



Fostering Tourism Competitiveness in South East Europe



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OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

Since 2000, the OECD South East Europe (SEE) Regional Programme has assisted the economies from the region with policy advice on their broad economic reform agenda.

With support from the European Commission and in partnership with the Regional Cooperation Council (RCC) and other regional organisations, SEE governments and the private sector, the OECD has offered recommendations on how to remove sector-specific policy barriers to competitiveness, increase domestic value added and deepen regional economic integration. The work has helped the region identify reform priorities, fostering implementation and bringing SEE closer to both OECD and EU standards.

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GLOBAL RELATIONS POLICY HANDBOOK

Fostering Tourism Competitiveness in South East Europe

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FOREWORD

Over the past six decades, tourism has experienced continued expansion and diversification, through the emergence of new niche markets and outbound destinations, and has become one of the largest and fastest-growing economic sectors in the world. International tourist arrivals are expected to grow by 3.3% a year between 2010 and 2030, with arrivals in emerging destinations growing faster than those in advanced economies. Europe remains the largest tourism market worldwide, taking a total of 41% of international tourism receipts, with growth concentrated mainly in Southern and Mediterranean Europe, including South East Europe (SEE).

Tourists' demands are changing and new source markets are emerging. For instance, between 2005 and 2012, China has become the largest tourism source market in the world in terms of spending, overtaking Italy, Japan, France and the United Kingdom. New destinations are emerging beyond the traditional favourites of Europe and North America. Visitors are looking for more individual and authentic experiences and relying more heavily on technology to plan their trips. In addition, international image and recognition remain critically important for tourists when they choose a travel destination. A number of niche markets – natural and cultural tourism, adventure tourism and culinary tourism – are emerging. Governments are increasingly concentrating on identifying the strong points in what their countries have to offer visitors – particularly their cultural and natural heritage – and further enhancing them to maximise the impact of their investment in marketing and product development.

In a time of economic turmoil, policy makers from SEE are faced with policy choices which will drive the region's long-term competitiveness. To assist SEE partners in realising the high-growth potential of tourism, the OECD carried out a project co-funded by the European Union (EU), which brought together policy makers, industry experts, academics and regional organisations.

Representatives of the seven economies from the region which participated in the project, namely Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Kosovo,* Montenegro and Serbia, engaged in

* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

a dialogue to identify obstacles to competitiveness in the tourism sector and define policy options for reform. This Policy Handbook summarises the results of these exchanges and related research.

The SEE Tourism Expert Group (TEG)

This Policy Handbook is one of the results of the Sector Competitiveness Project performed in collaboration with the SEE Tourism Expert Group (TEG) under the umbrella of the OECD Next Generation Competitiveness Initiative (NGCI) in co-operation with the Regional Cooperation Council (RCC).

The TEG, composed of more than 60 members from the public and the private sector as well as academia across seven SEE economies,¹ represents various ministries and government bodies (e.g. ministries of tourism, ministries of economy and investment promotion agencies) as well as tourism market actors (e.g. tour operators, hotels and restaurants). Between April 2014 and October 2015, the TEG has convened four times, in Dubrovnik, Paris, Belgrade and Ohrid, to report on the progress of analysis, take key decisions and provide guidance for further work. The TEG members have actively contributed to the Sector Competitiveness Project through their substantive contributions to the meetings.

The policy options developed by the TEG and reflected in this Policy Handbook aim to identify and remove sector-specific policy barriers to competitiveness, increase value added by targeting high-potential market segments and deepen regional economic integration through the creation of a joint tourism offer. Within this context, a pilot project will be implemented in 2016 to design and promote a regional tourism brochure targeting the high-growth Chinese outbound tourism market.

¹ Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia.

ACKNOWLEDGEMENTS

This report summarises the work carried out by the OECD South East Europe (SEE) Regional Programme, within the framework of the Next Generation Competitiveness Initiative (NGCI). This project, aiming at fostering tourism competitiveness in SEE, was run in collaboration with the Regional Cooperation Council (RCC). The content and the potential options for reform of this report reflect the work of the SEE Tourism Expert Group (TEG), composed of government representatives from SEE (ministries of economy, tourism, trade and environment and government agencies), chambers of commerce, and private sector associations and companies in SEE (see Annex 1 for a complete list of the Expert Group members who contributed to the work).

The European Union co-funded the project and provided guidance and support.

This report was written under the guidance of Marcos Bonturi, Director for Global Relations, OECD, Anthony O’Sullivan, Deputy Director for Global Relations, and Marzena Kisielewska, Head of Division, OECD South East Europe Regional Programme.

This report drew on research and analysis carried out under the supervision of the OECD Tourism Committee, which acts as the OECD forum for exchange, and for monitoring policies and structural changes affecting the development of domestic and international tourism.

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ACRONYMS AND ABBREVIATIONS

ACI	Air Connectivity Index
ALB	Albania
BIH	Bosnia and Herzegovina
COTRI	China Outbound Tourism Research Institute
ETC	European Travel Commission
EU28	The 28 member countries of the European Union
GDP	Gross domestic product
HRV	Croatia
ICT	Information and communications technology
LCC	Low-cost carrier
MKD	Former Yugoslav Republic of Macedonia
MNE	Montenegro
NGCI	Next Generation Competitiveness Initiative
PISA	Programme for International Student Assessment
PPP	Public-private partnership
RCC	Regional Cooperation Council
R&D	Research and development
SEE	South East Europe
SEETO	South East Europe Transport Observatory

SME	Small and medium-sized enterprise
SRB	Serbia
STREAM	Sustainable Mobility for Tourism and Recreation
SWOT	Strengths, weaknesses, opportunities and threats
TEG	SEE Tourism Expert Group
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	World Tourism Organization
VET	Vocational education and training

EXECUTIVE SUMMARY

Thanks to its rich and diverse regional heritage, South East Europe (SEE) is a unique tourist destination. Mountainous landscapes and natural sites, medieval castles, monasteries and mosques, as well as traditional crafts and products, offer tourists a range of experiences. Proximity to Central and Western Europe represents a further strong point of the region.

Achievements

A number of developments have unfolded in the SEE tourism sector in recent years. These include:

- Several SEE governments have identified tourism as a priority sector to foster economic growth, paving the way for future policy reforms.
- Tourism's direct contribution to GDP in the region increased from 5.9% to 6.4% between 2009 and 2014.
- International arrivals to the region have almost doubled over the last decade, and spending by international tourists represents a significant share of total exports (24%).

Challenges for SEE tourism

Despite recent progress in the field of tourism, the region has yet to realise the sector's full potential. Significant challenges include:

- The lack of an appropriately **skilled workforce** hinders the development of a high-quality tourism offer. Relevant market-driven skills (e.g. analysing market needs to create new offers and the ability to identify and employ optimal marketing strategies) and service delivery skills (e.g. gathering, analysing and interpreting customer feedback) are rather scarce. There are few targeted training programmes and skills mismatches are reported across the region.
- **Tourism demand** is highly seasonal and concentrated in coastal areas. Attracting tourists in low seasons remains challenging, with tourist arrivals and spending in the region concentrated in July and August.

- Comparatively high labour costs can mean **less competitive prices** for hotels and restaurants than in neighbouring economies. For instance, high-quality accommodation can be more expensive in Croatia and Montenegro than in Bulgaria, Czech Republic and Romania.
- Measures to preserve the region's **natural and cultural heritage** are still in their infancy in spite of initiatives such as the Ljubljana process aiming to identify and preserve cultural monuments.
- **The transport infrastructure** needs to be improved. Road quality remains low and road maintenance is often scarce, especially in rural areas. Flight connections within and into the region are infrequent, with little competition on many routes.
- **Strategic policy approaches** to tourism require further development although there are some regional exceptions. For instance, Croatia and Montenegro have comprehensive tourism strategies in place.
- **Limited targeting of markets** with the most potential. Comparatively low government investment, disjointed promotion and marketing, and a lack of data collection, risk hampering the development of strategies targeting high-growth tourism markets with a good regional fit.

International good practice

International good practice suggests a number of relevant policy considerations:

- **Tourism offer:** by investing in the strongest tourism experiences, SEE destinations can gain a comparative advantage over similar ones. Identifying and promoting new tourism centres and niche products that meet the demands of the highest-potential tourism market segments will maximise return on investment in the sector.
- **Preservation of natural, cultural and historical heritage:** demand for natural, cultural and historical tourism has grown in recent decades. Countries need to preserve and enhance their natural and cultural heritage, for example by supporting traditional crafts and products and by preserving the environment.
- **Supportive structures for skills development:** developing the right skills allows countries to offer higher-quality products. Governments

can support the development of the skills needed by fostering innovation and entrepreneurship and supporting relevant employee skills.

- **Tourism and travel facilitation:** easing travel to and within the region, ensuring swift visa clearance, and improving the accessibility of tourist sites are essential.
- **Branding tourist destinations:** as global competition for tourism increases, marketing efforts, including branding and communication strategies, allow countries to develop a comparative advantage. The development of a national or regional brand can foster the potential of the domestic and foreign tourism market.

Policy options

The following policy options can guide SEE governments in their efforts to improve the competitiveness and performance of tourism:

- **Prioritise high-potential tourism market segments**, such as natural and cultural tourism, and develop an action plan to foster tourism in these segments.
- **Support the preservation and maintenance of natural, cultural and historical monuments** through the adoption of comprehensive national action plans and strategies for cultural tourism.
- **Promote and sustain traditional craft production practices** to provide unique and authentic experiences.
- **Foster innovation and entrepreneurial skills** to enable businesses to adapt themselves to changing demand and unleash their growth potential.
- **Develop relevant employee skills**, matching the supply of skills to the needs of tourism businesses and supporting training provision to improve the quality of the tourism offer.
- **Improve the tourism infrastructure:** provide international tourists with an assurance of safety and allow them to move more easily within the SEE region.

- **Create more favourable visa conditions for target tourism markets** including easy and straightforward visa procedures.
- **Support firms through branding and communication strategies**, allowing SEE economies to position themselves in the world, boosting their international recognition.

CHAPTER 1: OVERVIEW AND CHALLENGES IN THE SOUTH EAST EUROPE TOURISM SECTOR

This chapter examines the tourism sector's contribution to the economic development of the SEE region, looking at the impact of tourism on a number of national economic indicators. Tourism continues to make a greater contribution to the region's economy, exports and employment than on average for the European Union, despite the impact of the 2008 global financial crisis. However, a series of challenges will need to be tackled if the region's economies are to tap into the sector's full potential. SEE economies need to focus on developing a skilled tourism workforce, improve flight connectivity and road infrastructure, reduce the seasonality of tourism demand, and preserve and enhance the natural and cultural heritage. Prioritising high-potential market segments with a good regional fit should be central.

The importance of the tourism industry

According to the World Tourism Organization (UNWTO, 2015a), Europe accounts for 41.0% of total international tourism receipts, with Southern and Mediterranean Europe, including South East Europe (SEE), being one of the fastest growing regions. Globally, foreign tourist spending has grown to USD 1.2 trillion and is expected to expand further in 2015. South East Europe has the opportunity to capture a share of the growth in international tourism and gain from tourists' increased interest in the region. Thanks to its diverse and rich regional heritage, SEE represents a unique tourist destination. Its mountainous landscapes (e.g. the Dinaric Alps, the Pindus Range and the Balkan mountains), natural sites (e.g. the Plitviče Lakes National Park in Croatia, the Durmitor National Park in Montenegro, and the natural and cultural heritage of the Ohrid region in the Former Yugoslav Republic of Macedonia), as well as beaches and islands (a coastline of almost 7 000 km and 1 200 islands), provide international tourists with a diverse range of natural landscapes to visit. Medieval castles, Orthodox monasteries and Ottoman mosques also make it an attractive cultural destination.

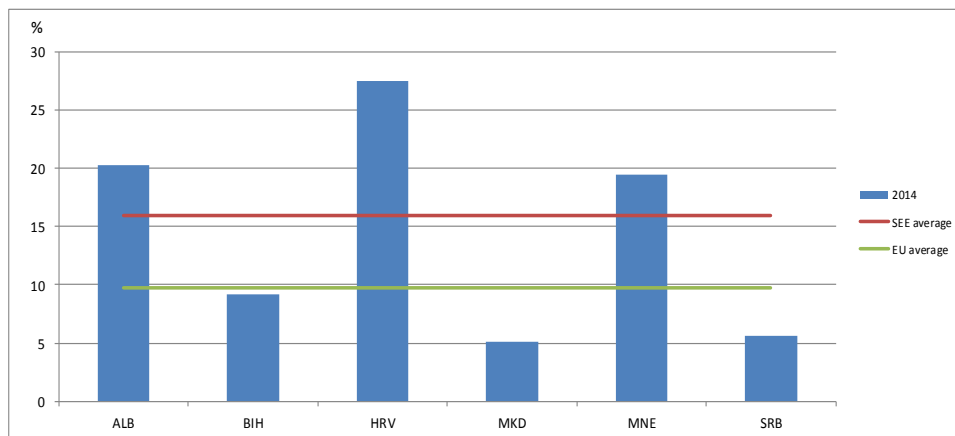
Tourism represents a large share of the economy and employment

Tourism already carries substantial economic weight in the SEE region. The direct contribution of those industries that deal directly with tourists (e.g. hotels, travel agents and airlines) amounted to 6.4% of total regional gross domestic product (GDP) and 6.9% of total regional employment in 2014 (WTTC, 2015). Furthermore, spending by international visitors represents a high, although decreasing, share of total SEE exports. On average, it accounted for 24% of total SEE exports in 2014, compared to 5.9% for the 28 member countries of the European Union (EU28). Spending by international visitors as a share of total exports is relatively higher in Albania, Croatia and Montenegro.

Tourism also has a wider impact on the economy, including the indirect contribution from tourism investment (e.g. the purchase of new aircraft or construction of new hotels), government collective spending (e.g. tourism marketing and promotion, security and sanitation services) and domestic purchases of goods and services by the sectors dealing directly with tourists (e.g. food and cleaning services by hotels). Taking this wider economic impact into account, the total contribution of the sector to the regional economy increases to 16.0% of GDP and 16.0% of total employment (Figure 1) (WTTC, 2015). Not surprisingly, the total contribution of tourism to GDP is relatively higher in Albania, Croatia and Montenegro, the main tourist destinations in the region. The total contribution of tourism to GDP and to employment in the region has

increased over the last ten years, but after reaching a peak in 2008, both have slightly declined, mainly as a consequence of the global financial crisis.

Figure 1. Tourism's total contribution to GDP in SEE economies (2014)

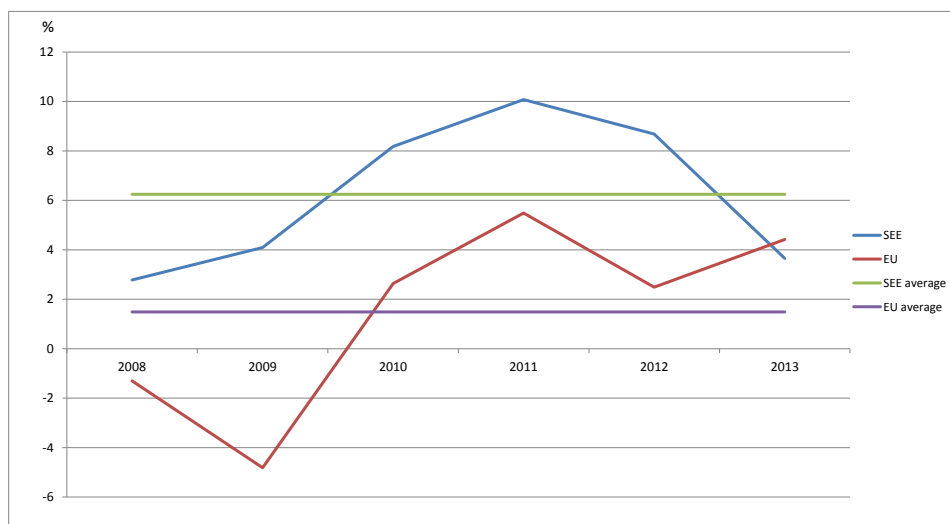


Source: WTTC (2015), WTTC Data Gateway, World Travel & Tourism Council, www.wttc.org/datagateway/ (accessed August 2015).

International arrivals have increased

The increasing importance of the tourism sector in SEE is apparent from the rising number of international arrivals to the region. The number of overnight visitors, including tourists, same-day visitors, cruise passengers and crew members has almost doubled over the last ten years, reaching 17.0 million in 2013 (World Bank, 2015). International arrivals to the SEE region grew on average by 6.2% a year in the last five years, compared with 1.5% for the EU (see Figure 2). The SEE economy experiencing the sharpest increase in the number of international tourists was Albania, where the number of international overnight and same-day visitors reached almost 3 million in 2013, up from 1.2 million in 2008. With over 10 million international visitors in 2013, Croatia remains the preferred tourist destination in the region, followed by Albania (2.9 million) and Montenegro (1.3 million). In addition, the number of guests in hotels has increased in all SEE economies over the last five years (UNWTO, 2015b). The increase has been particularly strong in Albania, where it rose from 74 000 in 2010 to 161 000 in 2014 (UNWTO, 2015b).

Figure 2. International arrivals, yearly growth (2008-13)



Source: World Bank (2015), World Development Indicators, *World DataBank*, The World Bank, <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (accessed August 2015).

