roads or sports facilities for skiing or paragliding), the development of hotel capacity for nature tourism is essential. This includes the construction of accommodation structures in villages (hotels or mountain resorts) or the adaption of houses into guesthouses. In all of these facilities, preservation of traditional constructions is crucial.

Fieldwork highlighted culture tourism and nature tourism as the products with the highest potential for improvements. This is because preconditions in these areas are more in place compared to coast tourism, which still requires heavy investment, strong regulation, a more intricate collaboration with urban development initiatives and more awareness from businesses on the need to cooperate.

4. Tourist Guiding

Until now in Albania tourist guiding was not considered a formal profession, so the existing guides often practice this profession without a recognized certificate or license, apart from some certificates provided by past sporadic initiatives supported by donors. According to the MUDT there were no recognized certified tourist guides in Albania until now, simply because the law did not enlist this as a profession in itself. Based on interviews with and data given by NATGA and MUDT, there are approximately 40 trained guides in Albania actively operating in the market. According to MUDT and NATGA, only around 14 of them are considered professional and offer a satisfactory quality of service. These are trained and potentially ready to be certified by MUDT. Travel agencies or tour operators employ many other tourist guides as they cost less. However, they are considered as not professional enough, they need better qualification through training but also through practice, which can be gained by working alongside professional or more experienced tourist guides. Only then can they be certified.

The diagram below depicts the training of tourist guides as well as the supporting functions and rules that are interconnected to this training.



A process started in 2007 attempting to produce the first group of trainers for tourist guides, with a group of participants selected from USAID to be trained in Cyprus by the WFTGA (World Federation of Tourist Guides Association). The training offered by WFTGA was a tourist guide training of trainers on “guiding techniques”. Resulting from this process there are six acknowledged trainers, among which five currently also work as tourist guides. In the last five years, these trainers trained more than 200 other guides in all of Albania, supported by different initiatives of USAID, GIZ and SNV. In addition, other NGOs have different projects on “tourist guides training” but none of them has accreditation from any Albanian institution to provide this training or to accredit trainees.

Tour operators usually have their own tourist guides depending on the type of tour they offer. Large tour operators operate with 4-5 tourist guides who are in many cases also freelance tourist guides. Tour operators train the tourist guides themselves and during interviews raised major concerns regarding high costs in staff turnover. They stated the need for already trained tourist guides, which have the initial knowledge and skills and with whom tour operators can work to further customize skills and knowledge, depending on specific products.

The general outlook for this dynamic sector is positive and quite optimistic for the coming years. According to the European Centre for the Development of Vocational Training (CEDEFOP) despite the increasing competition in overall world tourism, Albania is still undiscovered and becoming more and more attractive for the tourists that visit Europe. At the same time we have a lot to do, starting from the legislations, rules and regulations to the implementation of the new law and standardization of services. According to CEDEFOP a large increase in elderly tourists is expected and cultural and natural heritage tourism is expected to be the fastest growing segment as liberalization, the internal market and the euro gain more importance for the further development of tourism.

From interviews, it resulted that there is much need for natural and cultural professional tourist guides. Though technically the source of the tourism workforce for the industry are Tourism Faculties, Professional Schools and some Vocational Centers, in reality according to different tourism businesses, these have unfit staff, often not related with tourism, which cannot provide this specific training. It is expected that with the new law the tourist guides will need a license to provide the guiding. The license has to be given after the tourist guide completes a course and has the right knowledge. MUDT is still in the process of planning how this will all be implemented and deciding on who will provide the training and evaluation. MUDT is expected to be the leader of the process and the certification body selected will have to fulfill the criteria placed by the WFTGA.

4. Sector Strategy

The findings in this report will inform RisiAlbania's interventions for encouraging positive changes in the market system. **RisiAlbania's vision for a better functioning market system is one where Tourism businesses have better access to online promotion services, more and better-trained professional tourist guides, a more effective collection and distribution of market intelligence as well as more diverse tourism products that respond to the unexplored potentials of the touristic destinations in Albania.**

Each of these areas can form a separate intervention but there is also much potential for crosscutting interventions, given the nature of interconnected markets in Tourism. For example, any intervention aimed at improving tourism products in an area may be combined with improved market intelligence on that area's potentials and/or with better online visibility of the new products and participating businesses.

