

## **Tourism Governance in Albania An Assessment of the Policy Framework for the Tourism Sector in Albania**

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### **Summary**

For several years, tourism in Albania was driven primarily by enthusiasm; (a) the enthusiasm of foreigners witnessing a piece of communist memorabilia amidst a beautiful, intact history and natural landscape; (b) the enthusiasm of locals, able to finally perceive the dimensions and values of their own country as free citizens; and (c) the daring enthusiasm of nascent entrepreneurs and developers undertaking investments, whether out of bravery or confidence in their foresight. In addition to enthusiasm (both a natural and necessary driver in any pioneering stages of development), governance is fundamental to the development of tourism into a sustainable sector and is deserving of research attention. This is particularly the case in Albania, as the tourism sector is generally under-studied. This article analyses the governance of the sector between 1992 and 2019 from a policy perspective, describing the inherent challenges it faces today. It also offers a number of recommendations for policy-makers to consider in the process of improving governance of the tourism sector.

**Keywords:** : Sustainable Tourism Development, Strategy, Tourism Governance Challenges, Conflicting Interests, Inconsistent Data

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## Tourism in Albania

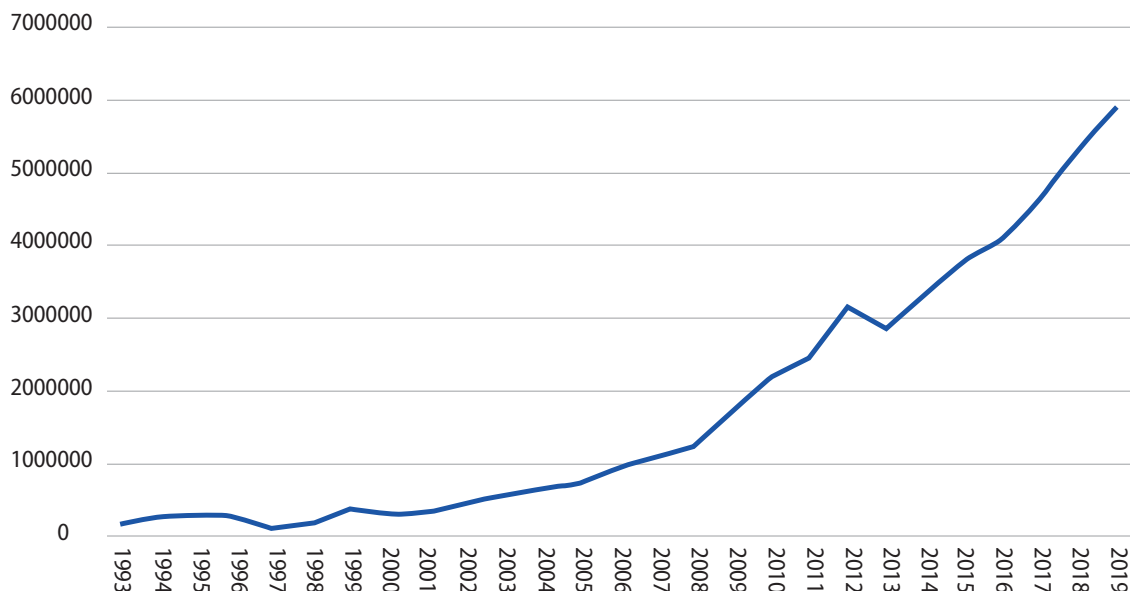
Albania has flirted with the prospect of becoming a tourist destination since at least the second half of the 20th century, but never truly committed to reflecting such an engagement at a policy and economic development level because of the imminent ideology and propaganda that comes with international tourism. Important political developments such as withdrawal from the Council for Mutual Economic Assistance of the Socialist Bloc, and subsequent fall-outs with the Union of Soviet Socialist Republics (USSR) in 1961 and People's Republic of China in 1978 reinforced this policy and kept Albania confined within its own borders. A centralised, demographic movement policy and insufficient income generally kept domestic tourism at minimal levels, restricted to honeymoons or summer vacations.

This isolation meant that, during the period of 1960-1990, Albania only accounted for 1.6% of all foreign tourists visiting the Balkan Peninsula (Humolli & Vishi, 2016). In 1980,

Albania had fewer tourists than the overall number of tour operators in neighbouring Greece (ibid.).

With the collapse of the communist regime and the shift towards a free market economy, foreign tourists started to visit Albania. Isolation alone and curiosity to see the most secluded place in Europe served as a magnet to draw regional and international tourism attention. At the same time, increased incomes (including remittances) and increased modes and transportation frequency were translated into the growth of domestic tourism, which accounted for about 76% of the overall tourist numbers for 1993 (Humolli & Vishi, 2016). The image of a long-secluded country in the midst of a highly desired Europe has resonated with tourists' increasing demand for unknown, unexplored destinations, and otherworldly experiences. The increasing number of tourists visiting Albania attests to this fact, with the exception of 1997 and 2013 that mark slight decreases<sup>1</sup> (Figure 1) in what is otherwise a continuously growing trend.

**Figure 1.** Tourists number in Albania for the period 1993-2019



**Source:** INSTAT and the World Bank, and author's calculations.

Despite the encouraging figures, Albania's comparatively limited history and experience in the tourism sector, vis-à-vis both the region and the wider European

context, has meant that the governance of the sector has inherent limitations and challenges. Institutional and cultural deficiencies in human capacities, resources,

experience, and strategic development vision, lead to tourism development happening in the same *laissez faire* manner as most other developments. Policymakers and government authorities, until recently have not been able to match the dynamics of this fast-paced sector; they are oblivious to the value tourism development can bring to the economic development and social capital of the country. Targeted attempts to govern the sector date back to 1993 when the Ministry of Tourism supported by the European Reconstruction and Development Bank<sup>2</sup> prepared the first sectorial strategy on tourism.