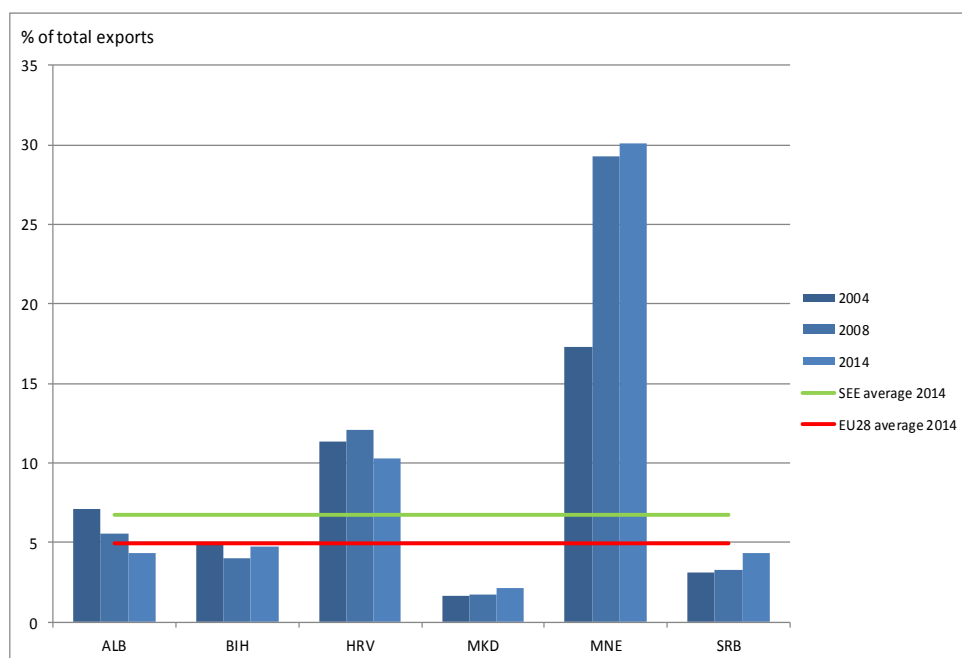
Long-haul tourism to the region has also increased, especially from North and South America and from East Asia (including China, Japan and the Republic of Korea) and the Pacific (Australia and New Zealand). For instance, the number of tourists from North and South America who visited Albania and Bosnia and Herzegovina increased from 60 000 to more than 70 000 and from 8 000 to 19 000 respectively between 2009 and 2013 (UNWTO, 2015b). Tourists from East Asia and the Pacific to Bosnia and Herzegovina also increased over the same period, from 4 000 to 35 000 (UNWTO, 2015b), and Chinese arrivals to Albania peaked to almost 4 000 in 2013, while they were only 1 000 in 2009 (UNWTO, 2015c). Tourists from East Asia and the Pacific also enjoyed robust growth in Croatia and Montenegro, with arrivals reaching a peak of 823 000 and 25 000 respectively in 2014 (UNWTO, 2015b). Arrivals from the United States also grew in both economies, rising by 92.5% and 41.6%, between 2010 and 2014 (Croatian Bureau of Statistics, 2015; Montenegro Statistical Office, 2015). Montenegro (along with Romania) was one of only two European destinations which saw the number of tourists from Russia increasing, from 146 000 in 2009 to more than 300 000 in 2013 (Montenegro Statistical Office, 2014). Long-haul tourism to the Former Yugoslav Republic of Macedonia has also increased. For instance, tourists from the United States reached a peak of almost 10 000 in 2013, and arrivals from China, the Republic of Korea, Japan and Australia have also substantially increased over the past five years (Republic of Macedonia

State Statistical Office, 2015). Finally, tourists visiting Serbia from North and South America and from East Asia and the Pacific also substantially increased, from 19 000 to 31 000 and from 10 000 to 53 000 respectively between 2010 and 2014 (UNWTO, 2015b).

Public and private investment in tourism is relatively high

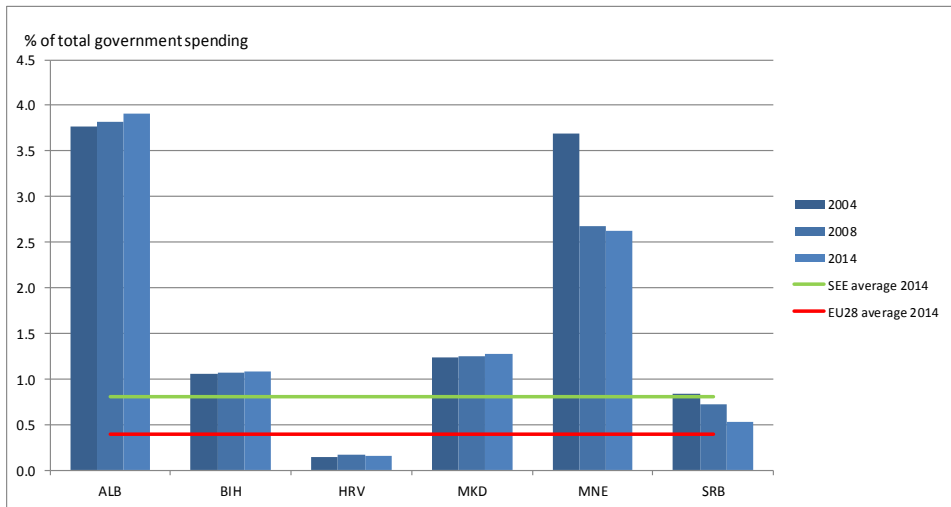
The region benefits from relatively high private and public-sector investment in tourism, although it has declined in the aftermath of the global financial crisis. In 2014, local industries linked to tourism invested on average 6.7% of total exports on cultural or recreational services, compared with 4.9% in the EU28 (Figure 3). Government spending on travel and tourism services directly linked to visitors, such as cultural services (e.g. museums) and recreational services (e.g. national parks) remains rather low (0.8% of total government spending) but is still higher than the EU28 average of 0.4% (Figure 4).

Figure 3. Private-sector capital investment in SEE (2004-14)



Source: WTTC (2015), *WTTC Data Gateway*, World Travel & Tourism Council, www.wttc.org/datagateway/ (accessed August 2015).

Figure 4. Government spending on tourism (2004-14)



Source: WTTC (2015), *WTTC Data Gateway*, World Travel & Tourism Council, www.wttc.org/datagateway/ (accessed August 2015).

Prospects for further development

According to the World Tourism Organization's (UNWTO) forecasts for the period between 2010 and 2030, international tourist arrivals worldwide are expected to grow by 3.3% per year and reach a total of 1.8 billion in 2030 (UNWTO, 2015a). This corresponds to an average yearly increase of some 43 million arrivals, compared to 28 million in the period 1995-2010 (UNWTO, 2015a). Furthermore, international arrivals in emerging economies (including those in Asia, Latin America and Eastern Mediterranean Europe) are forecast to grow at a rate of 4.4% a year, double the rate among advanced economies (2.2%), thus attracting 57% of international arrivals worldwide. In particular, international arrivals to Southern and Mediterranean Europe, including South East Europe, are forecast to grow on average by 2.6% a year between 2010 and 2020 (UNWTO, 2015a).

Europe remains the primary holiday destination for international tourists, with increasing demand for long-haul travel among emerging countries (ETC, 2015a). Germany, France, Italy and the United Kingdom are the favourite destinations for Asian tourists. The top travel experiences these tourists seek in Europe include historical and cultural tourism, and natural resources and scenic landscapes. By 2020, it is expected that one in seven of all international border crossings will start from mainland China, which will become an increasingly

important source of tourism (COTRI, 2015). According to the analysis carried out by the China Outbound Tourism Research Institute (COTRI), Chinese tourists will increasingly look for new destinations, authentic activities, unspoiled nature and culture, and stories to tell (COTRI, 2015). SEE economies could take greater advantage of the rising demand for overseas travel and specifically target long-haul outbound tourism markets (see Annex 5).

To exploit the full potential of the increasing tourism demand, SEE economies need to develop their tourism offers in a targeted way, exploiting their unique advantages to create high-quality tourism experiences. It is also crucial that the development of the tourism offer is followed by a targeted promotion strategy, branding the destination by capitalising on its unique strong points. Several expanding tourism market segments would fit well with what SEE can offer. These include cultural/leisure tourism, adventure and culinary tourism. Of these, leisure tourism already accounts for a relatively high share of SEE economies' GDP. Over the last ten years, spending on leisure tourism has increased to 5.7% of GDP (taking into account both domestic and international travellers), while the amount spent on business travel has been 0.7% (WTTC, 2015). The shares for the EU28 are 2.8% and 0.8% respectively, suggesting that the SEE leisure tourism market is significantly more developed than business travel.

Challenges

In spite of its development potential, the SEE tourism sector faces a number of impediments. These include a lack of suitable skills in the tourism workforce, relatively underdeveloped air- and ground-transportation networks, and declining price competitiveness.

Skills gap in the tourism workforce

A well-educated and skilled workforce is crucial to providing tourists with a high-quality offer. The further development of the tourism sector in the region will depend on the capacity of policy makers to address the relative scarcity of a number of relevant skills. A skills gap survey recently undertaken by the SEE Tourism Expert Group mapped the scope and depth of the existing skills gap in the SEE tourism workforce (TEG, 2014a; see Annex 2). A number of scarce and very important skills have been defined as a priority for companies operating in the SEE tourism sector. These include product development and production skills (e.g. the ability to analyse customer and market needs and create new offers), purchasing skills (e.g. evaluating and negotiating volumes and prices with hotels and controlling quality of incoming goods in restaurants), marketing

skills (e.g. the ability to identify and employ optimal marketing strategies), service delivery skills (e.g. gathering, analysing and interpreting customer feedback), sales (e.g. establishing and implementing a sales strategy), as well as the skills needed by tour guides (e.g. knowledge of cultural and historical heritage, communication skills). The other major barriers to the development of the skills needed in the SEE tourism sector are the rather limited availability of targeted training programmes and low overall education levels.

The OECD Programme for International Student Assessment (PISA) has found that most SEE economies provide a relatively poor quality of education. Evidence from PISA (OECD, 2014a) suggests there is significant scope to improve the education system in the region. For example, the 2012 OECD average score for mathematics is 494, while for SEE economies it ranges between 394 (Albania) and 471 (Croatia). Similar gaps can be seen for sciences and reading (Table 1). Furthermore, the share of low achievers in mathematics ranges from 30% in Croatia to 56% in Montenegro, against 18% in neighbouring Austria. Government spending on education as a percentage of GDP is also comparatively low: 3.2% per school student in Albania, 4.7% in Kosovo, 4.6% in Montenegro and 4.4% in Serbia, compared with 5.3% for the EU in 2012. In addition, regional universities offer only a few specialised courses in tourism which have only been recently established. In Albania, for example, the first specialised master's programme was introduced in 2010. Mismatches between graduates' skills and the needs of the tourism sector are found across the whole region, and specialised employees are often hard to find (see Annex 3) (TEG, 2014b). For example, employees in tourism are generally reported to lack relevant skills in Albania (ETF, 2014a) and Montenegro (ETF, 2014b), and education and training in tourism often lacks practical modules in Kosovo (ETF, 2013a) and the Former Yugoslav Republic of Macedonia (ILO, 2012).

Table 1. PISA average scores (2006, 2009 and 2012)

	Science			Maths			Reading		
	2006	2009	2012	2006	2009	2012	2006	2009	2012
ALB	n.a.	391	397	n.a.	377	394	n.a.	385	394
HRV	493	486	491	467	460	471	477	476	485
MNE	412	401	410	399	403	410	392	408	422
SRB	436	443	445	435	442	449	401	442	446
OECD	500	501	501	498	496	494	492	493	496

Source: OECD (2014b), *PISA 2012 Results in Focus: What 15-Year-Olds Know and What they Can Do with What they Know*, PISA, OECD Publishing, Paris, www.oecd.org/pisa/keyfindings/pisa-2012-results-overview.pdf.

Road and rail infrastructure and flight connectivity remain a challenge

Ground transportation in SEE shows potential for development. Road quality is a key challenge across the region, and road maintenance is often scarce, especially in rural areas. This also partly explains the more frequent traffic accidents in the region compared to the EU (SEETO, n.d.; World Bank, 2015). Rail travel can be slow and subject to frequent delays (the maximum speed on 50% of the Serbian railway network is only 60 km/h due to challenging rail conditions) and it can be expensive to cross borders with rental cars, for instance in Kosovo, discouraging intra-regional tourism. Finally, river tourism and travel (for instance on the Danube and the Sava) remain underdeveloped and require further infrastructure investments to unlock their potential.

Intercontinental flights and regional hubs also need further improvements across the region. There are limited numbers of domestic flights and connections within the region. The only hubs for air traffic into South East Europe are Milan, Vienna and Munich (TEG, 2014a). There are only 17 intra-regional flight connections and their number may be declining – for example, Croatia Airlines has recently cancelled the Zagreb-Podgorica route. In addition, few low-cost carriers (LCCs) fly to the region, offering limited numbers of routes, and ticket fares for international flights remain high. Issues in flight connectivity are also underlined by the relatively low performance of SEE economies in the Air Connectivity Index (ACI) developed by Arvis and Shepherd (2011). The ACI ranks economies based on their importance as nodes within the global air transport system, accounting for the cost of moving from one country to another. All SEE economies perform below the EU average (Arvis and Shepherd, 2011).

This is partly due to low demand. Croatia, which welcomes a comparatively high number of LCC flights, remains a notable exception in the region.

Off-season tourism offers remain to be developed

In the SEE region, tourism is highly seasonal (see Annex 3) (TEG, 2014b). Seasonality can hinder firms' ability to gain access to capital and fully utilise their resources (both staff and facilities) (Cannas, 2012). It is also considered to lower returns on investment causing high risk in operations (Cannas, 2012). The number of tourists per month in SEE more than doubles from June to August compared with the rest of the year. Seasonality is particularly high in Montenegro and Croatia, where the period from June to August saw 67.8% and 67.2% of total international arrivals respectively in 2014, compared to 39.6% for the EU (Eurostat, 2015a). Furthermore, 55% of tourism spending in the region occurs in the summer. This is substantially more than in the EU, where the summer accounts for only 35% of total spending. The SEE region has only limited offers to attract off-season travellers, such as business travellers and tourists on their "second holiday", which is often thematic in nature.

Relatively high unit labour cost can cause less competitive prices of hotels and restaurants in some SEE economies

Partly due to relatively high unit labour cost, prices can be higher in the SEE region than in neighbouring economies such as Bulgaria, Czech Republic and Romania. High-quality accommodation in SEE can be more expensive than in the Czech Republic, Germany, Portugal, Slovenia or Spain, with prices rising during the summer season. Specifically, price level indices for consumer goods and services show that restaurants and hotels are relatively expensive in Croatia and Montenegro (Eurostat, 2015b). Prices for hotels and restaurants amount to 72% of the EU average in Croatia and 62% in Montenegro, compared to 46% in Bulgaria, 54% in the Czech Republic and 52% in Romania. On the other hand, in Albania, the Former Yugoslav Republic of Macedonia and Serbia, prices of hotels and restaurants are relatively low.

Long-haul tourism remains underdeveloped

Although long-haul tourism to SEE has increased in the past years, most of the international tourists in the region are still visitors from neighbouring countries. In 2014, 93.2% of international arrivals to Albania were reported to come from Europe (UNWTO, 2015b). European tourists also make up the largest share of international arrivals in other SEE economies. They amount to 87.3% in Bosnia and Herzegovina, 92% in the Former Yugoslav Republic of

Macedonia, 96.4% in Montenegro and 90.6% in Serbia. This suggests that the SEE tourism sector relies rather heavily on regional tourism.

SEE economies may be missing out by not targeting long-haul destination countries as their existing markets are showing rather low growth in tourism. According to the European Travel Commission (ETC, 2015b), outbound tourism from Europe is forecasted to grow by only 1.6% in 2015 and 4.0% in 2016. Among Southern European and Mediterranean countries, the figures are 2.8% and 3.0% respectively, compared with 5.9% and 4.7% for North America, 4.9% and 4.4% for Asia and the Pacific, 5.3% and 3.9% for Africa, and 7.6% and 6.3% for Middle East. Tapping into these long-haul tourist markets could be a lever to increase the industry's potential in the region.

Maintenance of natural and cultural heritage could be improved

Natural, cultural and historical tourism are among the most sought-after travel experiences, according to the ETC (ETC, 2015a). This is relevant for South East Europe, as the region tends to be over-dependent on conventional low-growth tourist segments such as beach tourism. There are on average 1.7 tourists per capita in SEE coastal areas versus 0.1 in non-coastal areas (TEG, 2015). However, despite growing tourist interest in more authentic destinations, the region's natural and cultural resources are given rather limited protection. For instance, air pollution is comparatively high in Albania and the Former Yugoslav Republic of Macedonia, and protection measures for the natural environment and marine areas are only in the early stages in the region. Low levels of investment in the development of cultural heritage sites and insufficient marketing of the existing cultural attractions hamper the potential of the natural and cultural heritage sector in the region. Furthermore, apart from Montenegro, which has a diversified tourism offer (including traditional crafts, cultural landscapes and heritage tours) in its latest tourism strategy and action plan, most other SEE economies do not have national cultural tourism action plans in place yet.

Adopting a more strategic policy approach to tourism

Developing and implementing a strategy to grow the tourism sector can contribute to boosting international arrivals and generating positive impacts on growth and job creation (OECD, 2014c). Such a strategy can prove very effective by identifying adequate governance structure and orienting appropriate support policies, such as product development and marketing and promotion (OECD, 2014c). Given tourism's links to other economic sectors, activities in different policy domains may affect travel and tourism and vice versa. It is

therefore crucial that the ministries in charge of developing a strategic approach to tourism involve a broad range of stakeholders (e.g. the ministries of environment and transport and the private sector) in the development of any strategy.

Most SEE economies could benefit from the further development of comprehensive tourism strategies, allowing them to set clear objectives and governance for tourism development. Kosovo has not yet adopted a strategy for tourism development but is drafting an action plan for tourism. In Albania, tourism development is foreseen as part of its National Strategy for Development and Integration 2014-2020, but this strategy is still to be adopted. Serbia has a strategy for tourism development (Tourism Development Strategy 2006-2015), but it has not yet been updated. The exceptions in the region are Croatia and Montenegro, which have comprehensive tourism development strategies in place.