All of these areas are aimed at a heightened performance of tourism businesses that will attract more tourists and generate income for these businesses as they expand and invest into new jobs. RisiAlbania's interventions in the coming years will be designed to drive the changes needed in the tourism sector in Albania. All interventions are interrelated with each other and with other potential interventions in other sectors, influencing the improvement in the sector of Tourism and bringing tangible results.

Annex 1 – Extended analysis of key functions and rules

I - Supporting functions

1. Information: Tourism information in Albania faces several challenges that relate to both availability and dissemination. Market players such as tourists, private sector and government often have difficulties finding necessary data or information. Initiatives for regional information and regional promotional websites are scattered while at destinations TICs are missing or not functioning effectively.

- On line: While online information is now available, this important channel of communication still has a long way to go before offering adequate data. On a national scale, tour operators and various tourism organizations distribute information through their websites while the NTA manages most notably the page www.albania.al. On a local scale, LGUs distribute maps, videos, photos and other destination-specific information through their websites to promote a region or site. However this gathering and dissemination activity is done sporadically and LGUs often claim they are lacking funding and training to maintain online channels of information.
- Informal channels, personal contacts or “word of mouth” are very important in Albania, also due to the high informality in the sector. Especially domestic tourists, often use these informal channels and personal recommendations to select a hotel or restaurant. Many businesses along the coastline or in various rural areas depend on returning tourists for their business and rely mostly on personal contacts to recruit new clients.
- There are no more than 10 TICs functioning in Albania which provide very few guide books, maps, a range of reference books and other destination publications used by tourists. Their role is also to provide information that covers for a range of tourist needs, including transport, destination-related information, attractions, customs regulations and health and safety considerations, but this kind of information is either missing or is not updated. Very often the TICs lack appropriate or qualified staff to serve to the tourists’ needs and requirements. There have been some initiatives from companies such as Celesi in collaboration with municipalities to open TICs in all of Albania, but this resulted in some bookshops selling guide books and was not accompanied with a professional service in offering information to the tourists. Even where TICs exist, they are rarely integrated into a network with one another. We have also some examples of Korca, Gjirokastra, Pogradec or Kukes where TICs started with the initiative of NGOs or donors, but now do not function as professional centers. This because of the lack of cooperation between local institutions and other stakeholders in the regions/cities, but also due to the lack of sustainability of many projects that aimed to re-start these centers.
- Other sources: Other sources of information are magazines and media. Media especially has in the last year widely covered developments in the sector which has helped to attract not only foreign but also many domestic tourists to destinations that were little known. Travel and tourism industry fairs also have played an important role opening up the industry to investors and the public. Social media has also seen a surge with more and more businesses using them to disseminate information. Government institutions and agencies have also become increasingly present in various media and social media.

2. Marketing and promotion: the tourism product in Albania, be it national, regional, or destination-based, is usually developed without following a coherent product cycle, and marketing is often done sporadically for individual businesses without an integrated marketing strategy aimed at national and international tourists. Recently, Albania has chosen an official branding campaign under the theme "Go Your Own Way", aiming to market the country under this slogan and better promote tourist potentials, the endless opportunities for investment, the intellectual potential and our national identity. The NTA has the main role on leading the marketing and promotion of Albania under this slogan. At the national level, the participation of the government and several consolidated businesses to travel fairs such as to ITB Berlin and WTM London, which are well consolidated, is one of the main marketing and promotional activities. Recently, "Lonely Planet" as one of the biggest tourist guides in the world has also covered Albania and its echo will certainly influence in Albania's growing reputation internationally as a destination that has so much to offer, including now various types of adventure tourism. Familiarization trips (FAM TRIP) are also organized by the NTA and other regional organizations, not only to explore the potential of Albania for high potential tourism products, but also to share experiences with tour operators in the country that are focused on specific markets (e.g. natural, adventure or cultural tourism). At the level of destination, marketing should be partially handled by the TSOs established in each region with functions such as destination promotion, including branding and image, campaigns to drive MSME growth, information services, facilitation of bookings, customer relationship management, etc.