The aim of this article is to analyse the dynamics and challenges of tourism development in Albania, focusing on policy-making and governance aspects of the sector. The two core concepts at the centre of this article are '[tourism] governance' and 'sustainable tourism'.

For the purposes of this article, governance is discussed based on the United Nations Development Program's (UNDP) definition. It defines governance as "the exercise of economic, political, and administrative authority to manage the complex mechanisms, processes, relationships and institutions through which, interests are articulated, rights are exercised, and differences are mediated among stakeholders" (UNDP, 2012, p.3). Sustainable tourism on the other hand has been defined in many ways (McCool, 2015), with definitions that include elements of planning, environment, man-made heritage, ecology, social equity, participation, economic and social sustainability, and longer-term futures. Here, we adopt the general notion of the UN World Tourism Organization Network for sustainable tourism, defined as "a form of tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities" (UNEP & UNWTO, 2005, p.12). For the purposes of this article we refer to both the sustainable development of tourism, meaning a growth

model of the tourism sector that is stable, and the development of sustainable tourism, meaning the development of tourism models with sustainability considerations in the way resources are used.

In the absence of systematic and elaborate studies of the tourism sector, this contribution offers a synthetic analysis of the governance of tourism in Albania. The concept of governance should be understood as multi-stakeholders' processes of governing that facilitate and steer collective action decisions through policies and instruments that ensure the government's accountability towards its constituencies (Capano et al., 2015; OECD, 2011; Wilde et al., 2009). The current assessment focuses on the tourism policy and legislative framework of the past 20 years and particularly assesses the current state of the sector in figures and in actual strategy. The article concludes with a number of recommendations for policy-makers to improve the sector.

### **An Overview of the Legislative Framework of Tourism in Albania Between 1992 - 2019**

The legislative framework concerning tourism development underwent several changes between 1992 and 2019. Similar to the series of sectorial and cross-sectoral strategies related to tourism such as the 1993 Law No. 7665 'For the development of priority areas in tourism' (GoA, 1993), the implementation of laws was often flawed by delays and lack of monitoring despite ambitious starting points.

The first law dedicated to tourism passed in pluralist Albania was Law No. 7665, dated January 21, 1993 'For the development of priority areas in tourism'. The law focused on the 'stimuli' concept, providing definitions on the typology of activities, persons, areas, and structures considered as fundamental in stimulating tourism development in the country (MoT, 1993). Importantly, the law introduces the concept of the Committee for the Development of Tourism, an inter-

ministerial structure designed to govern this sector. Further, the law sought to encourage foreign investments based on the provisions of Law No. 7594, dated August 4, 1992 'On Foreign Investments.'

In 2007, a law 'On Tourism' was passed (Law No. 9734, dated May, 14, 2007), defining a regulatory framework for the management of the tourism sector and the development of standards for touristic products and services, among other things. Similar to the strategic document of the time, the implementation of the law did not generate the expected tangible changes. The lack of a clear economic development model and increasing development pressure in the absence of approved territorial plans were two noticeable factors that may have contributed to this failure.

The government was beginning to show increasing support for the development of tourism in 2013-2014, which materialised in the preparation of the sectorial law and the law for strategic investments. In 2015, a new Law No. 93/2015 'On Tourism' (GoA, 2015a) was approved, addressing numerous issues raised by the business community and tourism experts and introducing, for the first time, clear definitions of key concepts, procedures, certifications, and licenses for business entities operating in the tourism sector, along with a classification of accommodating structures. In a 2017 report on the effectiveness of policies for the strategic development of tourism, the State Supreme Audit Institution (2017) found that the bylaws for Law No. 93/2015 were slow to follow, which resulted in the failure to establish some key institutions, as foreseen by law. The law was followed by a new law, No.114/2017 'Amendments to the Law No. 93/2015', which introduced legislative incentives to facilitate the construction of luxurious four- and five-star hotels and resorts.

The Law No. 55/2015, 'On Strategic Investments' aimed specifically at increasing investments in strategic sectors, which included energy, agriculture, tourism, and natural resource extraction (as per Article

8). Particularly concerning sustainable tourism development ambitions, the law views these sectors as highly profitable in the long term and suitable for a fast-paced economy because of the low costs, unvalued natural resources, and a flexible work force. The law is expected to create the preconditions required for the attraction and retention of strategic investors and a 'fast track' for the processing and approval of strategic investment projects. A Secretariat of the Strategic Investments Committee (AIDA) is responsible for approving the status of each potential strategic investor and orienting potential investment interest from abroad. The law also foresees the creation of a Register of Strategic Investments (Law No. 55/2015b, Art. 10), where all completed strategic investment projects are listed.