Need for a greater focus on high-potential tourism

The SEE Tourism Expert Group (TEG, 2014b) and the European Travel Commission (ETC, 2015a) both emphasise the potential of the cultural and historical tourism sector alongside culinary and adventure tourism (see Annex 4). As previously mentioned, travellers are increasingly seeking authentic, cultural tourism experiences away from the mass-tourism market centred around classic beach holidays. Economies can tap into these high-potential tourism market segments by developing targeted offers.

Furthermore, cultural and leisure, culinary, and eco-tourism are reported to be the top three preferred niche markets within the main tourism overseas markets (see Annex 5) (TEG, 2015). Overall trends in Europe show tourists are interested in experiences to remember, with a focus on cultural education, but are also environmentally conscious. Furthermore, there is an overall increase in interest in healthy activities, the demand for which has widened across different age groups. A survey conducted by the ETC (2015a) shows that 18-34 year-olds and 35-49 year-olds in both emerging economies such as Brazil and China, and more developed countries such as the United States and Japan, are the most eager to travel long-haul in 2015.

SEE economies are not doing enough to target the market segments with the highest potential. The reasons why not include comparably low government investment and highly fragmented promotion and marketing of relevant niche markets (e.g. a lack of one-stop shops acting as single sources of information for tourists). Furthermore, the lack of regular data collection on tourism, as well as

limited co-operation between national tourism organisations and the private sector may have hampered the development of targeted and evidence-based strategies for high-growth tourism market segments.

The most effective way to address the challenges facing the SEE tourism sector would be to focus on high-potential market segments with a good regional fit, such as the cultural and historic segment. The development of a high-quality tourism experience should be followed by appropriate promotion campaigns. Such a targeted approach would help make the most efficient use of available resources to address the barriers which are most relevant to the target sector.

CHAPTER 2: INTERNATIONAL GOOD PRACTICE

This chapter considers how countries can target high-potential tourism markets and address the key challenges to developing the sector. It covers shaping the tourism offer to prioritise the segments with the greatest potential; protecting the natural, cultural and historical heritage that makes a destination unique; creating a supportive skills structure; improving the tourism infrastructure and facilitating travel conditions; and developing branding and communication strategies. In each case, it identifies and analyses examples of international good practice to offer lessons for the SEE region.

The tourism offer

Different tourists have different ideas about their ideal vacation and prioritise different destinations. In a word, demand is heterogeneous (Dolnicar, 2008). World tourism in niche areas, such as cruises, adventure holidays, seniors' travel, health and well-being, and cultural tourism, has increased faster over recent years than the demand for traditional holidays (OECD, 2014c). As a consequence, governments are increasingly focusing on identifying, developing and investing in experiences that emphasise the particular advantages of their destinations (OECD, 2014c).

One common policy approach is to help spread the benefits of tourism more widely in countries by active regional dispersal measures; identifying, developing and promoting new tourism centres and niche products to extend the tourism sector. Such an approach allows countries to prioritise high-potential tourism market segments and maximise their return on investment. To achieve this, governments need to understand the tourism market and identify which segments have the most potential, and then to effectively communicate with tourists, for example through better targeted branding and marketing communication campaigns (ETC, 2007).

Good practice in prioritising high-potential markets

Prioritising high-potential tourism market segments allows a travel destination to strengthen its comparative advantage by concentrating on a specific subgroup of tourists. By focusing on appropriate market segments with high potential, countries can increase the amount tourism adds to the economy and increase employment.

There are various steps involved in such a targeted approach. First, policy makers need to analyse tourism demand patterns to identify the market segments with the greatest potential. For instance, they can analyse existing domestic and regional tourism markets, or existing reports identifying the largest and fastest-growing source markets for tourists. Policy makers can also identify the activities and experiences that tourists from these target markets seek out, for instance by studying international or country-level surveys on tourist activities and preferences. Second, international good practice suggests analysing the existing tourism market to identify the local offers that match the demand patterns of the target market. Policy makers should also analyse what their main competitor markets are offering to determine what they have locally that makes them stand out (e.g. activities, infrastructure and price competitiveness). Finally,

they can prioritise the areas to be developed or improved, by ranking existing and potential offers based on development and growth potential.

A number of elements are key to making this process a success, including the involvement of different stakeholders in the identification process (e.g. local tourism firms, tour operators and travel agencies). It is also crucial to obtain the necessary political support, by involving the relevant ministries in planning and implementing priority interventions, and ensuring support from regional and central government throughout the entire project. In addition, adequate funding can be instrumental in supporting the implementation of the prioritised interventions. For segmentation to be effective, the identified market segment needs to be sustainable in that it needs to have sufficient potential to act as a continuing source of tourists for a country. This has been the case for the Spanish culinary tourism experience for instance (see Box 1).

Box 1. Prioritising culinary tourism: The Spanish experience

Food and wine are gaining ground as one of the main reasons for travelling to Spain. In 2010, of 52 million holiday makers visiting Spain, 6 million mentioned food and wine as the main reasons for their choice of destination, generating more than EUR 5.01 billion in revenue. Spain is a country with 68 000 restaurants and almost 190 000 bars. Food and wine are the second highest rated experiences in the country, with visitors rating their satisfaction 8.3 out of 10.

There are five cultural landmarks around which food and wines in modern Spain are based: the Mediterranean diet, regional diversity, the new Basque cuisine of the 1980s, the new Spanish cuisine and tapas culture. In recent years, Spain has developed a comprehensive plan to capitalise on its diverse culinary offer and attract tourists from all over the world.

The Plan for International Promotion of Eno-gastronomic Tourism was developed thanks to a close collaboration between the Ministry of Tourism and the Ministry of Environment and Rural Affairs. The total value of the plan is EUR 9 million and was adopted by the Council of Ministers on 24 July 2009. It allowed the development of the “Tasting Spain” product as well as the organisation of the first European Congress of Tourism and Gastronomy, held in Madrid in 2010.

Source: OECD (2012), *Food and the Tourism Experience: The OECD-Korea workshop*, OECD Studies on Tourism, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264171923-en>.

Preservation of natural, cultural and historical heritage

Tourism depends to a great extent on the natural or manmade attractions around which destinations are developed (OECD, 2006). As a consequence, the attractiveness of a travel destination relies heavily on its cultural and historical assets, as well as on its authentic culture and well-conserved nature (RCI, 2012). Cultural and leisure, eco/sustainable tourism, adventure tourism and agri-tourism already account for a large share of the total tourism demand today and have significant prospects for growth.

To fully meet the demand in these sectors, the relevant offer needs to be developed, which in turn depends on governments' efforts to preserve their natural and cultural heritage and develop traditional crafts and products, which are integral parts of the national heritage.

Good practice in preserving natural, cultural and historical heritage

Tourists travel to discover new natural and cultural heritage, such as monuments, artefacts and architecture. Investing in the preservation of what makes a nation unique is a way of branding a place as a unique destination, while at the same time contributing to regional development. As a consequence, preserving the natural, cultural and historical heritage can be key to increasing a country's revenue to the benefit of the local community.

To preserve the natural, cultural and historical heritage of a country, policy makers need to identify, prioritise and promote key sites with high tourism development potential. Such a process should rely on the involvement of key stakeholders, such as experts (e.g. historians, architects and archaeologists), and the tourism business community. Once key sites are identified, governments need to support the development of new tourism offers and improve existing ones, by identifying relevant problems and putting in place comprehensive action plans. In order to improve the attractiveness of what is currently on offer and foster high-quality services, state authorities need to support providers of services complementary to the tourism offers, such as hotels and restaurants. The development of key travel destinations needs to be accompanied by the development of tourism infrastructure such as information, maps and guides, as well as well-functioning transport connections. Finally, governments need targeted communication strategies to attract tourists to the prioritised sites. Such a comprehensive approach was recently undertaken in the municipality of Braila, Romania, leading to positive developments in the local tourism sector (see Box 2).

Box 2. Preservation of cultural heritage, Municipality of Braila, Romania

As part of the effort to increase international arrivals and generate jobs in the county, the Municipality of Braila developed a project to rehabilitate and preserve its historical and cultural heritage. The specific objectives of the project also included the promotion of Braila as a tourist destination for cultural and historic tourism and the integration of the tourism offer into national and international routes.

The project, named “Rehabilitation of the Historical Centre of Braila Municipality” was funded within the framework of the 2004-2006 Phare Programme, a financial instrument of the pre-accession strategy for the Central and Eastern European countries which had applied for membership to the European Union. The total budget of the project amounted to EUR 8.1 million.

The project was implemented under the guidance of the Braila County Council and the Braila Municipality. The main achievements included the restructuring of monuments and buildings and the improvement of roads in the historical centre of Braila.

As a result of the project, the number of tourists to Braila increased by 38% between 2008 and 2009 and the project contributed to the creation of 145 permanent jobs in the county's tourism sector and attracted more than EUR 4 million in private investment.

Source: Culturepolis (2012), *Report on Best Practice for Cultural Heritage Management*, South East Europe Transnational Cooperation Programme, www.southeast-europe.net/document.cmt?id=613; and interviews conducted by the OECD with Braila municipality county representatives.

Good practice in supporting the preservation and development of traditional crafts and products

Traditional crafts and products, cultural events, architecture, design, creative activities and intangible heritage (e.g. oral traditions and expressions, social practices and performing arts) are part of a country's cultural heritage. They are core elements of the image of a travel destination, and can contribute to increasing tourism demand by providing tourists with an experience they cannot find anywhere else. Tourists increasingly visit destinations to experience the lifestyles, everyday culture and customs of the people they visit (OECD, 2008). For instance, according to a study recently carried out by the World Food Travel Association, food is central to deciding vacation destinations for almost one-third of American travellers, and 61% of survey respondents stated that they are somewhat/very interested in taking a trip to engage in culinary or wine-related activities (WFTA, 2013). Therefore, preserving and developing traditional crafts

and products can allow countries to gain additional revenues from tourism and provide crucial inputs to the local economy (Richards, 1999). Importantly, tourism can support the crafts themselves, guaranteeing demand for related products and contributing to the continued development of local traditions.

Governments can foster the preservation and development of traditional crafts and products in a number of ways. A first step could be the development of a comprehensive database of traditional crafts and products with support from key stakeholders such as historians, ethnologists and sociologists. Second, based on a thorough analysis of the potential of the traditional crafts and products of the tourism market, governments should focus on supporting the development of new projects in identified craft tourism niche markets. Steps could also include continued training in traditional crafts and techniques based on an assessment of needs and resulting skills-development programmes. A comprehensive approach to traditional crafts preservation, jointly undertaken by Croatia and Slovenia in recent years, is a welcome step, which may yield useful lessons for policy makers from the region (see Box 3).

Box 3. CRAFTATTRACT, an example of traditional craft preservation in South East Europe

“Traditional Crafts as a New Attraction for Cultural Tourism” was a project implemented on the border between Croatia and Slovenia, in order to encourage the preservation of traditional crafts and products. With the financial support of the EU Neighbourhood Programme, the project was carried out by the Museums of Hrvatsko Zagorje and Slovenian partners, which already had a background in promoting the cultural heritage in the region.

The project involved a large pool of experts from the region to foster cultural and historical heritage as a key promoter of tourism development and craft preservation, gaining national and international recognition. The main objectives of the project were the establishment of a database of crafts and skills from the region and the creation of new touristic activities at the border, all while creating business networks. The establishment of two centres for co-ordinating and collaboration with the expert work in each country was one of the key success factors of the project.

As a result, the information collected in the database throughout the project allowed for a strengths, weaknesses, opportunities and threats (SWOT) analysis of the potential of the craft tourism niche in the cross-border region, which was useful for new projects as well. A number of workshops, exhibitions and conferences organised around the topic of traditional crafts and skills helped the promotion of craftspeople and enabled a comparative view on the two cultures involved. The project was presented at two main fairs, in Zagreb and Ptuj, while a dedicated website has also been created, along with promotional DVDs in several languages. One of the main outcomes of the project was the expert group meeting which brought together about 80 experts from both sides of the border, to discuss and decide on priorities for the sector, such as legal regulations, education and development potential. As a further outcome of the project, the Ministry of Culture of Croatia selected a few elements for the United Nations Educational Scientific and Cultural Organization’s (UNESCO) intangible heritage list.

However, the monitoring of the project emphasised the difficulty of collaborating with the tourism industry. More incentives could be provided to the private sector in order to encourage small and medium-sized enterprises (SMEs) and different stakeholders from the private sector to actively participate in such projects.

Source: CRAFTATTRACT (n.d.) CRAFTATTRACT website, www.craftattract.com/.

Supportive structures for skills development

Developing the right skills in the tourism sector can allow countries to gain a competitive advantage by offering a higher-quality product. Tourism is a highly labour intensive service sector and needs a comprehensive pool of employee skills to keep pace with market developments. Advanced skills are especially important when developing high-value specialised market segments.

Governments can support the development of the skills needed in the tourism workforce through a number of measures. These include initiatives to foster innovation and entrepreneurial skills (e.g. management knowledge, strategic planning and marketing capacity) as well as measures to support relevant employee skills (e.g. improving training systems, developing skills matching systems and providing employers in the tourism sector with incentives to train employees).

Good practice in supporting innovation and entrepreneurial skills

The tourism sector is subject to constant change (ILO, 2010). On the demand side, worldwide tourism has recently witnessed substantial diversification of tourists' motivations and requirements (Manente, 2008). Governments can use different initiatives to support innovation and entrepreneurship in the tourism sector in order to support market actors to adapt and target different segments through tailored offers. First and foremost, governments can improve the efficiency and effectiveness of the education and training systems to support entrepreneurial capacity and innovative thinking. Measures to achieve this include high-quality workplace learning, involving the business sector in education and training, as well as tourism-specific workforce strategies. Such approaches have been institutionalised in Canada, Slovenia and Denmark (see Box 4) for example, where training curricula stem from collaborative efforts of experts from tourism and academia to close the skills gap and boost the growth of the industry.

Box 4. Denmark – Experiences Academy for continuous training

The new tourism growth plan in Denmark aims to raise the overall quality of Danish tourism, including improving workforce skills to support better quality tourism services and experiences. The Experiences Academy (*Oplevelsernes Academy* in Danish) brings together educational institutions and the tourism sector to raise awareness and develop educational options for the industry. Courses and short study programmes develop staff and management skills in areas such as hospitality, marketing, digitisation and languages. Its programmes adapt continuously to emerging needs and priorities in the sector. Programmes are flexible in design, delivery and location, and they are based on participants' demands and preferences. Delivery mechanisms include webinars, online tools and face-to-face training.

The Experiences Academy has developed a destination-based approach, offering continuing education and tailor-made training in the region of Southern Denmark. Funded by the Growth Forum for Southern Denmark and the European Social Fund, training services are developed in collaboration with one or more tour operators, trade organisations and large and small tourism businesses. Co-operation with education institutions ensures that programmes meet industry requirements. The Academy has focused on professionalising the tourism value chain, with courses and training programmes at different levels, as well as mapping business competences. The project has facilitated communication between small and micro-enterprises and educational institutions and programmes have targeted different branches of the tourism sector, while a thematic angle has also proven successful, for example destination development learning programmes and leadership education.

From the beginning of the project, the number of tourism businesses participating in the Experiences Academy's continuing education programmes has increased significantly. Over 13 400 training days, the number of courses and learning programmes implemented is reported to exceed 500. Altogether, 7 000 participants from 473 partners have undertaken a course run by the Academy. Formal education courses on offer to tourism sector actors are now more relevant than in 2010. Continuous contact with the national tourism organisations as well as with industry organisations have proved decisive in improving the relevance and popularity of the programme.

Source: Stacey, J. (2015), "Supporting quality jobs in tourism", *OECD Tourism Papers*, No. 2015/02, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5js4rv0g7szz-en>.

Policy makers can also support innovation in the tourism sector through initiatives aiming to reduce costs with considerable impact on the industry, such as the use of information and communications technology (ICT), and through financial incentives for the private sector. For instance, tax relief is often found to provide a stronger stimulus to business research and development (R&D) than direct government support. Other measures may include financial support for annual or bi-annual awards dedicated to best practices, product innovation

workshops, or government subsidies for innovation. Such measures have been implemented in Austria for instance (see Box 5).

Box 5. Austria: Innovations Million subsidy

Starting from 2012, a strong focus has been put on supporting innovation in the tourism sector in Austria through a number of measures. These include Innovations Million, a subsidy supporting innovative flagship tourism projects based on stakeholder co-operation. For this particular initiative, the ministry and the Länder, provided EUR 1 million a year. The selection of projects follows a call for proposals, which is then evaluated by a jury of experts. Through the programme seven projects were awarded funding in 2012, on subjects such as product development and distribution. The funding programmes expired in December 2013, and an evaluation report has been carried out in order to design new guidelines for the tourism funding programmes at the national level.

Source: OECD (2014c), *OECD Tourism Trends and Policies 2014*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/tour-2014-en>.

Good practice in supporting relevant employee skills

Education and training systems, complemented by initiatives to improve the match between skills and needs in the tourism industry, are important for high-quality tourism. Governments can support the development of relevant employee skills in the tourism sector through various measures. Initiatives carried out in co-operation with relevant stakeholders need to focus on identifying which skills are lacking in the tourism workforce and which might be needed in the future. Efforts to match the skills supply and demand could involve the establishment of sectoral skills councils and dedicated matching platforms.