3. Market Intelligence: There is very little tourism-specific market research and dissemination of market information in the local, regional and national level in Albania, which would help to understand the tourist markets and tourist behavior. This market information is essential to develop a competitive touristic offer and ensure the competitiveness of businesses in different regions. It would also help to guide any investments in the right direction. In the last year there are some initiatives in different regions that aim to improve provision of specific information such as for e.g. in Korca where some periodical visitor and accommodations surveys have been conducted and areas for improvement and innovation of the touristic product have been identified (for e.g. the now famous Beer Fest in Korca was created as a result of this market research). Attempts to replicate such initiatives in other regions of Albania are hampered by the lack of funding, knowledge and capacities, and by the lack of a coordination body to develop the process in most regions.

4. Booking and reservation: Domestic tourists in Albania are very often booking through personal contacts and by directly contacting their preferred accommodation while rarely using hotels' websites or online platforms like www.albania-hotel.com, www.albaniahotelsbooking.com, etc. These are more used by foreign tourists, in the cases when these do not come in Albania with a tour operator. In the last two years the number of the hotels registered in international platforms such a www.booking.com has increased and now stands at around 300. Some of the hotels in the main cities stated that 70 % of the reservations in their hotels now came through [booking.com](http://www.booking.com). Women take an important role in this function as they are very often employed at reception positions or are managing client relationships and customer care in hotels and tour operators.

5. On-line promotion: This function is considered as crucial for the promotion of the tourism businesses/services and of the touristic destination given the increasing relevance of the internet in the way tourism businesses sell their product. There are BSPs, often also hotels and tour operators in Albania, which provide comprehensive online marketing services with a clear focus on the Travel and Tourism industry. These include: joint platforms online of hotels and tour operators; online informative documents in NTA's or LGUs' websites such as tourism industry links, tourism event calendars or announcements for festivals and other events; several adverts now increasing their presence in different media websites, etc. However, the greatest part of tourism businesses that cater to tourists are still lacking on-line visibility and still miss capacities to develop that.

6. Cooperation: In Albania, cooperation between all stakeholders, but especially between the tourism businesses that cover the development and implementation strategy of the tourism product at the destination, is rather problematic both horizontally (within the sector) and vertically (between business and Government). The reasons for this are many. It seems that businesses do not trust each other and they rarely participate in / are invited to discussions on strategic tourism issues. There is also a lack of an effective coordination body in many regions and destinations. Information and awareness on the roles and responsibilities at many levels is missing. There are initiatives for the development and management of destinations in Albania seeking to create and promote the tourism product through better cooperation and aiming to increase the ability of the destination to gain from tourism. Good examples are carnivals in Shkoder, artisans' fairs in Gjirokaster, the Beer Fest in Korce, etc.

7. Business training / advice: Several specific needs for business training came up during fieldwork. The private sector, especially various tourism service providers, hotels and restaurants, need business advice to ensure above all good management practices. Management is often conducted in a centralized and authoritative manner and business structures are not very well divided into specialized sectors. Another constraint where businesses demanded assistance is on the frequent changes in the law and practices which have created some confusion in the private sector with regards to the most recent standards and requirements. Businesses are often uninformed on what interventions may be needed to adapt their businesses with these new changes (weather relating the opening of new businesses or the improvement of existing ones). This will be especially important when new required standards will be in place. Relating this, during interviews, hotel and tour operator owners stated that part of the reason why they prefer women in management and finance roles is their ability to better adapt the business with the new changes.

8. Tourism product development: The product development process creates opportunities for employment and influences changes and investments according to the market requests, while improving at the same time the quality of life of local communities. The process of developing or improving the touristic product, if undertaken jointly with local communities, helps to raise awareness among them also on the need for preservation of traditional values in cuisine, constructions, sites, etc. Awareness on the importance of the process of product development is now for the first time at the right levels in Albania. So is awareness of businesses on the need to cooperate for new better joint products / packages. But some other factors that influence this function will take longer to change such

as the current situation of infrastructure, challenges with waste management, ongoing land reform, the perceptions on safety from abroad, lack of common destination marketing at regional level, etc.