The expanding legislative framework in support of tourism development resulted in a number of fiscal and administrative incentives aimed specifically at growth and attracting foreign investments in the sector:

#### *Fiscal incentives*

- Reduction of the value added tax (VAT) for all accommodation structures, from 6% to 20% starting from June 2017. The private sector and other interest groups had, for a long time, pointed out that Albania had one of the highest value-added tax levels in the region and had requested a reduction in order to make the sector more competitive. Starting from 2018, the revised VAT level was offered to all services provided in the five-star hotels and resorts granted 'special status' by the government.
- Exclusion from a series of taxes, including: the profit tax for a period of 10 years for all entities that have been granted 'special status' by December 2024; a building tax and infrastructure impact tax for all international four- and five-star hotels or resort brands;

### *Administrative Incentives*

Two administrative incentives were approved based on the Law No. 55/2015 'On strategic investments' (GoA, 2015b), namely:

- **Assisted procedure:** focused on the role of public administration in assisting prospective investors by facilitating the process of securing the necessary documentation, following, coordinating, assisting, monitoring, and, at times, representing the strategic investment. The procedure also foresees support in the form of enabling infrastructure by making state owned property available to strategic investment development and implementation (Law No. 55.2015). This procedure is available only to the strategic investors in the tourism sector, investing the equivalent of at least 5 million Euros and generating at least 80 jobs.
- **Special procedure:** in addition to all facilitations foreseen under the 'assisted procedure', the special procedure is designed to create all necessary preconditions, including expropriation of private property and approval of contracts by the parliament of Albania (with the consent of the Council of Ministers) to vouch for an increased guarantee of the legal relationship between the investor and the Government of Albania. The eligibility criteria for the exclusive support that comes with the special procedure includes strategic investments valued at 50 million Euro or more with an impact in economy, employment, industry, technology, and regional development.

In addition, the government has introduced a number of incentives focused on the development of specific types of tourism, i.e. agritourism, including:

- **Financial support for the establishment of agritourist businesses:** once certified as an 'agritourist entity' in line with the DCM No. 22, dated January 12, 2018, these entities benefit from VAT reduced to 6% for the services offered in the hospitality

sector, namely accommodation and restaurant<sup>3</sup>, and a significantly reduced profit tax from 15% to 5% (GoA, 2018a). Both tax reductions became effective in January 2019.

- **The National Program for Urban Renaissance:** a nation-wide program piloted during the 2013-2017 governing mandate aimed at the physical revitalization of main urban centers, implemented in about 70 cities at an estimated cost of approximately 440 million USD. The extent to which such an initiative added value to the development of tourism remains unclear and at times questionable, particularly in cases where cultural heritage was affected (refer to the case of the public position of the Albanian Union of Architects dated February 13, 2017 on 'Veliera project in the city of Durrës', and the report on the case of the 'Bypass project' in Gjirokastrë by Mërkhani, February 9, 2017). On the one hand, the government states cultural tourism as a priority objective. On the other hand, they undertake investments that are destructive to cultural heritage.
- **The Integrated Program for Rural Development:** starting in 2017, the government shifted its focus to rural development through an exclusive, nation-wide program dedicated to the development of rural space in 100 villages across Albania. With each of the 61 municipalities represented by at least one village, the program promises a coordinated approach to rural development by aligning public investments with donor and private investments in villages that have a rich cultural and natural heritage and subsequently high potential for tourism to develop.

To what extent the newly introduced legislative framework and initiatives have been affected and how that will impact the quality of governance in the sector remains open to question; it will require systematic monitoring and evaluation of the implementation of such initiatives.

## A Comparative Overview of the Tourism Strategies in Albania Between 1992 - 2019

In order to gain better insight into the challenges of the sector and the deep-rooted nature of some of them, one needs to conduct an overview of tourism strategies to

date, including those that expired in a draft form. Based on the definition of governance as employed by this article, the analysis will focus only on the strategies developed from 1992 onwards, following the transition from an isolationist regime towards a democratic system.

**Table 1.** An Overview of Tourism Strategies between 1993 and 2019

Year	Strategy	Highlights
1993	<i>Tourism Strategy 1993 – 2010</i> (Implementation Status: Discontinued) (GoA, 1993)	<p>The Ministry of Tourism, supported by the European Bank for Reconstruction and Development, prepared the first strategy on tourism development. It marks the first formal attempt to govern the sector.</p> <p>It includes advanced concepts and best-practices for the time, demonstrating environmental consciousness including components such as:</p> <ul style="list-style-type: none"> <li>• Identification/marketing of priority areas with high tourism potential;</li> <li>• Low-rise buildings in line with vernacular architecture;</li> <li>• Distance from the coast and green belts;</li> <li>• Introduction of onestop agencies;</li> <li>• Attraction of foreign investments within the hospitality sector: <i>Hotel Rogner, Mak -Albania, Chateau Linza, etc.</i> (Monitor, 2012).</li> </ul> <p>This strategy is referred to by experts of the time as a very progressive strategic document with strong sustainable development considerations, which proved to conflict with high real estate development pressure. Half-way through its mandate the strategy was discontinued and replaced by other strategies (MRRT, 2002)</p>
2002	<i>Tourism Strategy 2002 – 2012</i> (Implementation Status: Discontinued) (Ministry of Territory Adjustment and Tourism, 2012)	<p>The Ministry of Territory Adjustment and Tourism was supported by GIZ in preparing this document;</p> <ul style="list-style-type: none"> <li>• The strategy prioritised the development of ‘sea-sun-sand’ tourism;</li> <li>• It relied on analyses of state of the art institutions, market, and other developments in the country;</li> <li>• It coined the “Albania – Yours to Discover” and “Albania – Europe’s Last Secret” brands;</li> <li>• Illustrates the increase from 27 hotels in 1993 to approximately 780 in 2005 (Monitor, 2012);</li> <li>• Describes high development pressure primarily in the areas of Durrës, Tiranë, Shëngjin, Velipojë, Sarandë, and Golem, among others;</li> <li>• Hospitality sector offered a limited range of services, mainly confined to basic accommodation and food.</li> </ul> <p>Eventually its implementation succumbed to such development pressure, meaning that implementation was discontinued.</p>
2006	<i>Strategy on the Sustainable Development of Natural and Environmental Tourism</i> (Implementation Status: Discontinued) (GoA, 2006)	<p>The Ministry of Tourism, Culture, Youth, and Sports prepared this document with the support of UNDP Albania.</p> <ul style="list-style-type: none"> <li>• The strategic document relied on numerous consultations conducted with key actors from local governance, civil society, and media in all 12 qarks (State Supreme Audit Institution, 2017), making it both participatory and inclusive.</li> <li>• It offered a clear set of measures for the improvement of cultural tourism destinations.</li> </ul> <p>Despite cross-sectoral acceptance, the strategy’s implementation failed (ibid.).</p>