Australia and Slovenia, for example, are addressing skills gaps by creating skills councils, bringing together social partners, academia and private training providers (see Box 6). Skills councils can have a number of functions such as assessing employees' skills needs and identifying and implementing good practice for employee training. Such initiatives enhance employer awareness of the benefits of training and increase readiness for collaboration in addressing skills gaps.

Box 6. A collaborative approach to addressing the skills gap in the tourism sector: The case of Slovenia

As part of its new Tourism Development Strategy, 2012 to 2016 – Partnership for Sustainable Slovenian Tourism – the Slovenian Tourism Administration, in partnership with the relevant Chambers of Commerce, the National Institute of Vocational Education and Training and the Training and Employment Service of Slovenia, have organised workshops, seminars, media campaigns and ad hoc labour exchanges to address the skills gap in the workforce. One of the policy measures is the creation of a public-private system for gaining practical experience and training by selected employers through subsidising scholarships given to the students by private companies. The Tourism Administration also initiated the establishment of a “schools hotels” network where pupils can obtain practical experience. To support human resource development, an expert working group has been established including representatives from the Ministry of Labour and Social Affairs and Economic Development and Technology and the trades unions.

Source: OECD (2014c), *OECD Tourism Trends and Policies 2014*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/tour-2014-en>.

Setting up digital skills-matching platforms with labour agencies provides improved information and guidance on the jobs available and the skills needed, benefiting businesses, the unemployed and governments alike. For example, the German Labour Agency created a virtual labour market project called JobBorse as a common platform (GHK, 2011). The resulting platform is the biggest e-government solution in Europe, based on a central, nationwide comprehensive database involving all stakeholders. To ensure that the list of skills is as complete as possible and to ensure effective matching, the portal divides skills into six categories: professional knowledge and skills, language skills, personal strengths, licences and authorisations, management skills and driving licences. As a result, JobBorse is now the most visited job board in Germany, with up to 1.1 million users per day, 19 million page views per day, and with 36.2 million job matches per month.

Finally, governments can support the development of relevant skills in the tourism sector by providing employers with financial incentives. These include cash grants and subsidies for employee training and sector-specific training need analyses. Tax incentives for employer-provided training could also be considered. This is a widespread practice used by 15 EU member countries (Cedefop, 2009) and 23 US states (Hollenbeck, 2008). Several countries have recently started to introduce voucher programmes to foster adult education. Training vouchers offer the dual advantage of increasing demand for adult

education by reducing its direct cost, and enhancing individuals' ability to exercise a choice in the labour market (Schwerdt et al., 2011).

Lithuania offers a relevant example of tax incentives for employee training, for both formal and non-formal vocational education and training (VET) (Cedefop, 2009). Since 2008, up to 25% of training-related expenditure can be deducted from annual individual tax returns. Furthermore, the Law on Corporate Income Tax, in place since 2005, allows deductions for employees' continuing training courses if they are linked to their present occupation. The Labour Code sets out training leave conditions for employees who participate in a VET programme. They may be determined in collective agreements or by agreement of the parties. Enterprises and organisations may finance VET through the grant scheme under the human resources development operational programme (ŽIPVP). A similar measure exists for civil servants. Moreover, from 2008 to 2012, the Ministry of Agriculture implemented a EUR 8.8 million project to shift the rural workforce out of agriculture and into other sectors. Workers were offered the opportunity to change their field of activity and qualification and participate in formal or non-formal VET not related to agriculture.

Tourism and travel facilitation

International tourism demand has been shown to be highly dependent on the ease of reaching the destination, crossing borders and entering other countries (OECD, 2014c). Access infrastructure, safety and security, and customs procedures are some of the issues that can affect ease of travel (OECD, 2014c). Facilitating travel to and within a country, in particular to tourist sites, is an essential element of a destination's overall competitiveness.

Tourism and travel facilitation aims to reduce impediments and make travel simple and straightforward (OECD, 2014c). This involves a broad range of government policies. Sound air and ground transport infrastructure (e.g. roads, railways and airports) can encourage tourists to choose one destination over another as can streamlining and optimising visa procedures within existing policy frameworks (OECD, 2014c).

Good practice in improving the tourism infrastructure

A country's accessibility and connectivity are important determinants of a travel destination's competitiveness (Dupeyras and MacCallum, 2013) and its transport infrastructure is thus an integral part of the tourism offer (Seetanah et al., 2011). Improved road infrastructure allows tourists access to all parts of the country, while good airports provide them with a comfortable transition in and

out of the country. Furthermore, a functional transportation network plays an important role in how a destination develops, by influencing the mobility of visitors and the connectivity of tourists' experiences within destinations (OECD/ITF, 2015). Well-developed tourism and transport infrastructure can also reduce the cost of transport and increase the value of the tourist experience (Khadaroo and Seetanah, 2008).

Governments can enhance the tourism and transport infrastructure through a number of measures. These include better-quality roads and improved road safety thanks to median strips, more overtaking lanes, wider road shoulders and improved signage. Greater co-operation among national governments, regions and municipalities to finance common infrastructure projects can help strengthen the infrastructure for both summer and off-season tourism. This was the case in Bulgaria (see Box 7). Public-private partnerships (PPPs) as well as innovative approaches to infrastructure financing (such as infrastructure bonds) can be instrumental in improving the infrastructure of a travel destination. Increasing mobility via public transport to, from and within tourism regions can contribute to improving regional connections and foster regional tourism more broadly.

Box 7. Supporting sustainable mobility in the coastal area of Bulgaria

The European Commission engaged in the Sustainable Mobility for Tourism and Recreation (STREAM) project in 2006 to improve the quality of tourism through better transport infrastructure and opportunities for recreational activities, while increasing awareness of green mobility.

Within the framework of STREAM, the Union of Bulgarian Black Sea Local Authorities, an independent non-profit organisation, established tourism packages linking coastal areas with high tourism demand with areas with less-developed tourism sectors. They developed the infrastructure supporting special tourist packages for day trips around three protected natural areas around the beach. These trails can be used for walking, cycling or travelling on the traditional salt train. Each ecological trail is also used to show off the natural diversity of the country, such as its native species, as well as the property of its products, such as the healing potential of mud and brine.

Two key factors contributed to the success of the project, namely broad stakeholder involvement and a strong promotion campaign. For instance, municipal spatial planning and transport experts, the tourism sector and local citizens were involved both in the planning and implementation of the project. Public hearings and press conferences mobilised broad engagement. Information packages were distributed to tour operators, agencies and hotels, containing brochures on the trails, transport options, road maps, and flyers promoting sustainable mobility in the region. Finally, project resumes and a website (www.ubbsla.org/stream) helped create broad awareness and engagement.

Source: European Commission (n.d.), "Sustainable tourism and recreation as an opportunity to promote alternative mobility (STREAM)", European Commission website, <https://ec.europa.eu/energy/intelligent/projects/en/projects/stream#results> (accessed August 2015); and STREAM (2009), STREAM website, www.iee-stream.com/.

Good practice in creating more favourable visa conditions for target tourist markets

Visa requirements strongly influence international tourism arrivals (UNWTO, 2013). While intended to ensure security and generate revenues, visas may act as an impediment to tourism, mainly due to requirements and procedures for obtaining them (OECD, 2014c). Enabling people to travel more freely can allow countries to attract more visitors and capitalise on business opportunities in a changing global market place (OECD, 2014c). As a consequence, world tourism has recently witnessed a shift towards more lenient visa regimes designed to increase international tourism (UNWTO, 2013).

Governments can use a number of measures to create a more favourable visa regime for tourists. For instance, they can facilitate the process of obtaining

a visa by setting up e-visa programmes and streamlining documentation and interview requirements and through accelerated administrative procedures (see Box 8) (OECD, 2014c). They can also ease visa conditions and introduce other forms of travel authorisation, such as acceptance of trusted documents from other countries (OECD, 2014c). Clear information about visa requirements, processes and timelines can encourage tourists to choose one destination over another (UNWTO, 2013). Effective visa information systems among and within governments and user-friendly and multilingual websites to deliver information can be particularly helpful in this respect. Governments can also facilitate the stay of tourists in a country by extending the validity of all or of certain types of visas, such as for visitors from targeted countries of origin or neighbouring countries. Regional agreements can also facilitate the free flow of tourists, lower the cost of visas for multiple destinations and encourage tourists to travel across a broader region (UNWTO, 2012). According to the UNWTO (2014a), open visa regimes are becoming more common among emerging economies.

Box 8. Travel facilitation in Poland

Poland started an initiative in 2009 to facilitate tourist visas from target source markets using eVouchers, or electronic visas. The eVoucher scheme seeks to simplify and speed up the tourist visa application process, as well as improve customer service and increase the attractiveness of tourism offers by Polish travel agencies. Vouchers confirming the tourist purpose of a visit to Poland may currently be issued by 129 certified travel agencies and tour operators who meet certain conditions set out in a joint declaration signed between the Minister of Foreign Affairs and the Polish Chamber of Tourism. Certified travel agencies are entitled to access the electronic voucher system and issue the eVouchers, which will be attached to the visa application, thereby accelerating the visa issuing process. The eVouchers are recognised by Polish consular bodies and replace the need for proofs such as hotel bookings and payments, as well as certificates of employment and listings of financial means.

Following the introduction of the eVoucher scheme, Poland recorded double-digit year-on-year growth in tourist arrivals from Ukraine (22%), Belarus (33%) and the Russian Federation (34%) in 2012, significantly more than the overall increase in tourist arrivals to Poland (11% increase).

Source : Stacey, J. (2015), "Supporting quality jobs in tourism", *OECD Tourism Papers*, No. 2015/02, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5js4rv0q7szz-en>.

Branding tourist destinations

As global competition for tourism increases, the development of a high-quality tourism product should be followed by marketing efforts, including

branding and communication strategies. This is even more relevant if we consider that EU28 countries, North America and Asia and the Pacific together attract more than 70% of the world's tourists, which leaves the rest of the world to compete for the remaining 30% (UNWTO, 2014b).

A brand can be defined as “a name, term, sign, symbol, or design, or combination of them, which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors” (Keller, 1993). For instance, branding and communication strategies provide tourists with assurance on the quality of a destination and reduce visitor search costs, while offering destinations a tool to establish a unique selling proposition (Konecnik Ruzzier and Gartner, 2007). Tourism branding can take place at sub-national, national and regional levels. A sub-national branding strategy can help an economy to promote its regional specialities and foster the growth of relatively underdeveloped regions. A national tourist brand can foster the growth potential of domestic and foreign tourist markets (Iordache, 2014), while a regional brand can build international recognition of a wider region as tourist destination. Regional tourism branding could encompass different authentic products, such as a common cultural and historical heritage, or food and beverage products.

Good practice in developing a branding and communication strategy

International good practice suggests that an effective branding and communication strategy should follow a well-structured and comprehensive action plan. First, the target markets' needs are identified and analysed and suitable offers selected to match the demand. Second, the brand is designed and developed according to the definition of an ideal brand positioning, tailoring the brand messages to the priority markets' segment. The use of the brand is then promoted via the appropriate communication channels (e.g. international fairs, websites, social media and brochures) and the development and implementation of a communication strategy. There could be incentives to use the brand, for instance through the provision of free communication materials and services for businesses using it.

Key success factors in this process include the establishment of a multi-stakeholder process to identify key challenges and develop the action plan, securing adequate financing for planned activities, and creative engagement of civil society. The experience of the Baltic states offers an example of a comprehensive joint branding and communication strategy (see Box 9).

Box 9. Successful regional branding: The Baltic states

In June 2002, the governments of the Republic of Latvia, Estonia and Lithuania signed a co-operation agreement in the field of tourism. The main goals of the agreement were the following:

- Support tourist flow within Baltic states.
- Foster co-operation between national tourism administrations and organisations, legal and private entities.
- Support the development of skills in the tourism sector.
- Develop a common branding and communication activity to promote the Baltic states as a tourist destination.

Accordingly, the Baltic states co-operated, both financially and non-financially, to promote the area as a tourist destination for both short and long-haul tourism, as well as developing common regional products and removing barriers to regional tourism. To do so, they established a Joint Tourism Committee to implement a joint work programme, annual work plan and common projects in the field of tourism. The committee meets quarterly.

Joint marketing activities include the development of brochures (e.g. Baltic Travel Journal) and maps (Baltic camping map, Baltic tourist map) available in multiple languages, as well as presentations, workshops and press conferences to promote the region as a tourist destination.

Source: Ministry of Economics of the Republic of Latvia (2014), "International cooperation", Ministry of Economics of the Republic of Latvia website, www.em.gov.lv/en/sectoral_policy/tourism/international_cooperation/ (accessed August 2015).

Good practice in digital communication for tourism

Awareness, accessibility and visibility are crucial when it comes to attracting tourists. The 2010 European Commission political framework for tourism in Europe underlines the importance of ICT in boosting tourism competitiveness and fostering interaction between customers and the industry. On the one hand, ICT represents an opportunity for businesses to promote and strengthen their operations. On the other, it allows consumers to customise and identify the best travelling option for them, benefiting from real-time information.

Virtual Bulgaria uses interactive multimedia to offer comprehensive information about Bulgarian culture, history, destinations and hotels (Virtual Bulgaria, 2015). The portal increased the visibility of the country as a tourist destination, by promoting local destinations and niche markets around the country. The project was developed jointly by the Ministry of Education and

Science of Bulgaria, Trud Publishing House and Senzor-S Ltd, a multimedia design firm. Representatives of tourist businesses and experts from academia were also involved in the project. The maintenance of the website is financed by advertisements, making it a cost-efficient initiative. It functions as a user-friendly portal containing more than 183 pages with useful information about the country, including videos, virtual shops, music, 3-dimensional panoramas and images. Information about sites and roads across the country is systematically updated to facilitate tourists' travel plans. The diversity of Virtual Bulgaria, encompassing education, culture, tourism and services, was a critical ingredient of its success.

CHAPTER 3: POLICY OPTIONS

This chapter provides specific policy options for fostering growth in high-potential tourism market segments in South East Europe. The policy options are structured around four policy areas: 1) shaping the tourism offer to target high-potential markets and preserve and develop what makes the region unique; 2) creating a supportive skills structure for both entrepreneurial skills and employees; 3) improving travel into and within the region, including “soft” infrastructure such as visa regimes; and 4) branding and communication strategies.

The tourism offer

Economies in South East Europe could generate economic growth and development by capitalising on their rich and unique regional tourism offering. They could prioritise a targeted approach focusing on high-potential tourism market segments, using, for instance, action plans for natural and cultural tourism.

Prioritising high-potential tourism

Policy makers could consider prioritising the tourism offers with the greatest potential to attract a larger number of tourists to the region. OECD research shows that high-potential tourism market segments in the region include natural and cultural tourism, culinary or wine tourism, adventure and experience-based tourism, and conference tourism (TEG, 2014b). A number of specific policy measures could foster tourism in the identified high-potential market segments.

First, SEE economies could identify the tourism offers to be further developed within each segment by analysing tourism demand, for example through surveys on tourist activities and preferences, and comparing the existing offers against these demand patterns. Second, policy makers could determine key interventions, such as development support for tours or restoration services, and identify the actions needed to address the main barriers in the key priority segments. This would allow governments to define and plan their support to improve the tourism offer. Finally, SEE economies could support branding and communication strategies for different activities and appropriate communication channels. Finding synergies between public and private operators in the sector will be as instrumental as relevant market research in targeting high-potential segments. High-growth niche activities could be supported through national tourism portal websites and participation at international events. Start-up financing is also important, and SEE governments could consider supporting tourism private businesses in attracting certain visitor groups such as students for adventure and experience-based tourism. Finally, improving transport infrastructure could be instrumental in fostering high-potential tourism.

Supporting the preservation of natural, cultural and historical monuments

SEE economies have successfully completed the Ljubljana Process II, developing common approaches to rehabilitate their regional cultural heritage. However, the preservation of natural and cultural monuments could still be

improved. For instance, measures to rehabilitate the regional cultural heritage are predominantly part of general culture or tourism strategies and do not necessarily cover all areas of cultural tourism, or define the roles of the institutions implementing the actions. More strategic approaches towards natural and cultural tourism could be particularly relevant for the region.

SEE economies could consider a comprehensive approach to cultural tourism through national action plans and strategies and systems to collect baseline statistics on natural and cultural heritage. An implementation body or unit responsible for clear, measurable and time-bound plans could co-ordinate preservation efforts within existing legal frameworks. A dedicated task force could map local heritage and analyse the economic impact and potential of natural and cultural tourism in the region.

SEE economies would also benefit from public-private co-operation on strategic planning in cultural tourism. The preparation and implementation of cultural tourism action plans should thus involve industry actors and professional associations to identify initiatives, budgets, timelines and responsible actors. The participation of the private sector would provide additional support and financing for such initiatives.

In addition, SEE economies could consider more innovative steps to promote the preservation of natural, cultural and historical monuments, such as programmes to mobilise scouts and other youth organisations to protect and preserve the regional heritage. Such programmes could use awards or certificates to recognise scouts and non-scouts who successfully complete the programme. Similar initiatives have recently been supported by UNESCO for instance, through the Scouts of the World Award Programme (World Organization of the Scout Movement, 2015). Technology could also be used to enhance the value of regional natural and cultural heritage. Such devices could include audio guides in museums, augmented reality technologies enabling visitors to digitally interact with natural and cultural attractions via their smartphones and tablets, and projection mapping technologies to display pictures and videos on the facades of museums and monuments.

Promoting and sustaining traditional crafts production practices

SEE economies could provide tourists with a unique and authentic offer by capitalising on the potential of their local traditional crafts and products. Examples include the revival and promotion of traditional recipes and local products to foster culinary tourism in the region. Developing a collaborative approach, by involving the private sector, the education and training system, and

regional specialists (e.g. historians, sociologists and ethnologists), would allow SEE economies to identify and prioritise traditional crafts and products with the highest potential to foster tourism in the region. Policy makers could then support tour operators in elaborating and marketing activities to tourists. SEE economies could also consider initiatives to promote and inform tourists about traditional crafts and products. Initiatives might include promotion campaigns about traditional crafts and products in the appropriate communication channels. For instance, culinary tourism could be promoted in culinary magazines or TV shows.