9. Infrastructure and transportation: Air transportation: The only airport operating in Albania is the Tirana International Airport, situated about 18 km in the northwest of Tirana. Tirana has a favored geographical position as it lies within an average of a 3 hours flight from the main capital cities of Europe, which makes it a “short haul” travel destination (i.e. easy access) from the main European generating markets. Although air traffic has increased considerably, it remains moderate at the range of airline numbers and number of European cities operated to and from. Also Tirana does not connect directly to any other continent and popular low cost carriers to Albania are also missing. This demonstrates the country is facing strong competition from more established destinations in neighbouring countries in relation to the number of international tourist arrivals. Interviewed experts believe introduction to Albania of the popular low cost carriers such as ryanair, easyjet, skyeurope, whizzair, germanwings, etc. that are flying to neighbouring competitive countries, will not only increase the number of international individual tourists to Albania, but will also ease the travel to Albania of tourists from main generating source markets, such as UK and Northern Europe that are the primary market for cultural and nature tourism for Albania.

Road transportation: is the main transport within the country through public means (buses or minibuses) or private transport. The transport system is more organized around main cities and rather unorganized in rural areas. Drivers in the public transport are not trained with any specific tourism skills and publications of travel times and costs are not always available for visitors. Rent-a-car services are offered mainly in Tirana by different companies and they are also available online through portals like rentalcars.com. One of the largest achievements recently was the completion of the highway Corridor Durrës – Kukës – Morinë, an important axis with a length of 170 km, connecting the capital and the port of Durres, with the new state of Kosovo. Railway: The railway in its entirety is no longer in function but several short segments of it, though depreciated, are becoming an attraction for some adventure-seeking individual foreign tourists, especially the line that passes in the Librazhd villages. Anyhow the conditions of the line are depreciated and it is not recommended. Water Transportation: it’s carried out through 4 ports: Durres, Vlora, Saranda and Shengjin. The largest and the most important one is the Port of Durres, which captures 81.8% of all country’s maritime transport¹¹, with Ferry, Cruise Liner and Marina Facilities. A regular lake ferry linked the Macedonian town of Ohrid with Pogradec during summer. The line is only bringing people from Macedonia and they have to turn back with the same line after stopping for a short break in Pogradec.

For all international markets, Albania is located in the suburbs of Eastern Europe and is mainly a destination for tourists who use air transport for the trip. Most tourists, who arrive by air for their holidays, are generally the high demand type with regard to services. In this context, Albania should establish direct relations with the highlights of the flight departures in key markets, making these connections more efficient and competitive. Cheap flights, charters, direct flights and also different incentives for the businesses will facilitate the incoming tourism organized in groups and packages to

¹¹ Sources: <http://aida.gov.al/>; <http://www.abcci.com/abccisite/infrastructure-utilities/>

Albania. Also, through attractive products off the summer season, Albania can absorb groups of tourists that stay in the coast during spring or autumn, but this of course requires the existence of hotels that meet international standards, offering attractive services and free time activities, coupled with an aggressive marketing strategy.

Easy access to a tourist destination is counted as one of the most important factors for the tourism sector, but so is transportation within that destination. In the last years in Albania, road infrastructure has improved significantly while numerous projects are underway to further improve transport links via road (segments such as Tirana - Elbasan, Levan – Tepelenë, Fier – Vlora, Gjirokastra - Saranda, Arbri Road, Korca - Tirana, etc. are almost fully operational). In the infrastructure and transportation sector, as an important category of the tourism value chain, Albania needs standardization of quality of service, drivers' tourism skills, maintenance of vehicles, customer service skills and enforcement of traffic legislation, especially of speed limits. Accreditation of tourism transport vehicles and a standardization of prices would assist this. What is also needed is establishment of tourist assistance centres in all of the country's entry point and improvement of the current facilities. An awareness campaign on environmental protection is also very much needed and some positive steps have been taken in this direction this year, by both government and civil society.