2007	<i>Tourism Strategy 2007 -2013</i> (Implementation Status: Discontinued) (GoA, 2007)	The Ministry of Tourism, Culture, Youth, and Sports (MTCYS) prepared this strategy, primarily focusing on increasing the number of tourists to 3.5 million by 2013 (MTCYS, 2007). <ul style="list-style-type: none"><li>• The strategy was not prepared based on a participatory approach;</li><li>• It lacked evidence-informed market related analyses and objectives;</li></ul> Similar to earlier strategies, its implementation did not succeed.
2014	<i>Draft Tourism Strategy 2014 – 2020</i> (Implementation Status: Draft) (Ministry of Urban Development and Tourism, 2014)	The governance of the sector was assigned to the Ministry of Urban Development. <ul style="list-style-type: none"><li>• The strategy contains notable sustainability considerations;</li><li>• It built on what it regards as the best elements from previous strategies and introduced best practices from OECD countries;</li></ul> Despite its focus on monitoring progress, the strategy remained in a draft form until 2018.
2018	<i>The Strategy for the Sustainable Development of Tourism 2018 – 2022</i> (Implementation Status: Draft) (GoA, 2018b)	Prepared by the Ministry of Environment and Tourism, the strategy remained incomplete and in draft form until it was substituted by the ' <i>Strategy for the Sustainable Development of Tourism 2019 -2023</i> '.
2019	<i>The Strategy for the Sustainable Development of Tourism 2019 – 2023</i> (Implementation Status: Approved, in its first year of implementation) (Ministry of Tourism and Environment, 2019)	This document, marks the first approved strategy in a series of attempts that expired in draft form. (Refer to the section 4 of this article for a thorough analysis of this document).

**Source:** Authors' own elaboration

From this overview, the following findings emerge:

- From 1992 to date, a total of six sectorial strategies were prepared, including the current strategy. Two remained in a permanent draft form until they were replaced by subsequent strategies.
- The timespan covered by each strategy (or draft strategy) has progressively decreased by over four-fold: the first strategy covered a timespan of 17 years, the second 10 years, the subsequent two covered a timespan of six years, and the last two have a mandate of three and a half to four years. Each new strategy has been introduced half-way through the mandate of the existing strategy, often coinciding with the arrival of a new government in office. This attests to the lack of a clear vision and model for economic development and the role that the tourism sector could play to this end.
- The success rate of the implementation of the five sectorial strategies prepared between 1992 and 2019 remains a moot point, given that none of the strategies have been fully implemented.
- Each strategy refers to the preceding strategy, yet does not consider the reasons why the previous strategy was not successfully implemented.
- The first sectorial strategy prepared in 1992 stands out as a pioneering, advanced, and visionary strategy, considerate of other sectors such as the environment and urban planning, among others.

In addition to the sectorial strategies, the governance of the sector has been shaped by a number of cross-sectoral documents. In 2015, tourism was confirmed as a strategic development sector by the National Strategy for Development and Integration 2015-2020 (NSDI). The document acknowledged the sectors' key challenges and set forth two strategic objectives focusing on sustainable tourism development. To ensure implementation, the NSDI called for

the preparation, approval, and integration of a tourism strategy and national plan with other sectoral strategies (NSDI, 2015). Tourism development was upheld as a strategic sector in several strategies prepared in 2015, including:

- *The General National Territorial Plan 2015 – 2030* (NTPA, 2015a): The plan presents tourism as one of its key development priorities and objectives. It integrates the concept of sustainable tourism based on natural resources – very much a place-based tourism model though not explicitly referred to by this terminology. In addition, the plan relies on the territorial dimension of the tourism sector in establishing ‘areas of national importance’ vis-à-vis planning and sustainable development of the territory, presented in a map of touristic potential. Despite its considerable focus on tourism, the plan remains a national territorial plan. As such, its impact on specific sectors (i.e. tourism) is not significant.
- *Integrated Cross-Sectoral Plan for the Coast 2015 – 2030*: The Integrated Cross-Sectoral Plan (NTPA, 2015b) for the Coast provides a development vision for the coastline, adopting a sectorial development approach differentiating areas of tourism, environment, transport, energy, agriculture, and culture (among others) as well as urban development in the territories administered by municipalities. The plan’s stated aim is to strike a balance between the need for private investments and the need to develop sustainably, particularly related to tourism in historical, cultural heritage, and protected natural areas.
- *Cross-Sectoral Strategy for Rural and Agricultural Development 2014-2020*: The document’s stated aim is rural tourism development and other activities related to tourism such as cultural tourism, natural tourism, mountain tourism, and summer tourism, among others (Ministry of Agriculture, 2014).
- *Cross-Cutting Strategy Digital Agenda of Albania 2015-2020*: This strategy sets out

the strategic objectives concerning the digital agenda of Albania, particularly connected to tourism development on two levels. The first is the electronic governance and delivery of interactive public services, including tourism. This implies the development of a national e-Tourism programme and the establishment of a hotel register, tourist resources and products, cultural inheritance, a tourism portal, and coverage of tourist areas with free Wi-Fi service (Ministry of Innovation and Public Administration, 2015). The second is the development of electronic communications in all sectors including tourism.