Skills development

After shaping the tourism offer by prioritising high-potential tourism market segments, it is crucial for policy makers to focus on supporting the development of the right skills in the workforce. Evidence suggests that skills gaps are larger in the SEE region than in the Baltic states or Central Europe (IMF, 2015). Skill mismatches have become more prominent across SEE in the aftermath of the global financial crisis, while SEE economies find it harder than the new member states of the European Union to retain and attract talent, which, in turn, contributes to shortages of skilled individuals (IMF, 2015).

Developing innovative thinking and entrepreneurial capacity, as well as improving education and training, will be crucial to further improving the quality of the tourism offer and increase the value added by the sector.

Fostering innovation and entrepreneurial skills

Co-operation between academia, the private sector and governments creates useful synergies in fostering innovation and entrepreneurial skills in the tourism sector. Co-ordination across these three spheres can help to better identify and address the main constraints to innovation in the tourism sector. SEE governments could consider a range of policy instruments to support collaboration between businesses and academia such as innovation vouchers, technology transfer offices, and business and technology incubators. Beyond these support measures, they can build incentives into national or institutional legislation to encourage mobility between businesses and academia, or the commercialisation of technology useful for the tourism industry.

SEE governments could also consider adopting measures to support tourism firms developing innovative practices and entrepreneurial skills, such as direct and indirect incentive schemes for research and development (R&D). Direct incentives include innovation vouchers (small grants for businesses to

engage with researchers on product or process development), grants (e.g. matching, research or collaborative grants) and loan guarantee schemes where the government covers or shares part of the risk associated with an investment in innovation, encouraging private investors to provide finance for R&D. Within these measures, SEE economies could support research excellence through merit-based, internationally peer-reviewed competitive grant schemes for R&D. The grants would need to provide adequate funding and the selection criteria should encourage international scientific collaboration as well as joint business-academia activities. SEE governments could also consider indirect incentives for innovation, namely tax incentives. These can take various forms, such as R&D tax allowances, volume-based R&D tax credits and incremental R&D tax credits. Such schemes can be used to target specific firms in the tourism sector, such as SMEs. Measures would need to be carefully designed, adequately financed and regularly monitored and evaluated, with an emphasis on the quality and transparency of the selection process.

Developing relevant employee skills

High-quality education institutions and strong co-operation with employers and other stakeholders are crucial to ensure that young people in SEE are well prepared for the labour market. On leaving education, young people should have developed a broad range of skills and ideally acquired initial labour-market experience (OECD, 2015).

Efficient and effective workforce training can help improve business performance and local economic development. The limited levels of appropriate skills taught in many vocational schools represent a critical problem in the SEE region (ETF, 2014c), leading to a mismatch between the skills and competences taught in schools and those needed in the labour market. This is in part due to outdated curricula and a lack of appropriate resources and equipment. In order to tackle this issue, SEE economies could consider a number of specific policy measures. A collaborative approach between the private and public sector would help to ensure that education and training provide students with the skills they need in the tourism sector. For instance, SEE economies could consider involving tourism companies in the development of higher education curricula and technical education programs. In addition, SEE policy makers could establish tourism skills councils to discuss skills needs and good practices for employee training. These councils could function as a bridge between labour demand and supply, identifying industry-specific skills needs and training opportunities (ETF, 2013b). Various stakeholders should be involved when setting up a skills council and defining its mandate, including national chambers of commerce, vocational training institutions, trade unions and universities.

Skills councils could conduct sector analysis (e.g. on the scope of the tourism sector, on economic trends and workforce demographics), skills gap analysis (both current and projected), and design and implement programmes to bridge the skills gap in the tourism workforce (e.g. by fostering co-operation between firms and VET providers).

Systems to facilitate matches between the supply and demand for skills in the tourism labour market could be further developed. The emphasis needs to be on assessing and anticipating the need for skills, for example through forecasts of future needs by independent and public institutions (domestic, regional or international). The results could serve to help develop specific measures to better match skills and business needs and adapt education systems.

In addition, SEE economies could take steps to establish career guidance services at all education levels in order to help young people make informed decisions about the field of study they might like to specialise in. Good-quality career guidance informs students about the various pathways through the education system, including vocational education. Career guidance could support the effective transition of students to the workplace, by involving employers in the provision of work-related learning opportunities, and contributes to ensuring that graduates' skills are well used.

Finally, policy makers could consider measures to support the provision of training in the tourism sector based on financial incentives to businesses for employee training. These could take the form of vouchers, tax breaks for training or mandatory spending, requiring businesses to spend a minimum amount on training. For financial incentives to be effective, it is crucial that policy makers design and implement a comprehensive action plan. The design of any scheme should include clear objectives, the value of the scheme and eligibility criteria. It will need a clear governance structure, identifying the actors responsible for implementing the scheme (e.g. the economy ministry or regional development authorities). In the case of training vouchers, a pilot project would be useful to assess the impact of the measure and adjust the design of the scheme as necessary. Finally, awareness raising (e.g. through government websites and official gazettes) should be followed by implementation and monitoring of the scheme. Other measures include support for training business trainers (e.g. financing foreign experts to provide training for local trainers, sending trainers for training abroad), and the development of employer and employee training materials (e.g. learning manuals and online tutorials for key skills).

Easing travel into and within the region

SEE economies need to ensure that tourist destinations are easily accessible and that tourists can safely travel within the region. This will require further steps to support the development and maintenance of transportation systems. Easing visa requirements, for instance by considering regional or bilateral agreements to allow tourists to easily travel across the region, could also encourage tourists to visit SEE.

Improving tourism infrastructure

SEE economies could consider advancing the modernisation of their tourism infrastructure, both hard (e.g. roads, railways, airports) and soft (e.g. travel websites). Both components are instrumental in fostering domestic and regional tourism, by providing tourists with an assurance of safety, improving their mobility and making it easy for them to look for information on regional connections.

Positive steps have been taken to improve road safety in the region. For instance, most SEE economies have adopted coherent road safety strategies. However, the number of injuries on the roads is still comparatively high in the region and there is scope for improvement. To improve road safety, SEE economies could further advance the implementation of their road safety strategies and ensure that enforcement mechanisms are in place.

SEE economies could also advance the modernisation and efficiency of their existing infrastructure. Although the diversification and extension of transport networks are generally seen as important for competitiveness, most of the necessary infrastructure already exists in the region. Economies could focus on the development of priority infrastructure identified by the South East Europe Transport Observatory (SEETO) (SEETO, 2011). The maintenance of existing infrastructure could be improved by focusing on performance-based terms for maintenance contracts to ensure improved quality and lifecycle costs. SEE economies could also promote long-term strategic thinking and planning on transport infrastructure projects and undertake cost-benefit analysis to prioritise new projects. Finally, efficient inland waterways, rail freight and modern multi-modal transportation would make the regional transport network more attractive for the flow of goods and passengers.

A number of measures could further facilitate air transport in SEE and promote competition in regional and international flights to the region. One measure could focus on facilitating the further development of low-cost carrier

(LCC) routes to the region, especially to destinations away from the coast. Factors affecting LCCs' choice of destination include comparatively low airport fees and quick and efficient operating conditions (e.g. turnaround facilities and time). SEE economies could therefore evaluate the need and potential benefits of taking steps in these areas. They could also facilitate access to airports by developing bus transportation from cities to airports. Finally, those SEE economies subsidising low-cost air tickets could consider undertaking a cost-benefit analysis to evaluate the impact of this measure.

Making travel information more available and accessible, for instance on regional bus routes, is important for the geographical diversification of tourism. SEE economies could consider developing websites providing information on regional bus, train and air routes. A good example of such practice exists in Croatia, where the website Putovnica provides information on air, bus and train routes to Croatia from neighbouring economies, both from SEE and the EU (Putovnica, 2015). Such websites could be further developed in the region to foster regional diversification and support the development of unexploited travel destinations (e.g. non-coastal areas). It is important to ensure that the information is provided in English and that tourists are able to buy tickets for buses, trains and other regional routes online.

Creating more favourable visa conditions

Tourists do take visa procedures into account when choosing one destination over another. Easy and straightforward procedures can facilitate tourist travel, contributing to increased tourism demand and economic development. Research shows that facilitating visa regimes could increase tourism revenues and create jobs: across all G20 economies, for example, visa facilitation could yield an additional USD 206 billion in revenues and create more than 5.1 million jobs in tourism (UNWTO, 2013).

SEE economies have taken steps to establish fairly favourable visa regimes for tourists. In recent years, all SEE economies except for Kosovo have joined the EU visa-free regime (European Commission, 2015). The Former Yugoslav Republic of Macedonia, Montenegro and Serbia joined the regime in December 2009, while Albania and Bosnia and Herzegovina joined it in November 2010. As a result, citizens of EU member countries and Schengen signatory countries have the right to freely enter these economies with a valid ID card.

However, visa regimes could be further improved in some areas, such as joint approaches to visa regimes. Tourists with a visa for one SEE economy are not automatically allowed to enter other SEE economies. Bilateral agreements

could facilitate the free movement of people in the region. Improving the quality and availability of information about visa requirements and processes on governmental websites, in a wider number of languages, might encourage more tourists to choose the region. SEE economies could also establish e-visa programmes and introduce procedures to issue visas on arrival, especially from high-potential destinations. Finally, SEE economies could consider differentiated treatment to facilitate the visa process for certain types of visitors, such as cruise passengers.

Branding and communication strategies

An effective branding and communication strategy could allow the SEE region or individual economies to position themselves in the best possible way by boosting their international recognition. SEE national tourism bodies and ministries could consider a comprehensive regional branding and communication strategy. Based on international good practice, the OECD has developed an action plan for developing a regional brand, which could be useful to SEE economies (TEG, 2015), as outlined in Chapter 2. The action plan could be implemented under the auspices of a regional tourism committee, involving actors from the tourism sectors of all the SEE economies. A regional effort would allow economies to capitalise on potential synergies. For instance, a regional branding and communication strategy could further support the tourist flow to the SEE region, thereby increasing total demand. Policy makers could agree on a common vision and recognise mutual benefits from regional co-operation, as well as ensuring stable funding for any potential collaboration.

CHAPTER 4: ECONOMY PROFILES AND POLICY OPTIONS

This chapter provides snapshots of the tourism sector in each of the SEE economies, including existing initiatives to foster tourism competitiveness. They cover the economic contribution of tourism to GDP, employment, exports, and investment. Based on international and national sources, they identify key challenges to the development of the sector and provide economy-specific policy options, building on the analysis developed in this Policy Handbook.

Albania

Overview

The tourism sector accounts for a sizeable share of Albania's economy (WTTC, 2015). In 2014 travel and tourism directly contributed to 5.9% of GDP and generated 50 700 jobs. Taking account of the indirect and induced impact, tourism contributed a total of 21.0% of GDP, or USD 2.8 billion,¹ and it is forecast to grow by a further 3.5% per year between 2015 and 2025. The total contribution of tourism to employment is relatively high and it has increased over the last five years, but it remains below the pre-crisis level of 23.3% in 2007.

Albania is the SEE economy with the highest government spending on tourism as a share of total government spending. Government spending on tourism has grown over recent years to reach USD 722.4 million, reflecting increased public spending on cultural services such as museums and recreational services such as national parks. Despite projected increases in tourism's contribution to Albania's GDP, private capital investment into the sector fell from 5.2% to 4.3% of total exports between 2010 and 2014 but this decrease was lower than the SEE average.

Most international arrivals to Albania are from the rest of Europe (UNWTO, 2015b). Europe supplied more than 90% of all international arrivals in 2013, with 75% of non-resident visitors coming from Southern Europe (UNWTO, 2015c). The main source of foreign tourists is the Former Yugoslav Republic of Macedonia. However, more than 43% of the European tourists visiting Albania are Albanian citizens residing abroad. Foreign tourism demand is mainly concentrated in the summer months with 50% of visitors arriving in July and August. Long-haul tourism to Albania has increased in recent years. For instance, arrivals from North and South America grew from 62 000 in 2010 to 90 000 in 2014, and arrivals from East Asia and the Pacific grew from 11 000 to 31 000 over the same period (UNWTO, 2015b).

Personal reasons (e.g. leisure and recreation) remain by far the main purpose of travellers to Albania (UNWTO, 2015b). Business and professional travel is less developed, and accounts for 1.3% of total visits. Most tourists come to Albania by land (including railway and road), accounting for 85% of total arrivals but the number of tourists flying in has increased over time, and amounted to 337 000 in 2014. On the other hand, the use of ships and other water transport has decreased (UNWTO, 2015b).

Finally, spending by foreign travellers in Albania increased from USD 1.78 billion to USD 1.85 billion between 2010 and 2014, and is mainly linked to personal trips (UNWTO, 2015a). However, foreign travellers' spending as a share of total exports fell from 45.7% to 30.4% over the same period (WTTC, 2015).

Challenges

Areas for improvement include the upgrading of tourism infrastructure, the development of a branding and communication strategy, and the preservation and maintenance of Albania's natural and cultural heritage.

Tourism infrastructure has development potential. Although transport infrastructure has advanced over recent years, the potential for improvement remains significant. For instance, flying from Western European airports to Albania is reported to be twice as expensive as flying to Croatia or Slovenia, and the road and railway infrastructure are generally less developed than in neighbouring economies, making it time consuming for tourists to travel across Albania. The need to modernise Albania's major national motorways, railroads and airports is emphasised in the National Strategy for Development and Integration 2014-2020 (Council of Ministers of the Republic of Albania, 2013). Public transport facilities in coastal areas and in big cities could be developed further and information centres for tourists established. The use of information and communications technology (ICT) in booking systems is still at an early stage.

No comprehensive tourism development strategy has been established. Albania remains a lesser-known tourist destination outside the SEE region. The National Tourism Agency, in charge of promoting the economy abroad, could complement its current practices with systematic market research as the basis for product development and promotion. Despite recurrent promotional efforts via the media (e.g. television advertising), participation in European tourism fairs and the provision of promotional materials, Albania has not yet adopted a formal marketing plan. Such a plan could, among other things, focus on the cost-effective use of the current communication budget and more systematic use of ICT.

Investment in cultural heritage remains relatively low. Despite its natural, archaeological and historical heritage, Albania could develop its cultural tourism further, as emphasised by the *Travel and Tourism Competitiveness Report* (World Economic Forum, 2015). The authorities have recently recognised the need to foster the promotion of historical values, and included

cultural tourism as a specific product in the National Strategy for Development and Integration. Albania could now concentrate on implementing the strategy and ensuring the process is appropriately monitored. It could support the development of specialised tourism offers to help solve its seasonality issue and reach different, high-value tourist markets.

Policy options for consideration

- Attract more airlines to increase competition and lower prices. International good practice suggests that Albania could interact with airlines on a regular basis, providing them with relevant information on local airports (including types of users and key trends) and receiving feedback on any problems and their expectations. It could then follow up with relevant initiatives. Incentive programmes could encourage existing airlines to expand services and attract new ones; these might include marketing incentives (e.g. marketing grants for airlines launching or expanding services in Albania), waiving or decreasing landing and gate fees, and offering subsidised ground services (e.g. baggage handling, water tanks, lavatories and aircraft maintenance). Finally, awareness campaigns could provide potential visitors with useful information about local airports and what they offer.
- Advance the implementation of a robust tourism development strategy based on extensive market research. By analysing current demand and screening target groups, Albania could identify priority tourist attractions and identify the offers and areas which could become the focus of branding strategies. Policy makers could then further support efforts to increase the attractiveness and scope of the tourism offer through support measures such as incentive programmes for improving service quality and financial support (e.g. tax incentives and grants) of complementary services such as hotels and restaurants. It will also be important to take steps to improve transport linkages and infrastructure, for example by developing direct bus routes to neighbouring economies, and introducing road signs to alert drivers to domestic attractions. An integral part of efforts to improve the branding of Albania as a tourist destination will be targeted communication campaigns through social media and networks as well as participation in international fairs. Given the links between tourism and other economic sectors, the activities of different policy domains may affect travel and tourism and vice versa. It is therefore crucial that government bodies in charge of developing a strategic approach to tourism involve a broad range of stakeholders, including the Ministry

of Environment and Ministry of Transport and the private sector, in the development of the strategy. Finally, Albania could consider pooling resources with policy makers in other SEE economies to develop a common branding strategy and gain from synergies in the tourism sector.

- Strengthen efforts to ensure the preservation and promotion of natural and cultural endowments. Diversifying Albania's tourism offer would attract more tourists and reduce seasonality and dependence on coastal tourism, while promoting a unique image of the economy. For instance, Albania could provide support to tour operators developing and marketing new tourist routes in rural areas rich in natural and cultural resources. Albania could also consider developing a communication strategy to promote natural and cultural tourism through its national tourism website and participation in international events. Finally, Albania could further improve road infrastructure and public transport links to key natural and cultural sites, and provide relevant transport information and signage in English.

Bosnia and Herzegovina

Overview

Directly contributing to 2.5% of GDP, tourism is a relatively small sector in Bosnia and Herzegovina. If the indirect and induced impact of tourism is included, it accounts for 9.3% of GDP, or USD 1.7 billion, and is forecast to grow by 4.9% per year between 2015 and 2025 (WTTC, 2015). Although the share has been relatively stable in recent years, it has not yet returned to the pre-crisis level of 11.3% in 2007. The total number of jobs generated through tourism also fell after the economic turmoil, and in 2014 tourism accounted for 72 000 jobs (WTTC, 2015). Tourism in Bosnia and Herzegovina contributes a lower share of GDP and employment than SEE economies with access to the coast, but it makes up a higher share of GDP and employment than any of the land-locked SEE economies.