10. Accommodation: As regards accommodation, according to information provided by the Institute of Statistics (INSTAT) Albania had 19,905 beds in 2011, while based on data collected from the TSO beds capacity calculated for 2011 was 23,768. So we often struggle with conflicting figures provided by INSTAT and the TSO. Also it should be noted that the number of beds is more than the figures, taking into account the existence of a large informal private rooms sub-sector, as well as the large number of second vacation homes by many families, which are unregistered and not included in the total number. This reveals an imbalance of market intelligence. There is no categorization of accommodation units, despite the fact that not all registered accommodation units are hotels. In fact, in Albania since 2008, it is not mandatory to classify accommodation units/hotels with stars or any alternative system, so at the moment there is no information about the number of units classified as carrying between 1 to 5 stars. Currently only a very small part of the hotels / accommodation units may be considered as of high quality when actually the International tourism market requires hotel facilities to be in medium to high quality. Another weakness is that the tourism sector has few accommodation structures that have included auxiliary services like swimming pools indoor and outdoor, conference rooms, etc., which attract customers and offer a richer product¹². With the new law (still on the preparation phase) the categorization of hotels and other accommodation units with stars system is likely become a requirement though it is still under discussion if this standardization will be obligatory or on a voluntary basis.

11. Joint action and advocacy: The tourism industry in Albania has in the last years improved representation and advocacy towards joint action for an environment around tourism businesses that is more conducive to growth. The Albanian Tourism Association (ATA) has been particularly active in strengthening the partnership between public and private sectors. However there are still many

¹² Draft Strategy of Tourism 2014 - 2020

challenges with regards to advocacy. Representation at the local, regional or destination level, as well as representations along various sub-sectors of the industry, are missing. Many industry concerns still need to be brought forward to the government while public-private partnership needs to address issues that cannot be dealt with by the private sector alone. The current situation with representation and advocacy is also creating a lack of coordination within and between different regions and destinations as interventions for product improvement are not integrated with each other.

12. Destination management: Destination management is the coordination and integration of all of the elements of the destination mix in a particular geographic area based upon a defined tourism strategy and plan. The elements of destination management are diverse and are often the individual responsibility of a range of public and private sector entities. Destination management is a process that ensures that the visitor experience is of the highest quality and continues to develop and adapt to meet the needs and expectations of visitors. In line with a collective and holistic approach – it is the glue that holds together a variety of interdependent, co-existing partners that together can make a destination greater than the sum of its parts. The best-managed destinations are also likely to excel in attracting new investment, in keeping value-added jobs, in bringing in new talent and in stimulating innovation. This issue is of common concern in all the regions (as shown by focus groups and interviews) and is one of the main causes for the lack of sustainability of all tourism initiatives, projects and programs. Also in the new Tourism Strategy, the MUDT has one of the main priorities the managing of the destinations and creation of new structures/platforms in managing them, especially with the aim to build a suitable environment, better destination marketing, efficient delivery on the ground, and improved tourist experience at the destination as well as better stakeholder management. Destination Management structures can serve as a mechanism for co-ordination and co-operation of all the stakeholders and actors in the tourism value chain, especially at this time when joint coordination is badly needed but a leading structure/organization to manage the tourism destination is still missing. .

13. Human resource development: it is considered by the tourism businesses as crucial – tourism being a service oriented industry. In order to ensure a high quality of services, a wide range of different professions need to be offered in training as they are not currently meeting the standards set by industry requirements and tourists expectations. There is much criticism in Albania on the attitude and skills of the service staff working in the sector though many times good inter-personal skills and warmth of welcome are praised. During fieldwork, businesses have reported the lack of availability of staff with basic skills and the limited availability of vocational training as barriers to performance and development. The priority skills shortages reported, which need to be addressed to support the sector's growth are **chef** skills, **customer service** skills and **managerial** skills. There are several professional/vocation schools in Albania, which provide diplomas related to hotels and tourism. However, students graduating from these schools are rarely sought after as businesses still have to grasp the value of investing in their staff.

14. Tourist guiding: This profession has been until now practiced by individuals with an interest or passion for tourism, trained by tour operators, sports federations or past donor initiatives. The profession has been largely unregulated with trainings being provided sporadically and no agreed upon system of certification and licensing. Now, with the new law in tourism, the tourist guide is a recognized

profession which will need to take on required training and be certified to conduct touristic tours. The certificate will be given after the tourist guide completes a course and has the necessary theoretical and practical knowledge. However, this process is yet to be structured by necessary by-laws and there appears to be no comprehensive human resource and skills strategy for tourist guides which, as interviews revealed, are very much needed. Possibilities for the provision of vocational training in this profession are not clear, with tourism and hospitality colleges in a number of cities and various current and previous initiatives by international agencies aiming to build their capacities in a scattered and sporadic manner.