- *Sectorial Strategy of Transport and Action Plan 2016-2020*: Approved in November 2016, this strategy focuses on the connectivity/accessibility aspect of tourism, aimed at integrated models of combined coastal tourism (sun and sand), cultural tourism (archaeology and cultural heritage), and natural tourism (ecotourism) (Ministry of Infrastructure, 2016).

Other strategies of national relevance that consider tourism development aspects include: the ‘Integrated Cross-Sectoral Plan of the Economic Area Tirana-Durres,’ the ‘National Sectorial Plan in the field of Tourism for the Albanian Alps Region,’ the ‘National Strategy of Culture 2019-2025,’ the ‘National Strategy of Integrated Waste Management,’ the ‘Inter-sectorial Strategy for Environment,’ the ‘Strategy for the Integrated Management of Borders 2014-2020,’ and the ‘Strategy for Business Development and Investments 2014-2021.’

### **Strategy of Sustainable Tourism Development in Albania 2019-2023: A Critical Assessment**

In June 2019, following a series of discontinued/partially implemented (draft) strategies, the Government of Albania approved the ‘Strategy of Sustainable Tourism Development in Albania 2019-2023’ (GoA, 2019). This constitutes a positive first step towards the management



of the sector. The responsibility conferred to this document is significant, given the role it has in orienting the development of one of the strategic priority sectors crucial to the economic development of the country. However, it remains to be seen whether this 'Tourism Development Strategy' offers a credible, sustainable perspective to transforming Albania from a peripheral to place-based tourist destination. An assessment of the policy is provided below, though implementation has yet to take place.

The strategy begins with the premise of a rather generic and ambitious vision: "Albania, a welcoming destination, attractive, authentic, for the sustainable development of economic, natural, and social potentials of our country" (MTE, 2019, p.16, author's translation). It distinguishes among three types of tourism, namely: coastal, natural, and thematic tourism, and organizes its strategic goals into four distinct groups related to:

1. *Creation of new development poles and industries and consolidation of the touristic offer;*
2. *Increase of the added value and impact of the sector on the economy and employment;*
3. *Development of new tourism products and services and improved quality; and*
4. *Improvement of the country's image and promotion of local products* (MTE, 2019, p.4, author's translation).

The goals are broken into a total of fifteen specific objectives, which are expected to yield significant economic outputs including: an increase of the sector's contribution to the GDP from 8.4% to 10% by 2023; generation of at least 6,000 new businesses related to the tourism sector; 2.552 million EUR in foreign direct investments by 2023; an increase in investments in the tourism sector up to 6.3% of public investments; and a three-fold increase in revenue from direct tax (of the sector) from 9 to 31 billion ALL by 2023. These expected outputs raise two core concerns:

- The accuracy of the database used for the generation of the baseline for each output is questionable, given the major discrepancies between Ministry of Tourism and Environment data and the data generated by the Institute of Statistics of Albania (refer to section 5.1 Our tourism ambitions in figures). As such, growth projections risk being unrealistic and non-representative of actual capacities and potentials, and the monitoring of achievement indicators may skew results due to differing baseline values, providing a very different picture of the sector.
- The extent to which such results can be achieved within a sustainable development framework remains uncertain. Growth across a number of sectors by several fold appears to be based on tourist volumes capable of being generated through mass tourism policies and measures unless the strategy is aimed at the profile of the tourist who cares about the environment and is willing to pay more for sustainable practices, which has often not been the case (Pulido-Fernández & López-Sánchez, 2016).

Further, the strategy lists a number of current and future challenges and does not include currently pressing issues such as conflicting development priorities, and the incomplete and inconsistent data on the tourism sector. For the challenges it recognises as alarming, it does not propose any actions or rectifying measures, such as in the case of 'informality'. In addition, the strategy focuses only on tourism by non-residents (inbound tourism by foreign nationals or expats), as stated in its overall goal: "Albania should be promoted extensively among the international community as a destination worthy of competing on equal with other destinations in the global tourism market" (MTE, 2019, p.16, author's translation). The reason why domestic tourism is not analysed as a subject of this strategy remains unclear, especially when considering the increasing trend of Albanians travelling internally to varied destinations, their

spending capacity, the increasing number of local tour operators, and the increasing number of local businesses particularly in the eco-tourism realm. The government's ambition to extend the tourism season is, in fact, largely related to the continuous flow of domestic tourism. As such, it should have been included in the strategy.