Spending on tourism amounted to 1.1% of total government spending in 2014 in Bosnia and Herzegovina, and it has increased over the last five years. Private capital investment in the tourism sector as a share of total exports has slightly decreased from 4.8% in 2007 to 4.7% in 2014. However, it is projected to gain momentum from 2015.

In 2014, international tourists accounted for more than 70% of the total tourist nights spent in Bosnia and Herzegovina (Institute for Statistics of Bosnia and Herzegovina, 2015). International arrivals to Bosnia and Herzegovina have increased over recent years, rising from 310 000 in 2010 to 529 000 in 2013 (UNWTO, 2015b). Arrivals from Europe represent a large and increasing share of total international arrivals to the economy (UNWTO, 2015b), with visitors from SEE economies making up a large share, suggesting that Bosnia and Herzegovina is not widely seen as a travel destination outside the region. The most important SEE tourist markets in 2013 were Croatia (16.4% of foreign visitors), Serbia (5.0%) and the Former Yugoslav Republic of Macedonia (1.1%) (Institute for Statistics of Bosnia and Herzegovina, 2014). Despite the predominance of European visitors, long-haul tourism has more than doubled in recent years. For instance, the number of arrivals from North and South America increased from 8 000 in 2009 to 19 000 in 2013 and arrivals from East Asia and the Pacific, including China, rose from 4 000 in 2009 to 35 000 in 2013 (UNWTO, 2015b).

Stays in hotels and similar establishments have increased over recent years (UNWTO, 2015b). The number of guests in hotels in Bosnia and Herzegovina

rose from 299 000 in 2009 to 509 000 in 2013. The number of overnight stays also increased over the same period.

Travel spending by international tourists has remained steady over recent years, amounting to USD 689 million in 2013 (UNWTO, 2015b). Spending is mainly linked to personal trips rather than business and professional trips, which remain less developed (UNWTO, 2015b). Foreign visitors' spending as a share of total exports fell from 13.5% in 2010 to 13.0% in 2014 (WTTC, 2015). This is down over the last 15 years; spending by foreign visitors was 17.0% of total exports in 2001 rising to almost 20.0% in 2007 (WTTC, 2015). These figures are lower than the share of foreign spending in Albania, Croatia and Montenegro but higher than in Serbia (6.5%) and the Former Yugoslav Republic of Macedonia (5.6%).

Challenges

A number of challenges need to be addressed to unlock the full potential of tourism in Bosnia and Herzegovina. Improving its education and training systems, strengthening the preservation of natural and cultural heritage, and further developing tourism infrastructure are among the top priorities.

The network of educational and professional institutions could be better used to upgrade tourism-related skills. For instance, little specialised research and training is available locally, due to limited links between professional schools and the tourism industry. Bosnia and Herzegovina has taken steps to further improve the business and entrepreneurial education systems, for instance by developing training curricula for managers of both big and small tourism companies but it has not yet developed harmonised training standards and curricula.

Tourism infrastructure remains a challenge in Bosnia and Herzegovina. Fiscal pressures limit infrastructure projects for both ground and air transport, and government transport budgets are moderate. The national strategy for the road network, the Transport Policy Framework, was drafted in 2013, but it has not yet been adopted by the Parliament. ICT use in the sector remains limited.

Travel and tourism prioritisation remain less developed. According to the World Economic Forum (2013), Bosnia and Herzegovina has one of the lowest scores on prioritisation and government expenditure on tourism, and on the effectiveness of marketing to attract tourists. Furthermore, despite its rich endowments, Bosnia and Herzegovina has no natural world heritage sites and

limited cultural world heritage sites. The preservation of the sites it has is lacking.

Policy options for consideration

- Further enhance co-operation between the government, academia and the private sector by establishing a tourism skills council to bridge the skills gap in tourism and enhance employer awareness about the benefits of employee training. The skills council could be initiated by a specific ministry (e.g. the education, tourism or economy ministry) or other government bodies and involve a broad range of stakeholders, including chambers of commerce, tourism associations, vocational training institutions and universities. Its activities could include sector analysis (e.g. scope of the sector, economic trends, workforce demographics) and skills gap analysis, as well as developing, implementing and monitoring programmes to bridge the skills gap in the tourism industry (e.g. by fostering co-operation between tourism firms and VET providers).
- Institutionalise incentives for private-sector investment in infrastructure projects and improve the visibility of tourism infrastructure through promotional materials easily accessible online and in tourist centres. Policy makers could consider supporting private-sector investment in infrastructure either directly (e.g. through grants and capital stakes) or indirectly (e.g. through incentives and preferential treatment). They should consider increasing the budget allocated to transport and further develop a coherent strategy for the road network.
- Take further steps to establish a tourism development strategy based on market research. Market research could be instrumental in identifying priority areas for the branding of Bosnia and Herzegovina by screening target groups' preferences and identifying matching offers. It should also foster more realistic approaches, in line with the capacities of the industry and the business community. Policy makers could further support efforts to increase the attractiveness and scope of the tourism offer. These could include incentive programmes for improving service quality as well as financial support (e.g. tax incentives and grants) for the provision of complementary services such as hotels and restaurants. Given the links of tourism to other economic sectors, the activities of different policy domains may affect travel and tourism and vice versa. It is therefore crucial that government bodies in charge of developing a

strategic approach to tourism involve a broad range of stakeholders (e.g. environment and transport ministries, and the private sector) in the development of the strategy. Finally, Bosnia and Herzegovina could consider pooling its resources with other SEE economies to develop a common branding strategy and benefit from synergies in the tourism sector.

Croatia

Overview

Directly contributing 12.5% of GDP in 2014, Croatia has the strongest tourism sector in the SEE region. In total, including indirect and induced impact, tourism accounted for 28.3% of GDP in 2014, or USD 14.1 billion, and is forecast to grow by a further 4.0% between 2015 and 2025. After a slight decline after the economic turmoil in 2008, tourism's share of GDP has returned to pre-crisis levels. Tourism's total contribution to employment is also substantial, providing 310 300 jobs in 2014.

Government spending on tourism is relatively low in Croatia, amounting to 0.2% of total government expenditure in 2014. Furthermore, spending on tourism is projected to further decrease in the upcoming years (WTTC, 2015). On the other hand, private-sector capital investment in tourism in Croatia amounted to 10.2% of total exports, the second highest proportion in the region after Montenegro, although it has slightly decreased in recent years.

The number of international arrivals increased to 11.6 million in 2014, up from 9.1 million in 2010 (UNWTO, 2015b). Croatia has an established track record as an international tourist destination and, in contrast to other SEE economies, only 3.0% of international arrivals come from the SEE region, including Bulgaria and Romania. The rest are mostly Western Europeans and North Americans. Although Europe accounts for more than 85% of total arrivals, the share of arrivals from long-haul source markets has risen in recent years. For instance, arrivals from East Asia and the Pacific have risen from 299 000 in 2010 to 823 000 in 2014 (UNWTO, 2015b).

Most tourists visiting Croatia still arrive by land (e.g. by train or car) but arrivals by air have increased in recent years (UNWTO, 2015b).

Spending by international tourists has risen, reaching USD 9.9 million in 2014, up from USD 8.1 million in 2010 (UNWTO, 2015b). Foreign tourist spending has also increased as a share of total exports, from 38.4% in 2007 to 43.7% in 2014 (WTTC, 2015). Croatia and Montenegro are the only SEE economies where foreign visitors' spending has increased since 2009. However, tourism remains linked to personal, rather than business reasons, and is concentrated on the coast, which received 84% of visitors in the last two years. Zagreb received 7% of all tourists in 2014, while mountain resorts and the rest received a total of 9%.

Finally, Croatia has a comprehensive tourism development strategy in place.

Challenges

In spite of its success as a travel destination, Croatia still has room for improvement in some areas. For instance, it could further modernise and improve its travel and tourism infrastructure, while reducing the seasonality which remains a limiting factor.

Tourism infrastructure could be further upgraded. The National Strategic Reference Framework (2013), along with data from the World Economic Forum (2013), indicates that the tourist services infrastructure could be further modernised. Few new tourist attractions such as theme parks and routes or conference centres have been built in recent years. Croatia's local water, electricity supply and waste drainage infrastructure could be improved. Furthermore, tourist resorts in the mountains and other locations catering to year-round activities are less developed, as are cycling tracks and infrastructure, such as bike lanes.

Tourism in Croatia remains highly dependent on the coastal areas. Beach tourism accounts for 84% of total international arrivals in Croatia even though its rich natural and cultural heritage offers many opportunities to expand its range. Although it has taken steps in recent years to promote cultural tourism, a destination management system could enable a better integrated and more coherent tourism offer to emerge. Other underexploited opportunities include conferences, golf, and rural and mountain tourism.

Croatia's tourist destinations are not as accessible as they could be. Together with Serbia, Croatia benefits from the highest number of low-cost flights in the region but despite a large number of airports, competition on many international routes remains rather limited, and air fares comparatively high. The National Strategy for Tourism also underlines the fact that investment in the road network and transportation system could be further enhanced.

Policy options for consideration

- Develop measures to support the modernisation of tourism infrastructure. Specifically, policy makers could consider incentives to promote increased private investments in hotels, leisure facilities and infrastructure. Croatia could also consider developing incentives for conference tourism.

- Further support the creation of a business environment conducive to diversification of product development, by establishing an extensive network of stakeholders to explore and share ideas for potential products and development opportunities. Diversification would allow Croatia to attract a greater number of tourists and reduce seasonality and dependence on coastal areas, while promoting a unique image of the economy. Taking further steps to sustain the creation of a “Made in Croatia” quality brand could also support the wider effort to highlight unique local crafts and gastronomic products. Croatia could also consider pooling resources with other SEE economies to develop a common branding strategy and gain from synergies in the tourism sector.
- Further ease flight connectivity and improve roads and public transport to key tourist sites. International good practice suggests that Croatia could interact with airlines on a regular basis providing them with relevant information on local airports (including types of users and key trends) and receiving feedback on any problems and their expectations. Incentive programmes could encourage existing airlines to expand services and attract new ones; these might include marketing incentives (e.g. marketing grants for airlines launching or expanding services in Croatia), waiving or decreasing landing and gate fees, and offering subsidised ground services (e.g. baggage handling, water tanks, lavatories and aircraft maintenance). Awareness campaigns could provide potential visitors with useful information about local airports and what they offer.

Former Yugoslav Republic of Macedonia

Overview

Directly contributing 1.4% of GDP in 2014, tourism represents a relatively small sector in the Former Yugoslav Republic of Macedonia (WTTC, 2015). Taking indirect and induced impact into account, tourism accounts for 5.2% of GDP, compared to the SEE average of 16.0%. The tourism industry generated a total of 33 100 jobs in 2014, up from 24 700 in 2010. However, in comparison to other land-locked SEE economies, the tourism industry generates relatively low levels of jobs and revenues (WTTC, 2015).

Government spending on tourism as a share of total government spending is relatively high in the Former Yugoslav Republic of Macedonia. It amounted to 1.3% in 2014, compared to 1.1% for Bosnia and Herzegovina and 0.5% for Serbia (WTTC, 2015). However, private-sector capital investment in tourism as a share of total exports is 2.2%, the lowest in the region.

In 2014, over 425 000 international tourists visited the Former Yugoslav Republic of Macedonia, 58.0% of the total number of tourists (Republic of Macedonia State Statistical Office, 2015). This is a relatively recent trend, as before 2011 the share of domestic tourists was consistently higher than the share of foreign ones. Visitors from SEE economies represented 7.0% of total tourists in 2014, with Albania and Croatia providing the greatest numbers. A large number came from Turkey, Greece and northern European countries such as the Netherlands and Denmark (Republic of Macedonia State Statistical Office, 2015). Although Europe represents the largest market, long-haul tourism to the Former Yugoslav Republic of Macedonia has increased over the last five years. For instance, arrivals from East Asia and the Pacific rose from 4 000 to 18 000 and arrivals from North and South America from 9 000 to 13 000 between 2009 and 2013 (UNWTO, 2015b).

August and July are the most popular months for visitors to the Former Yugoslav Republic of Macedonia, accounting for 20.0% and 15.0% of the total number of tourists respectively.

Tourism spending by international tourists has increased from USD 218 million in 2009 to USD 267 million in 2013 (UNWTO, 2015b). However, as a share of exports, by 2014 it was still below the pre-crisis levels, at 5.6% of exports, or USD 289.5 million, falling from 7.4% in 2009 (WTTC, 2015).

Challenges

The lack of a national tourism development strategy and rather limited skills are among the top challenges preventing the tourism sector from reaching its full potential in the Former Yugoslav Republic of Macedonia.

No up-to-date comprehensive tourism development strategy. The latest tourism development strategy ended in 2013, and no strategic goals have been prioritised since, with the exception of the National Strategy for Rural Tourism 2012-2017 (2012). International arrivals to the Former Yugoslav Republic of Macedonia have continued to increase over the last few years but their total contribution to employment and GDP remains comparatively low. Prioritising strategic sectors could allow the Former Yugoslav Republic of Macedonia to develop its untapped potential and its infrastructure on the ground accordingly.

Capacity building of human resources could be further supported. The most recent *Travel & Tourism Competitiveness Report* gives the Former Yugoslav Republic of Macedonia a relatively low score for its human resources qualifications and workforce skills directly linked to the tourism sector (World Economic Forum, 2015). The report underlines relatively low levels of employee training and rather low productivity.

Policy options for consideration

- Institutionalise incentives for private-sector investments in ground infrastructure projects and improve the visibility of tourism infrastructure through promotional materials easily accessible online and in tourist centres. Policy makers could consider supporting private-sector investment in infrastructure either through direct measures (e.g. grants and contributions for infrastructure projects) or indirect measures (e.g. through forms of co-investment). They should consider increasing the budget allocated to transport and further develop a coherent strategy for the road network.
- Further enhance co-operation between the government, academia and the private sector by establishing a tourism skills council in order to bridge the skills gap in tourism and enhance employer awareness about the benefits of employee training. The skills council could be initiated by a specific ministry (e.g. the education, tourism or economy ministry) or other government bodies and involve a broad range of stakeholders, including chambers of commerce, tourism associations, vocational training institutions and universities. Its activities could

include sector analysis (e.g. scope of the sector, economic trends, workforce demographics) and skills gap analysis as well as developing, implementing and monitoring programmes to bridge the skills gap in the tourism industry (e.g. by fostering co-operation between tourism firms and VET providers).

- Take further steps to establish a clear tourism development strategy through greater reliance on market research. By analysing current demand and screening target groups, the Former Yugoslav Republic of Macedonia could identify priority tourist attractions and the offers and areas which could become the focus of branding strategies. Subsequently, policy makers could further support efforts to increase the attractiveness and scope of the tourism offer. These could include incentive programmes for improving service quality as well as financial support (e.g. tax incentives and grants) for the provision of complementary services such as hotels and restaurants. Given the links between tourism and other economic sectors, the activities of different policy domains may affect travel and tourism and vice versa. It is therefore crucial that government bodies in charge of developing a strategic approach to tourism involve a broad range of stakeholders including the Ministry of Environment, Ministry of Transport and the private sector in the development of the strategy. Finally, the Former Yugoslav Republic of Macedonia could consider pooling resources with other SEE economies to develop a common branding strategy and gain from synergies in the tourism sector.

Kosovo

Overview

Tourism represents a relatively small share of Kosovo's GDP. The hotel and restaurant sector contributed 0.8% of GDP in 2012, down from 1.4% in 2010 (Kosovo Agency of Statistics, 2014). However, the number of businesses in this sector has increased, from 3 498 in 2008 to 3 715 in 2012 (Kosovo Agency of Statistics, 2013).

Businesses in tourism are mostly micro and small enterprises (Ministry of Trade and Industry of the Republic of Kosovo, 2014). Data from the Tax Administration of Kosovo show that the largest number of businesses in the tourism sector is based in the districts of Pristina (36.6%), Prizren (17.2%) and Pejë/Peć (10.1%) (Ministry of Trade and Industry of the Republic of Kosovo, 2014).

Improvement in infrastructure has contributed to boosting transportation and eased the flow of tourists to the economy (Euromonitor International, 2014). For instance, in 2011 the Pristina-Tirana highway was opened, improving connections between Kosovo and Albania. In 2011 the Turkish-French Consortium, Limak and Aéroports de Lyon, took over responsibility for running Pristina airport and a public-private partnership is expected to manage the airport for the next 20 years. In 2013 a new terminal was built, doubling the capacity of the airport. The number of incoming passengers to the airport has increased in recent years, peaking at 794 200 incoming passengers in 2013, up from 552 000 in 2008 (Kosovo Agency of Statistics, 2014).

International arrivals in Kosovo have increased over the last years, with the number of foreign visitors amounting to more than 50 000 in 2013, up from 24 600 in 2008. Most foreign visitors come from Albania (7 800), the United States (5 300), Turkey (4 950) and Germany (4 260) (Kosovo Agency of Statistics, 2015). Visitors from Germany, Austria, France and Italy have increased particularly.

Challenges

A number of challenges need to be addressed to unlock the full potential of tourism in Kosovo. Improving tourism statistics, prioritising tourism as a high-potential sector and advancing tourism education and training systems, are among the top priorities for Kosovo.

No comprehensive tourism sector database. Data on international arrivals and the hotel and restaurant sector are available in the web site of the Kosovo Agency of Statistics, but only a limited number of accommodation establishments are included in the database.

The Kosovo Tourism Strategy 2015-2020 is yet to be implemented. Drafting of the strategy started in 2010 and it was finalised in 2015. The strategy is expected to form part of the broader Private Sector Development Strategy 2016-2020. However, implementation of the strategy could be further advanced.