15. Financial services: Investments into new tourism products and services (or the improvement of current ones) requires easy access to finance and other financial products such as insurances. Instruments for the tourism private sector financing in Albania are:

- Banks (offering Bank transfers; Deposits; Mortgage & consumer loans; Business loans; Card services), still offer credits with high interest and don't have any policy or support specifically catering tourism. For example, Pro Credit Bank is supporting the new technologies (energy efficiency) in the houses/businesses want to improve. Credins Bank (and probably some other banks) also offer free technical assistance for e-commerce if one has a website and would like to develop e-commerce sales or services, but without any specific focus on tourism industry.
- Insurance Companies (life and non-life insurances; guarantees). The prices of these are still very high. For example, life insurance of a tourist from Germany coming to Albania is still rather expensive and cannot be covered by a small travel agency or tourist operator.
- Local and Regional funds from local government (Municipalities; Regional council)
- International donors through projects and microcredits (World Bank, Business Advisory Services, USAID, etc.)
- According to the interviews, tourism businesses in general still don't prefer to borrow from banks for their investments because as they consider the bank interests as too high. In addition there are almost no financial products which are specifically targeted at tourism in the market, including here regional grants and funds,.

16. Tourism planning: it is considered by the focus groups discussions as a very important function as it is the first step towards developing a comprehensive touristic product, and towards having an effective promotion strategy for the industry, involving all tourism stakeholders. In some areas, tourism action plans are developed such as in Korca, Berat, Pogradec, Puka, Fier, Prespa, Vithkuq, Petrele, etc. supported by different projects or donors. However this development of tourism plans has been sporadic and largely donor-driven. Today the existing plans are not revised and few other municipalities have initiates similar processes.

17. Health Services: Currently, there are pharmacies and some other stores selling medicines close to tourism destinations. However, this does not cover the needs for healthcare infrastructure and services, which is needed to support the flux of tourists in many destinations. Health clinics in small towns or village areas are missing or are not well equipped, so tourists often have to travel to nearby larger cities to receive treatment. This situation is affecting the touristic offer, as Albania is still perceived as

somewhat unreliable in terms of tourist health safety. This is also one of the main reasons why many Albanian domestic tourists, such as families with small children, choose to travel abroad for their holidays. In fact, Lonely Planet mentions: “The standard of health care in Albania is quite poor. Local hospitals and clinics are under-resourced”¹³.

18. Waste management: Though waste management presents one of the most unpleasant problems tourists face in Albania, there has been little progress in addressing the problem in a systemic and sustainable matter. Since 1994 municipal waste management has been a decentralized function, making local governments fully responsible for the collection, transportation, disposal and recycling of solid waste generated within their administrative borders. However waste management in Albania is still a very challenging task for most of the LGUs performing it. Lack of necessary instruments for environmental management of waste, lack of technologies and investments as well as lack of human and financial resources, have in many cases resulted in inability for local authorities to fully perform this task. This is especially applicable for touristic areas because of the added amount of waste generation during touristic seasons. In fact many touristic areas are managed as small communes, while the waste generated during high season is comparable to large cities. Moreover, systems for the collection of municipal solid waste are provided in most cities and towns, but not in rural areas¹⁴, such as many touristic sites with special natural attractions.