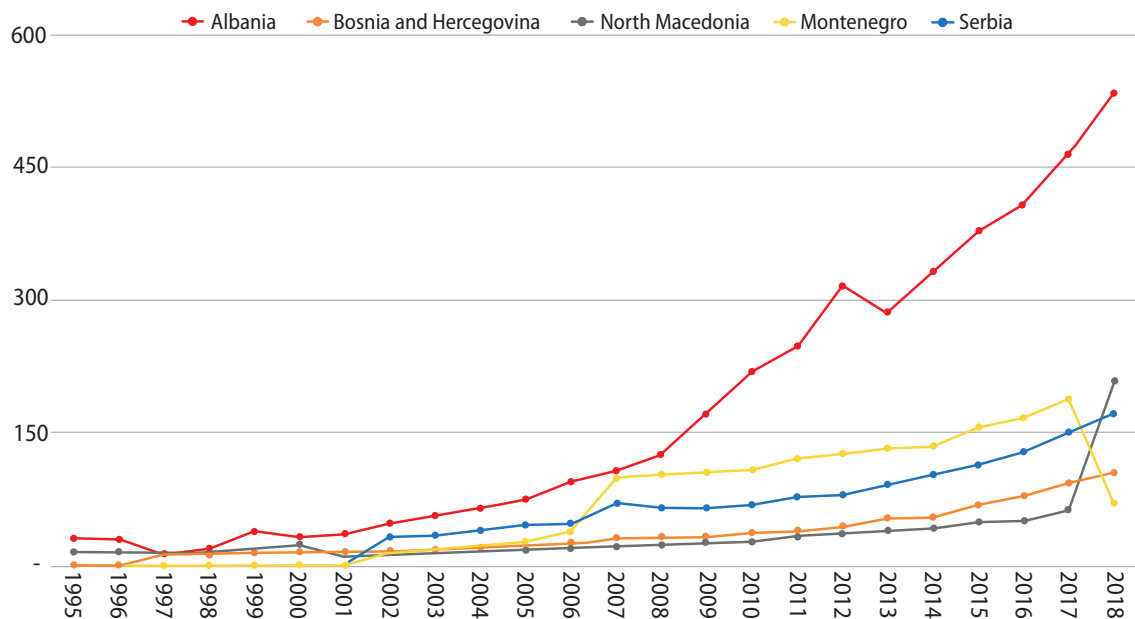
To conclude, it remains unclear the extent to which 'sustainable development of tourism' has been considered and how the government plans to accomplish it, considering that none of the strategic objectives foresee or focus on sustainable development models and practices. This is of particular concern when taking into account that this strategy has been drafted by a ministry that is responsible for both tourism and the environment.

## Albania's Tourism Sector in Figures and its Governance Challenges

### *Our tourism ambitions in figures*

Once the most isolated country in the region today Albania marks the fastest growth in the tourism sector among SEE countries (Figure 2), with over 5.3 million reported international tourist arrivals for 2018 and 2.193 million USD in international tourism receipts (UNWTO, 2019). More specifically, the sector has reportedly contributed an average of 2.8% to the GDP, amounting to a total of 45 billion ALL generated through tourism related activities including: accommodation, food and drink services, travel and tour operators, car rentals, and other leisure activities (INSTAT, 2019). The sector's contribution to employment in 2017 was also seen as positive, with 93,000 direct

**Figure 2.** International Tourist Arrivals 2002-2018 for Five Regional Destinations



**Source:** World Bank data, based on WTO Yearbook of Tourism Statistics, 2019

jobs and 291,000 indirect jobs attributed to the tourism development value chain, and over 22,785 enterprises operating in the tourism sector (Ministry of Tourism and Environment, 2019).

Data for 2018 from the Institute of Statistics of Albania confirms that foreign citizens have spent on average 4.3 nights in Albania, with 76% having stayed in hotels spending an average of 52 EUR/day (INSTAT, 2019).

With over 17,000 rooms and 38,000 beds available to tourists in 2018 (ibid.), if collected and managed correctly by the local government, such figures could have meant good news to local (and central) authorities from a revenue perspective. The future of tourism as projected by the NSSTD (2019) is even more ambitious, with one-third of the GDP (including direct and indirect effects) to be generated by the tourism sector by

2028. Other important projections in the NSSTD include 8.8% of the active work force engaged in tourism related jobs and 8.2% of all investments taking place in the country relating to tourism. Such projections are instrumental in orienting development. Hence, accurate data upon which analyses and projections are based are fundamental to the process. While tourism as a sector is new and relies on relatively poor data and limited time-series, there is a significantly high discrepancy among the figures provided by the Ministry of Tourism and Environment (as part of the NSSTD) and the figures provided by the Institute of Statistics of Albania (INSTAT). A case in point is the tourism sector's contribution to the economy, valued at 8.5% of the GDP according to the NSSTD, which sources its data from the World Travel and Tourism Council (2017). That figure is 2.8% of the GDP according to INSTAT (2019).

Despite differences in methodologies applied, discrepancies assessed at approximately 5.7 percentage points are difficult to explain, particularly when considering that the sector has demonstrated growth from 2017 to 2018. Similarly, significant discrepancies are found when reporting on the number of accommodation structures and available rooms. In their technical note on 'Informality and Competition in the Tourism Sector' (2018), the Albania Investment Council reported 3,800 accommodating structures, 29,000 rooms, and 67,000 beds available to tourists (referring to data from the Ministry of Tourism and Environment). INSTAT (2019), on the other hand, reported 17,000 rooms and 38,000 beds available to tourists in 2018.