Skills in the tourism workforce could be further developed. Technical skills are often lacking in the workforce and the education system could be better adapted to labour market needs (ETF, 2014d). The lack of qualified tourism staff was identified as one of the main challenges for the sector in the Kosovo Tourism Strategy 2015-2020.

Policy options for consideration

- Develop a comprehensive tourism database which would allow Kosovo to determine more accurately the potential of the sector to the economy. The database would also help to prioritise interventions in the sector. It could include data on the contribution of tourism to the economy's GDP and employment, as well as comprehensive data on the distribution of international arrivals in the economy.
- Bring forward implementation of the Tourism Development Strategy 2015-2020. Subsequently, policy makers could further support efforts to increase the attractiveness and scope of the tourism offer. These could include incentive programmes for improving service quality as well as financial support (e.g. tax incentives) for the provision of complementary services such as hotels and restaurants. Finally, Kosovo could consider pooling resources with other SEE economies to develop a common branding strategy and gain from synergies in the tourism sector.
- Further enhance co-operation between the government, academia and the private sector by establishing a tourism skills council in order to bridge the skills gap in tourism and enhance employer awareness about the benefits of employee training. The skills council could be initiated by a specific ministry (e.g. the education, tourism or economy ministry) or other government bodies and involve a broad range of stakeholders, including chambers of commerce, tourism associations,

vocational training institutions and universities. Its activities could include sector analysis (e.g. scope of the sector, economic trends, workforce demographics) and skills gap analysis as well as developing, implementing and monitoring programmes to bridge the skills gap in the tourism industry (e.g. by fostering co-operation between tourism firms and VET providers).

Montenegro

Overview

Tourism is a key sector for Montenegro, directly contributing 9.5% of GDP in 2014. In total, including the indirect and induced impact, it accounts for 20.0% of GDP, or USD 974.5 million, and it is forecast to grow by a further 7.7% per year between 2015 and 2025 (WTTC, 2015). However, this share declined after the economic turmoil in 2008, and it has not yet returned to the pre-level crisis of 26.5% in 2008. The total contribution of tourism to employment is also relatively high. For instance, the travel and tourism industry contributed to the provision of 32 000 jobs in 2014, 20.0% of total employment (WTTC, 2015). After Croatia, Montenegro is the SEE economy where tourism contributes the highest share to both GDP and employment.

Direct spending on travel and tourism made up almost 50% of the sector's contribution to GDP in 2014, through the activities of industries directly linked to tourism, including hotels, airlines, travel agencies, restaurants and other leisure services. The remaining indirect contribution comes from the spending of those employed in tourism activities, government investment and supply-chain effects in tourism-related industries.

Government spending on tourism as a share of total government spending is relatively high. It amounted to 2.6% in 2014, more than double the SEE average (WTTC, 2015). In addition, private-sector capital investment in the tourism sector increased from 28.8% of total exports to 30.1% between 2010 and 2014, in contrast to the SEE average, which shows a decreasing trend overall.

The number of international arrivals has continuously increased in recent years. It grew by 2.0% between 2013 and 2014 to reach a total of 1.35 million tourists (UNWTO, 2015b). Of these, 36.0% came from the region, while the rest of the international arrivals mostly come from Western Europe and Russia. However, the decline of Russian tourists in 2014 has reoriented the Montenegrin Tourist Association towards China. Efforts are being made to introduce direct flights from China, and to facilitate the visa conditions for Chinese citizens. Arrivals from East Asia and the Pacific, including China, have already increased over the last years, reaching 25 000 tourists in 2014, up from 3 000 in 2010 (UNWTO, 2015b). Spending by foreign tourists increased from USD 765.0 million in 2010 to USD 959.0 million in 2014 (UNWTO, 2015b), accounting for more than 50.0% of total exports in both 2010 and 2014 (WTTC, 2015). Montenegro and Croatia are the only SEE economies where foreign visitors' spending has increased since 2009.

Almost all (97.0%) foreign and domestic travellers chose the coastal areas as their destination in 2013. The capital, Podgorica, mountain resorts and other tourist facilities combined hosted only 3.0%, suggesting tourism is highly concentrated on beach tourism.

Finally, Montenegro has a comprehensive tourism development strategy in place.

Challenges

Despite being a rather successful travel destination, Montenegro still shows potential for improvement in some areas. For instance, its tourism and travel infrastructure remains a challenge, while appropriate skills across the industry could be further developed. Furthermore, the awareness of the population about the beneficial effects of tourism on local development could be increased.

Use of ICT remains limited and the transport infrastructure is rather challenging. Montenegro's National Tourism Development Strategy (2008) underlines that the use of ICT for tourism could be improved. Internet penetration and the use of information technology are increasing, but remain below the EU average. Montenegro has taken steps to foster the use of ICT for tourism, for instance by emphasising the benefits of using ICT in the tourism industry in its Strategy for the Development of an Information Society 2012-2016. Its ground transport infrastructure suffers from bottlenecks and limited cross-border roads. Furthermore, air fares are rather high and low-cost carriers offer relatively few routes to Montenegro.

Skills in the tourism workforce could be further developed. Both national sources and the *Travel & Tourism Competitiveness Report* (World Economic Forum, 2015) emphasise that the quality of the labour force in the Montenegrin tourism industry could be further improved. Some of the key areas for improvement include the number and fluency of foreign languages spoken by employees in hotels and restaurants, and the availability of specialised workers such as waiters and chefs. Furthermore, training opportunities remain rather limited in Montenegro.

Awareness of the potential of tourism for economic development could be further raised in Montenegro. Tourism is one of the biggest opportunities for economic development in Montenegro but a large share of the population is reported not to see it as such (Montenegro Ministry of Tourism and Environment, 2008). As a consequence, many of the activities and services

available could be better organised, and further promotion efforts could be made to unleash the full potential of tourism in Montenegro.

Policy options for consideration

- Turn ICT into a powerful tool for businesses commercialisation and for travel facilitation for tourists. Montenegro could step up support programmes to ensure that tourism service providers embrace new technologies and become more proficient in their use, and to help develop tourism companies' web presence. Furthermore, policy makers could invest in training to encourage the use of online booking systems, allowing the accommodation sector to reach a wider market.
- Foster co-operation between the government, academia and the private sector by establishing tourism skills councils in order to bridge the skills gap in tourism and enhance employer awareness about the benefits of employee training. The skills council could be initiated by a specific ministry (e.g. the education, tourism or economy ministry) or other government bodies and involve a broad range of stakeholders, including chambers of commerce, tourism associations, vocational training institutions and universities. Its activities could include sector analysis (e.g. scope of the sector, economic trends, workforce demographics) and skills gap analysis as well as developing, implementing and monitoring programmes to bridge the skills gap in the tourism industry (e.g. by fostering co-operation between tourism firms and VET providers).
- Increase the awareness of tourism's potential benefits among the population, through seminars, workshops, and internship programmes for students and employees of the tourism industry.

Serbia

Overview

Directly contributing 2.1% of GDP, tourism makes up a relatively small share of Serbia's economy compared with other SEE economies. When its indirect impact is included, tourism accounted for 6.1% of GDP and employment in 2014 (WTTC, 2015). Despite these comparatively small figures, the 2014 levels are the highest for the last ten years, suggesting that the importance of tourism for the Serbian economy has progressively increased, even after the 2009 turmoil. Indirect spending accounted for 48.7% of the travel and tourism contribution to GDP in 2014, through private-sector capital investment (17.4%), government financial support for the sector (0.9 %) and supply-chain effects (37.2%), such as purchases of domestic goods and services by tourism companies (WTTC, 2015).

As with all SEE economies, personal reasons (e.g. leisure and recreation) remain by far the main purpose of travellers to Serbia (UNWTO, 2015b). Business and professional travel is less developed, and accounts for 1.4% of total visits.

In 2014, 1 million international tourists visited Serbia, up from 683 000 in 2010 (UNWTO, 2015b). Furthermore, 23.0% of the international arrivals were from the region, mostly from economies such as Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia and Montenegro (Statistical Office of the Republic of Serbia, 2015). The bulk of the visitors came from Western Europe and from other Southern and Eastern European countries such as Bulgaria and Greece. The largest share of visitors in 2014 chose Belgrade (36.0%), tourist resorts such as Subotica or Kragujevac (22.0%), and mountain resort as their travel destination (17.0%) (Statistical Office of the Republic of Serbia, 2015).

The total amount spent by international tourists in Serbia has increased over the last years, peaking at USD 1.3 million in 2014 (UNWTO, 2015b). However, spending of foreign tourists in Serbia as a share of total exports fell between 2009 and 2014, from 8.2% to 6.5%. Foreign visitors still spend more than domestic tourists in Serbia, however, representing 61.8% of total visitor spending (WTTC, 2015).

Challenges

To unlock its full tourism potential, Serbia could consider addressing a number of challenges, in particular in the business environment, infrastructure and education.

Business procedures could be streamlined. According to the World Tourism and Travel Council report on tourism development in Serbia (WTTC, 2011), labour legislation could be further simplified to support the development of entrepreneurial activities. For instance, the labour laws do not recognise “freelancer” as an employment category, while hiring procedures could be made simpler. In addition, Serbia has not yet established a one-stop shop for tourism investments to further improve the business environment. Furthermore, tourism in the grey economy is reported to be a challenge in Serbia.

Vocational training could be further upgraded. While vocational training centres exist in Serbia, their curricula do not always address the industry’s needs. Although there is good co-operation between the industry and academia, internships and practical opportunities for students could be further developed.

Transport infrastructure needs to be further improved. Serbia has good quality roads in central areas, but less so in rural regions. As Serbia’s road network connects both Western Europe and the Middle East, better roads will be a priority to foster tourism in Serbia. There is also scope to improve the railways and travelling conditions. More and more airlines (including low-cost carriers) are present in Serbia, but their destinations remain limited and mainly offer regional connections. While steps have been taken to enhance airports and international openness, more effort is required to strengthen the transport infrastructure in general.

Policy options for consideration

- Create a one-stop shop to act as a single source of information on the business environment, facilitate investment, support skills training, conduct research analysis and contribute to policy making.
- Further enhance co-operation between the government, academia and the private sector by establishing skills councils in order to bridge the skills gap in tourism and enhance employer awareness about the benefits of employee training. The skills council could be initiated by a specific ministry (e.g. the education, tourism or economy ministry) or

other government bodies and involve a broad range of stakeholders, including chambers of commerce, tourism associations, vocational training institutions and universities. Its activities could include sector analysis (e.g. scope of the sector, economic trends, workforce demographics) and skills gap analysis as well as developing, implementing and monitoring programmes to bridge the skills gap in the tourism industry (e.g. by fostering co-operation between tourism firms and VET providers).

- Institutionalise incentives for private sector investment in ground infrastructure projects and improve the visibility of the tourism infrastructure through promotional materials easily accessible online and in tourist centres. Policy makers could also review infrastructure development needs and create a priority list based on criteria agreed between the public and private sector, and secure implementation. Finally, Serbia could also consider undertaking investment promotion campaigns to raise funds for infrastructure development.

¹ 2014 constant prices and exchange rates.

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ANNEX 1: THE SEE TOURISM EXPERT GROUP (TEG)

Members of the SEE Tourism Expert Group include:

- Representatives of SEE governments and government agencies: Nedeljko Babić, Ministry of Environment and Tourism of Bosnia and Herzegovina; Senka Daniel, Ministry of Tourism of Croatia; Anduena Dedja, Ministry of Economic Development, Trade and Entrepreneurship of Albania; Lumturije Geci, Ministry of Trade and Industry of Kosovo; Sovket Hazari, Ministry of Economy of the Former Yugoslav Republic of Macedonia; Maida Ibrišagić-Hrstić, Ministry of Trade and Tourism of the Republika Srpska; Goranka Lazović, Ministry of Sustainable Development and Tourism of Montenegro; Milena Lukić, Ministry of Sustainable Development and Tourism of Montenegro; Darko Nalovski, Agency for Promotion and Support of Tourism of the Former Yugoslav Republic of Macedonia; Zoran Nikolovski, Agency for Promotion and Support of Tourism of the Former Yugoslav Republic of Macedonia; Elton Orozi, Ministry of Economic Development, Trade and Entrepreneurship of Albania; Brankica Pandurević, Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina; Lidija Paskalova, Ministry of Economy of the Former Yugoslav Republic of Macedonia; Renata Pindzo, Ministry of Trade, Tourism and Telecommunications of Serbia; Tomislav Pokaz, Ministry of Economy of Croatia; Nevila Popa, Ministry of Tourism of Albania; Sonia Popa, Ministry of Tourism of Albania; Lea Shllaku, Investment Promotion Agency and Ministry of Trade and Industry of Kosovo; Aleksandra Trifković, Ministry of Trade and Tourism of the Republika Srpska; Arna Ugljen-Kopić, Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina; Cuneyd Ustaibo, Ministry of Trade and Industry of Kosovo; Danijela Vićentijević, Ministry of Trade, Tourism and Telecommunications of Serbia; Kastriot Vrella, Ministry of Trade and Industry of Kosovo; Aleksandra Vučetić, Ministry of Economy of Serbia; Ivana Zečević, Directorate of SMEs of Montenegro.
- Representatives of the private sector: Ardiola Alikaj, National Association of Tourist Guides in Albania; Ivan Arambašić, Croatian National Tourist Board; Andrea Balić, Gulliver Montenegro; Vasil Barka, Riviera Travel Agency; Alije Berisha, Tourism Association of Kosovo; Biljana Božović, National Tourism Organisation of Montenegro; Lejla Brčkalija, Tourism Association of Bosnia and

Herzegovina; Miloš Denić, Hotel Panorama Lux; Amela Džeko, Tourism Association of Canton Sarajevo; Kliton Gërxhani, Albania Holidays DMC; Elena Ivanova, The Macedonian National Tourism Portal; Thierry Joubert, Adventure Tourism Association of Bosnia and Herzegovina, Braveenough; Penco Kimov, Economic Chamber of Tourism of Macedonia; Aleksandar Konevski, Toria DMC; Damir Kovačević, Banja Vrućica; Lela Krstevska, Economic Chamber for Tourism of Macedonia; Emil Kukalj, National Tourism Organisation of Montenegro; Erna Kurtović, Adventure Tourism Association of Bosnia and Herzegovina, Braveenough; Vesna Mazić, Panoramic Croatia; Petar Mladenov, Exploring Macedonia; Biljana Pejoska Risteska, Economic Chamber for Tourism of Macedonia; Dijana Petković, Adria DMC; Milan Petković, Euroturs; Gordana Plamenac, National Tourism Organisation of Serbia; Hatab Prekazi, Kosovo Alternative Tourism Association; Arber Shahu, AlbTurist Albania; Alban Rafuna, Be in Kosovo; Amire Rafuna, Be in Kosovo; Mimoza Rexhepi, Tourism Association of Kosovo; Tijana Rosić, Tourist Organisation of the Republic of Srpska; Auron Tare, Albanian National Coastline Agency; Aleksandar Vasiljević, Business Association of Hotels and Restaurants HORES; Gjorgji Vchkov, Economic Chamber for Tourism of Macedonia; Ivana Vucelić, Tourist Organisation of Belgrade; Aleksandar Vujnović, Chamber of Commerce and Industry of Republika Srpska; Bojan Zlaticanin, Montenegro Plus.

- International organisations: Aleksandra Raković, Central European Free Trade Agreement (CEFTA) Secretariat, Natasha Ilijeva, Network of Associations of Local Authorities of South-East Europe (NALAS), Dragana Djurica and Ivana Nakikj, Regional Cooperation Council (RCC), Erika Heder and Željka Mrkša, South East European Centre for Entrepreneurial Learning (SEECEL), Boban Ilić, Regional Rural Development Standing Working Group (SWG) of Southeastern Europe, Snježana Derviškadić, United States Agency for International Development (USAID).

ANNEX 2: TOURISM SKILLS GAP SURVEY

Objective of the survey

As part of the research activities undertaken within the framework of the SEE Tourism Expert Group (TEG), the OECD conducted a survey of SEE tourism sector experts to map the scope and depth of the existing skills gap in the SEE tourism sector.

The survey was carried out between April and October 2014. Detailed input was collected by 83 SEE tourism sector experts, from the 7 SEE economies. Experts included:

- 14 business associations, representing more than 230 companies in the tourism sector
- 54 owners, CEOs and general managers of large, medium and small private companies across different tourism sub-sectors (accommodation, food and beverages services, transportation, tour operators, travel agencies)
- 7 SEE ministries (mainly ministries of tourism and ministries of economy)
- 8 professors and lecturers from relevant universities and research institutions, with a research focus on tourism.

The objective of the survey was to identify skills which were both scarce and very important in the eyes of a critical share of regional experts (“focus skills”), in order to develop policy recommendations to bridge the skills gap in the SEE tourism sector.

Results of the survey

The final results of the survey include:

- The survey identified 65 skills across various business functions as relevant for SEE tourism sector businesses.

- Of these relevant skills, 28 were identified as very important and scarce (“focus skills”), mainly in general management, product development, and production and marketing (Figure 5).
- Some discrepancies emerged in the perception of focus skills between the private and public sector. Namely:
 - mainly in service delivery, product development and production as well as marketing
 - client focus skills were seen as constraints by the private sector, while the public sector identified insufficient managerial skills
 - a number of options were identified to bridge skills gaps (e.g. designing efficient and effective education systems, supporting employers in employee training, facilitate skills matching between businesses and labour market).