II - Supporting Rules

1. Quality standards: Quality of services in this industry closely related with human resources. Also providing orientation, informing and training the private sector to take sound investment decisions, together with the development of appropriate standards, is a needed policy approach to support quality in Albania. Quality services are related with standards and capacities. Supporting developing standards and supporting education and training offer are other aspects of tourism policies toward quality services. Today, services in tourism in Albania are not expensive, but they’re far from the requested quality and international standards. The majority of tourist subjects are not classified with stars or any other system. In the past, sporadic initiatives driven by donors or government have aimed to apply various systems of standards such as the STAR categorization of hotels, Authentic Albania Quality Mark introduced by USAID, etc. Initiatives in the past to implement STARS have resulted in around 26 hotels being standardized while many others adopted the system on their own without any certification from outside compromising thus its reliability. The private sector is the risk-taker for its enterprise and plays a key role in offering the service to visitors at destinations. Taking own responsibility to provide quality services, following a proactive role to become competitive as individual business, as destination and as industry are key responsibilities of the private sector but at the same time, frameworks for quality assurance are needed. Currently, Albania is still lacking an agreed upon system of Standards which ensures the reliable quality for different touristic products and services. The new legislation has aimed to make up for this by defining standards and requirements that tourism businesses will need to fulfil. This is related with a range of services criteria the tourism businesses have to reach. If standardization

¹³ Source: <http://www.lonelyplanet.com>: Albania, Health and Safety

¹⁴ UNECE (2012) Albania Environmental Performance Reviews: Second Review

becomes obligatory, businesses have to first offer standardized and qualified staff and services and then apply for the stars qualification at MUDT. It is not yet defined if this will be the responsibility of MUDT or it will be outsourced to any agency/ tourism body or accredited individuals.

2. Safety regulations: This function is linked closely to the supply chain of the tourism sector (so to interconnected other sectors) such as food processing, transport, tours, etc. In activities that might involve health risks or other risks, precautions on safety are still not very rigid. This is partly due to low awareness and understanding of needed safety measures and of how the image of “unsafe” damages income from tourism. But it is also due to a general lack of safety requirements and the lack of implemented regulation and quality control mechanism. As interviews revealed, one of the most serious risks in Albania is road safety, where the missing infrastructure of many roads (signage, lighting, exits and entries) as well as a high disregard for traffic laws, have make for a very high accident rate. Other dangers to pedestrians include gaping holes in pavements, missing manhole covers and treacherous black ice in winter. Adventure tourism is also increasingly important in Albania. Individuals or groups offering these activities to tourists usually take safety precautions and are generally perceived as reliable. However, a system of checking and certifying the individuals offering these activities is missing.

3. Taxation: One major issue with regards to taxation of tourism businesses is the high informality, which means that a large number of businesses do not pay taxes or practice some form of tax evasion. This is not only the case for hotels, but also the food and beverages as well as entertainment industries, where to this day receiving an accurate receipt that verifies the business is declaring the sale is a rare occasion. With regards to VAT, which has been a major issue that has mobilized various lobbying initiatives by the sector, it rests at 20% in Albania. From the interviews and group discussions, Albania has the highest VAT compared to other countries of the Balkan, which puts tourism businesses in a disadvantaged position. Our product competitiveness with other countries is facing difficult conditions, as Macedonia has a VAT at 5%, Greece at 9%, Montenegro at 8%. With regards to the tax on rent, the state is still unable to collect most of it and this is also one of the reasons that lead to high informality. With regards to insurance and social securities, the majority of employees in Albanian tourism businesses are mainly seasonal employees, not registered, and therefore not benefiting social and health insurance. ATA is in the last years strongly lobbying with the government to reduce taxes for the tourism businesses and for a competitive position related to other tourism businesses in the region.

4. Informal rules and social norms: these are very important for the industry and greatly influence the tourist experience. Often unspoken norms and rules determine how businesses are managed, the degree of cooperation between private businesses in the industry, their attitudes towards the communities, etc. These unspoken rules and norms deeply affect two key indicators – mentalities of management and approaches to gender equity. With regards to management practices, a mentality of the all-knowing owner/manager is still prevalent which makes for very centralized and inefficient management structures within businesses, that stand in the way of innovation and specialization. With regards to attitudes towards gender, though in the last years Albania has seen much improvement, women continue to be under-represented at all levels of tourism businesses and work in a male dominated environment. A great portion of the tourism industry in Albania in the past two decades has developed in the form of small family operators, generating income that is managed by the male head

of the family. A large number of women working in the sector are engaged in unpaid labor. However various initiatives to train and employ women have increased their chances to generate income and gain professional skills and experience. Some sectors such as that of Artisans employ mainly women and have benefited from donor initiatives to train and assist women to develop new products and gain access and new markets.