### *Governance Challenges in the Tourism Sector*

In addition to the ambiguity related to the lack of data on this sector (inevitably reflected at a policy-making and management level), the sector of tourism has a number of governance challenges, which are identified through the above analysis and by various institutions, and presented in at least three core documents: (1) the Report on the

Effectiveness of Policies on the Strategic Development of Tourism, published by the State Supreme Audit Institution in 2017; (2) the NSSTD prepared by the Ministry of Tourism and Environment, and approved by the government through the DCM No. 413 on June 19, 2019; and (3) the Technical Note on 'Informality and Competition in the Tourism Sector,' published by the Albania Investment Council in 2018. While it is difficult to account for all challenges related to the governance of the tourism sector, some of the most pressing ones that are yet to be addressed by the respective institutions can be categorised as 'institutional' and 'market' related, though the dividing line among the two can sometimes be blurred:

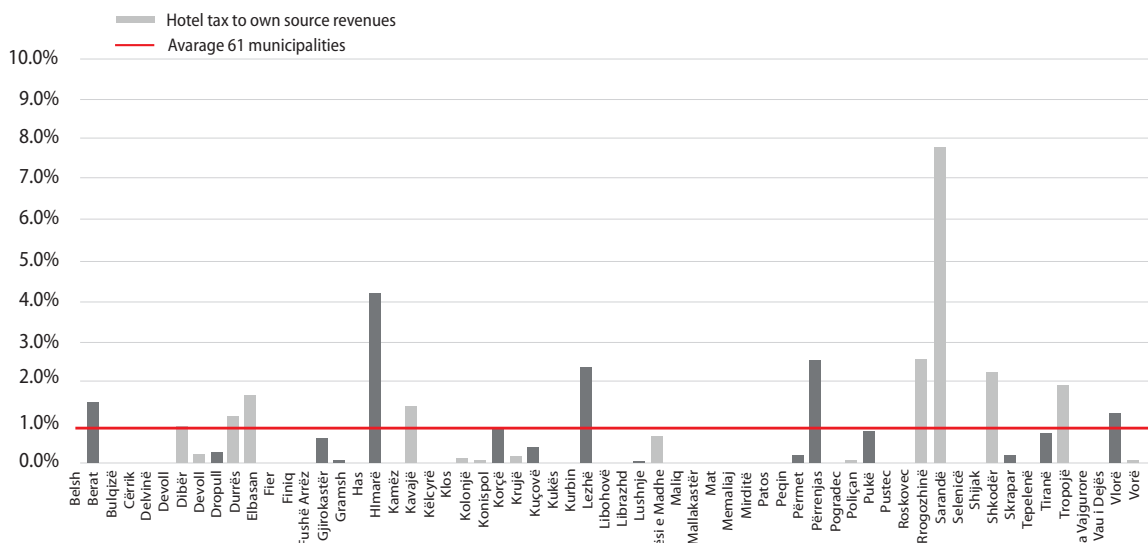
- **Low effectiveness and efficiency** in the tourism sector and the responsible institutions caused by: a lack of clear vision; a lack of evidence-informed, well-formulated strategies and action plans; and a failure to implement the legislative framework and complete it with bylaws. Both laws 'On Tourism', namely No. 9734 dated May 14, 2007 and No. 93/2015 'On Tourism' attest to institutional limitations to draft the bylaws and the necessary regulations and to set up structures as foreseen by the law, such as the 'Commission for the Standardisation of the Touristic Activities,' Regional Committees for the Development of Tourism, and Monitoring Structures.
- **Incomplete and inconsistent data on the tourism** sector primarily owing to: the lack of a clear methodology for the collection and processing of statistical information related to the sector; the lack of a specific, approved procedure on statistical information in the sector; delays in fully updating the database with accurate and complete data on the number of tour operators, travel agencies, and other related actors; and large discrepancies when reporting on various tourism performance metrics, such as its contribution to the GDP and the magnitude of the private sector operating in tourism related services.

- **Informality in the sector** as measured through the tax declarations and own-assessments by the tax administration is reported at 40% (General Directorate of Taxation, 2017). Informality in the sector takes the form of: operating informally as an unregistered business, tax evasion, unreported employment, underreporting taxable income, undeclared revenues, cash-based transactions, and underreporting or no reporting of guests in the case of hotels. In addition to the informality levels reported by the General Directorate of Taxation, informality can be analysed and potentially assessed through the lens of local finances.

Although the sector is poorly covered with statistics, municipality own revenues and revenues generated from the hotel tax have

been consulted for the purposes of this analysis. The municipalities in the country generate, on average, 29% of the total local revenues from own source revenues (Co-PLAN, 2019). With the exception of Tirana (an outlier), Kamëz, and Himarë, municipalities show a very low capacity to generate revenues from own sources. Out of the 29% of own source revenues, municipalities in the country generate only 0.9% from the hotel tax payable for each guest/night. The municipalities of Himarë, Berat, Lezhë, Prrenjas, and Vlorë stand above the national average, yet the average is very low – not even 1% (ibid.). With tourism statistics indicating an increase in the number of tourists, such a discrepancy indicates a high level of informality in this sector with regard to the number of guests in accommodation structures.

**Figure 3.** Ratio of the Hotel Tax to Municipalities' own source revenues



Source: www.financatvendore.al (2019) and author's calculations

- **Insufficient resources and capacities at local level.** The law 'On Tourism' sets out a number of responsibilities for local governments, such as the maintenance and regularly updating of a tourism resource inventory and the provision of supportive infrastructure to local businesses operating in the tourism sector, ensuring that accommodating structures are classified and certified in compliance with the law 'On Tourism', and DCM No.730, dated October 20, 2016. However, most municipalities are not

able to fulfill these responsibilities. A recent survey that addressed all 61 municipalities in the country shows that 79% of municipalities claim that tourism is a priority sector for their local economic development. Yet, only 27% of the respondents have a local strategy or plan for tourism development in their municipality. Part of the respondents that considered tourism as a priority sector but did not have a local strategy or plan stated that they use the national tourism strategy and the General Local Territorial Plans (GLTP). To date, at least 37 GLTPs

have been approved, all of which have tourism related considerations in the form of priority objectives. The majority of the municipalities reported that they had no enabling mechanisms in place to support or offer incentives to local businesses. Only about one-third of the municipalities reported some form of incentives, such as a reduction of the fiscal burden for local businesses willing to relocate to a newly requalified tourism improvement district. Similarly, the municipalities that consider tourism as a priority sector also reported dedicated capacities to cover the sector. Qualitative considerations on the skills and technical capacities of the allocated staff were not part of the focus of the survey though most of the reported staff work on a number of sectors. Tourism happens to be an additional task.