Figure 5. Priority scarce and very important skills for companies operating in the SEE tourism sector



Skill category legend: items including “PU” refer to purchasing, “PD G” to product development and production (general), “PD F&B” to product development and production in F&B services, “PD TS” to product development and production in tourism services, “M” to marketing, “SD G” to service delivery (general), “SD TS” to service delivery in tourism services, “S” to sales, “GM” to general management

*Percentage of respondents indicating skill is very important ; **Percentage of respondents indicating skill is less available

Source: TEG. (2014b). *Second Meeting of the South East Europe Tourism Expert Group*. Paris: Unpublished.

ANNEX 3: CHALLENGES TO THE SEE TOURISM SECTOR

Objective of the analysis

The OECD conducted desk research to identify the main barriers to competitiveness in the sector, based on the following sources: OECD Tourism Papers series, the OECD Investment Reform Index (IRI) 2010, the World Economic Forum Tourism Competitiveness Report, the World Bank Development Indicators, European Centre for the Development of Vocational Training (CEDEFOP) research papers and the International Labour Organisation (ILO) statistical database.

Selected results

Figure 6. Main barriers to competitiveness in the SEE tourism sector

	Pillar	ALB	BIH	HRV	MKD	MNE	SRB	SEE average
1	Air transportation	98	135	68	122	58	110	99
2	Human resources: Education and training	88	94	83	97	63	95	87
3	Ground transportation	80	113	50	81	93	102	86
4	Price competitiveness	64	107	109	46	62	119	85
5	Natural and cultural resources	98	93	44	94	60.5	98	81
6	Strategy, marketing and branding	59	116	61	99	44	108	81
7	Policy rules and regulations	69	104	96	66	22	103	77
8	Environmental sustainability	62	113	44	73	33	115	73
9	ICT infrastructure	97	64	30	60	51	49	59
10	Health and hygiene	69	59	31	47	55	46	51

* Out of 140 economies

Source: World Economic Forum (2013), *The Travel & Tourism Competitiveness Report 2013: Reducing Barriers to Economic Growth and Job Creation*, World Economic Forum, Geneva

Figure 7. Barrier to competitiveness I: Air and ground transport infrastructure

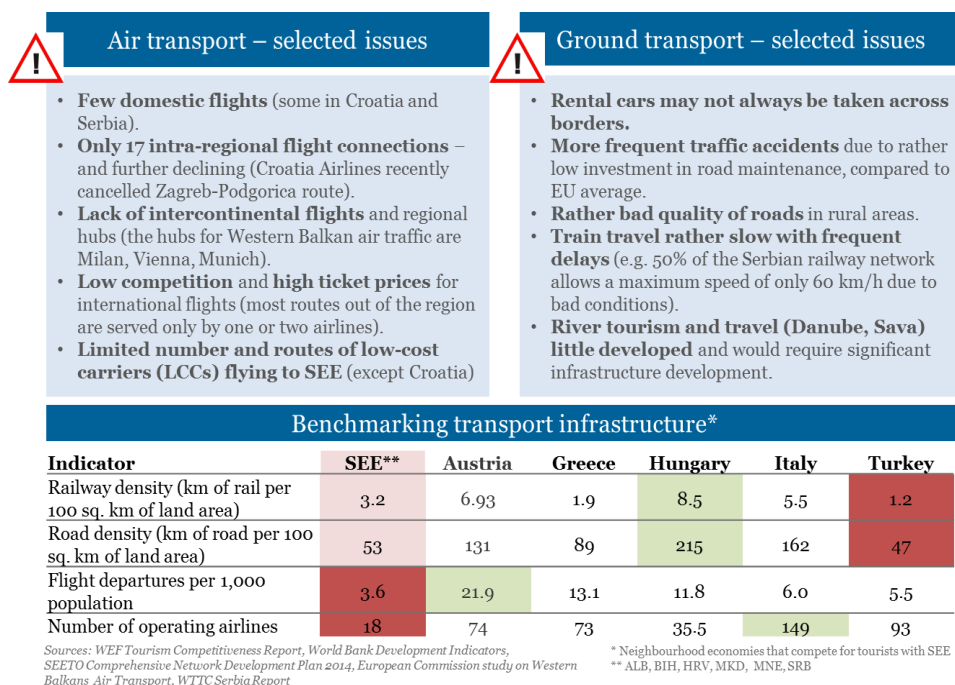


Figure 8. Barrier to Competitiveness II: Human resources - education and training

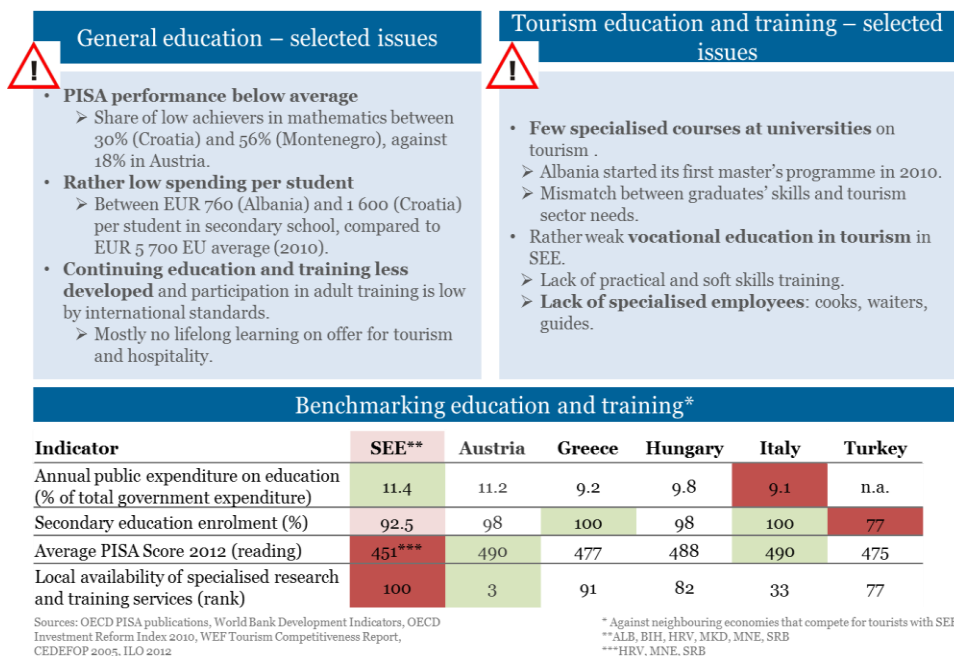


Figure 9. Barrier to competitiveness III: Price competitiveness



High prices and rather low value for money in certain regions

- Some economies (Croatia, Serbia, Albania) are rather expensive in **international terms** and **compared to neighbouring countries** (Bulgaria, Hungary, Turkey, Italy).
- **Hotels and special tourist transportation rather expensive:**
 - Average room rates for first class hotels in Serbia as high as in Switzerland.
 - High quality accommodation in Croatia and Albania often more expensive than the Czech Republic, Slovenia, Portugal, Spain or Germany.
- Croatia is aiming at **higher-cost segments of the tourism market**; main tourist destinations are expensive (Dubrovnik, Split).
- **High season** (July, August) has higher prices.
- Due to **rather high import taxes**, clothes and shoes from European brands are 20% more expensive in Belgrade than in Budapest.

Benchmarking price competitiveness*

Indicator	SEE**	Austria	Greece	Hungary	Italy	Turkey
Ticket taxes and airport charges (0=highest, 100=lowest)	71.3	59.7	80.0	75.1	80.2	88.4
Average room rates for first-class branded hotel (USD)	170.5***	129.5	149.7	83.6	176.6	157
Price level index for food and non-alcoholic beverages, 2012, EU27=100	73	120	103	80	111	n.a.

Sources: WEF Tourism Competitiveness Report, Eurostat Price level index, Wikitravel

* Against neighbour economies that compete for tourists with SEE

**ALB, BIH, HRV, MKD, MNE, SRB

***ALB, HRV, SRB

Figure 10. Barrier to competitiveness IV: Natural and cultural resources

 Natural resources – selected issues	 Cultural resources – selected issues
<ul style="list-style-type: none"> • Rather high air pollution e.g. in Albania and FYR Macedonia. • Little policy attention paid to environmental sustainability. <ul style="list-style-type: none"> ➢ Comparatively low number of ratified environmental treaties (FYR Macedonia 16/24; Bosnia and Herzegovina 14/24). • Rather low protection of natural resources* <ul style="list-style-type: none"> ➢ Terrestrial biome protection low (Bosnia and Herzegovina and FYR Macedonia only 4-5% against 17% target). ➢ Marine protected areas low (Montenegro 0.3%, Bosnia and Herzegovina 0.8% against 10% target). 	<ul style="list-style-type: none"> • Cultural heritage sometimes not sufficiently protected (e.g. Albania has no specific law). • Rather low investment in the development of cultural heritage sites. • Insufficient marketing of existing cultural sites to provide distinctiveness for tourism in the region. • Weak linkages between tourism and culture to capture full economic potential. • Limited co-operation across borders even though many travelers to the region prefer to visit more than one country at a time.

Benchmarking World Heritage cultural sites (2012)* **



Indicator	ALB	BIH	HRV	MKD	MNE	SRB	Greece	Italy	Turkey
Number of World Heritage cultural sites	3	2	18	1	1	4	18	47	20

* Target goals as set by the Convention for Biological Diversity to be achieved by 2020 (<http://www.cbd.int/>)

** Number of World Heritage cultural sites and oral & intangible heritage (2012 or most recent), no data available for Kosovo

Sources: UNESCO World Heritage List, available at <http://whc.unesco.org/en/list/> and <http://www.unesco.org/culture/ich/index.php?lg=en&pg=00011>; Yale Center for Environmental Law & Policy (YCELP) Environmental Performance Indicators, available at: <http://epi.yale.edu/>

Figure 11. Barrier to competitiveness V: Strategy, marketing and branding

 Branding, promotion and marketing – selected issues	 Evidence-based strategy development – selected issues
<ul style="list-style-type: none"> • Comparatively low government expenditure. • Fragmentation of national marketing and promotion efforts and lack of one-stop shops. <ul style="list-style-type: none"> ➢ e.g. Serbia has 116 local tourism organisations • Marketing and branding efforts not sufficiently linked to market trends. <ul style="list-style-type: none"> ➢ E.g. ageing population and increased demand for short, customised trips • Insufficiently diversified marketing tools and little use of ICT (e.g. social media). • Lack of regional differentiation from other destinations. 	<ul style="list-style-type: none"> • Lack of regular and significant tourism data collection for market analysis purposes: <ul style="list-style-type: none"> ➢ Of the 120 indicators the UNWTO collects on an annual basis, SEE countries only collect 67 on average. • Rather weak co-operation links between National tourism organisations and the private sector. • Little horizontal integration of tourism companies at national/ regional level due to dominance of micro-enterprises. • Rather limited offer in niche markets which would increase regional competitive advantage.

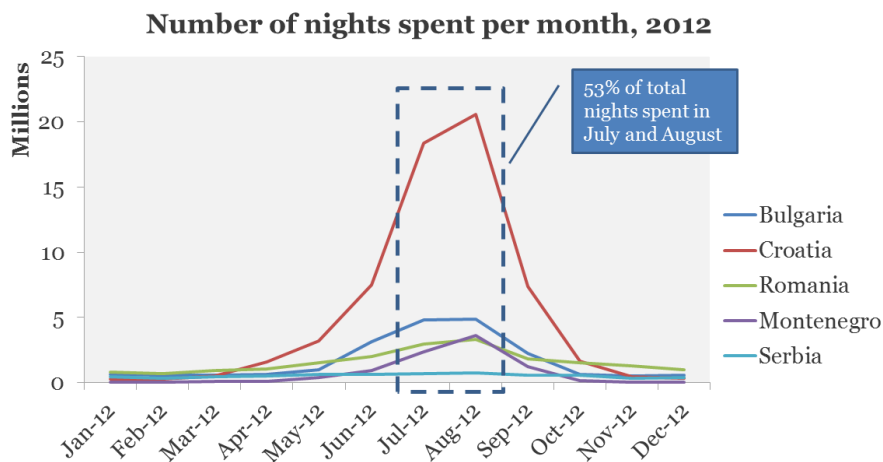
Benchmarking government expenditure on tourism (2012)*

Indicator	SEE	ALB	BIH	HRV	MKD	MNE	SRB	Greece	Bulgaria	Hungary
Government spending on tourism as % of total spending	1.9	3.9	1.1	1.4	1.3	2.6	0.8	8.0	3.2	5.2

* This measure includes expenditures (transfers or subsidies) made by government agencies to provide travel and tourism services such as cultural (e.g., art museums), recreational (e.g., national parks), clearance (e.g., immigration/customs), and so on to visitors. No data available for Kosovo.

Sources: World Travel & Tourism Council, Tourism Satellite Accounting Research 2012, as cited in the World Economic Forum's Travel & Tourism Competitiveness Report 2013; UNWTO Indicators available at: <http://statistics.unwto.org/sites/all/files/docpdf/index.pdf>

Figure 12. The tourism sector is characterised by strong seasonal demand fluctuations



Demand for the number of nights spent is particularly high in the summer months for Croatia and Montenegro. Tourism in Serbia is less affected by seasonality.

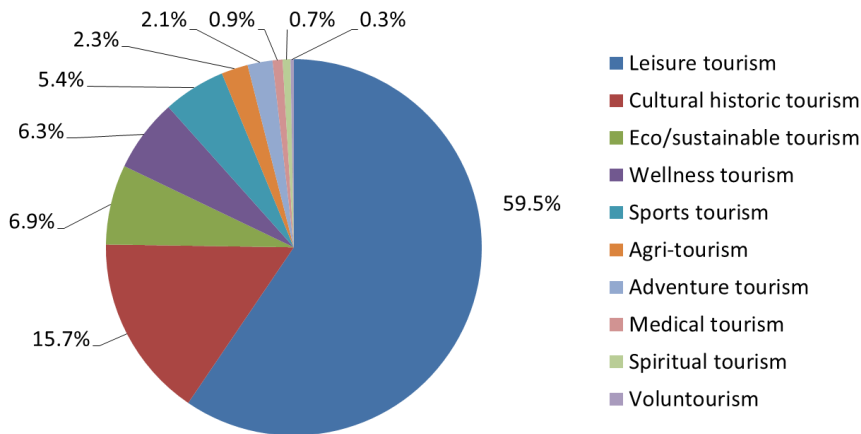
Source: Eurostat

ANNEX 4: FASTEST-GROWING TOURISM MARKET SEGMENTS

Objective of the analysis

The OECD conducted desk research to identify the fastest-growing tourism market segments and key travel motivations. Sources consulted include the Stanford Research Institute International and the European Travel Commission (ETC).

Figure 13. Cultural and historical tourism accounts for 16% of global tourism market



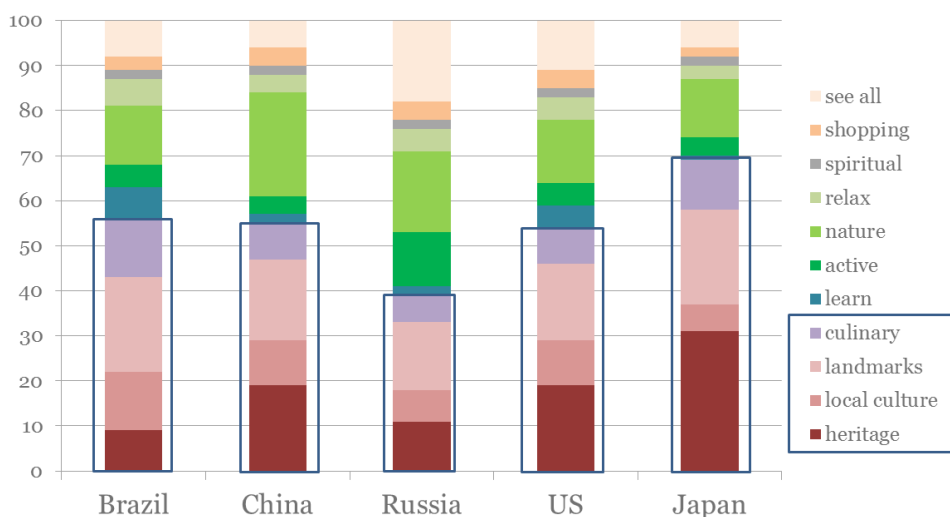
Source: Stanford Research Institute International, 2013

ANNEX 5: HIGHEST-POTENTIAL LONG-HAUL OUTBOUND TOURISM MARKETS

Objective of the analysis

The OECD conducted desk research to identify the highest-potential long-haul outbound tourism markets and their key travel motivations. Sources consulted include: the Stanford Research Institute International and the European Travel Commission (ETC).

Figure 14. Main tourism experiences sought by market (ranked 1st), 2015



Source: European Travel Commission



FOSTERING TOURISM COMPETITIVENESS IN SOUTH EAST EUROPE

In recent years, the South East Europe (SEE) region has seen a growing number of international tourist arrivals. Despite this rising influx of visitors, the region's full tourism potential remains untapped due to multiple factors hampering the sector's competitiveness. These include a lack of relevant workforce skills, a mismatch between the region's tourism offer and an increasingly niche market demand, uncompetitive price levels, limited protection of natural and cultural heritage, transport and travel infrastructure gaps, and the need for more strategic and focused policy approaches to tourism.

What challenges are SEE policy makers encountering in their efforts to foster tourism competitiveness? What good practices in promoting tourism could be relevant to the region? What policy options could SEE economies consider for the future? This Policy Handbook focuses on these issues and presents a number of policy options to foster tourism competitiveness in South East Europe.

This Policy Handbook is one of the results of the OECD Sector Competitiveness Project undertaken in collaboration with the SEE Tourism Expert Group (TEG) under the umbrella of the Next Generation Competitiveness Initiative in co-operation with the Regional Cooperation Council. The TEG is composed of representatives from the ministries of economy, tourism, trade and environment, as well as government agencies, chambers of commerce, private-sector associations and private-sector companies in South East Europe.



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