- **Conflicting development priorities** are particularly visible and impactful in the case of energy production through the construction of small Hydropower Plants (HPPs). Sikirova and Gallop (2015) reported at least 583 considered hydropower projects, 75% of which have entered into operation in the past 10 years (Sikirova & Gallop, 2015). Of these 75%, 105 HPPs are located in protected areas (Gjoka, 2018), leading to a series of negative effects such as damaged biodiversity, increased droughts, reduced water quantities, and subsequent reduced access to water. (ibid.). The government's ambitions to develop and promote sustainable, nature-based tourism are inconsistent with and undermined by government granted permits to construct at least 105 HPPs in protected areas and highly popular tourist destinations.
- **Unresolved environmental issues** persist, such as deforestation, including in national parks and protected areas. Despite attempts to curb deforestation through a 2016 declared moratorium of forests, Albania has lost approximately 380 km<sup>2</sup> of forest area (Global Forest Watch, 2019), and invaluable biodiversity and landscapes in areas with high tourism development potential, such as the National Park of Lura.

- **Limited quantity and quality of accommodation structures** is particularly relevant in highly popular destinations, where the average number of 'beds per unit' remains low and the overall quality offered is below the expected standard. Given the circumstances and in the absence of a categorisation and classification system, it becomes difficult to devise corrective measures and monitor change.
- **Limited capacities of human resources operating in the tourism sector**, including staff employed in hotels, restaurants, travel agencies, information desks, and other tourism related services. The lack of a solid tradition and prior experience in the realm of tourism has manifested in poor customer service practices, inadequate communication, and overall unsatisfying reviews and customer experiences. In absence of qualitative assessments, one way of gauging this aspect could be through customer feedback in online tourism-related portals.

## Conclusions and Recommendations

The aim of this article has been to analyse the governance dynamics and challenges of tourism development in Albania, with a particular focus on policy-making aspects of the sector. Based on an overview of the core legislative framework related to the sector's development, strategies, and its current state and challenges, several conclusions can be drawn.

Albania as a 'tourist destination' is a positively evolving reality, as growth trends have shown over the years. The current picture of the sector does not, however, portray an accurate picture of the sector's dynamics and what its future projections may be for a number of reasons including the following:

- Numerous challenges remain unresolved, including informality present in the sector. Calculated at approximately 40% (General Tax Directorate, 2017), the level of informality is believed to be significantly higher, as indicated by inconsistencies

between the number of overnights spent in hotels and the insignificant level of hotel tax accumulated by the municipalities.

- The policy and legislative frameworks governing the sector, including at least four draft strategies and two laws, have been inconclusive and ranged between drafts and discontinued implementations. The recently approved strategy for the sustainable development of tourism in Albania, although a long-awaited document, does not provide an evidence-informed, thorough, and inclusive strategy for orienting both domestic and international tourism. Domestic tourism, which the strategy does not address, makes up an important tourism contribution because of its year-round seasonality and continuous demand;
- Statistics on the sector, while issued from official sources and responsible institutions, are inconsistent and present major differences. To date, there is no clear methodology for the collection and processing of statistical information related to the sector. This leads to questions about the accuracy of all analyses, plans, and strategies of the sector and all inter-related sectors, and impedes the ability to assess the actual contribution of the sector to the economy.
- Tourism planning offers limited projections for a three to four year period. The sector is dynamic and projections ought to address that. Starting anew with every newly assigned minister, ministry, or government limits the sector's ability to plan for the mid-term and long-term, resulting in sector strategies based on short-sighted visions and action-plans.
- Institutional efforts and processes within and between the central and local level are not coordinated. Conflicting interests and development priorities, as in the case of Albania's energy sector, have a direct, counter-productive impact on the development of the tourism.

Mushrooming HPPs in protected areas and national parks, by definition, do not and should not fall within the sustainable tourism promise.

- The newly approved strategy fails to explain what is meant by sustainable tourism development. Most objectives, measures, and expected economic outputs relate to massive tourism, focused on the already crowded and depleted areas, such as the coast.
- The newly approved strategy fails to explain what is meant by sustainable tourism development. Most objectives, measures, and expected economic outputs relate to massive tourism, focused on the already crowded and depleted areas, such as the coast.
- To date, no 'Action Plan' has been developed as part of the strategy.

If Albania is adamant about its tourism ambitions and willing to turn it into a key driver for economic development, actions to improve the governance of the sector are required on numerous levels.

First, it is important that the tourism governance process is realistic and acknowledges that the increasing tourism figures have not translated into actual growth (contribution to the gross value added). The tourism development narrative in Albania needs to be amended along with the ways that success and progress in the sector are measured.

In addition, sustainable tourism development needs to be planned for the long-term instead of being tied to a single governing mandate. This would avoid situations in which strategies are discontinued because of changes in governments or ministers (even within the same governing mandate). Governance efforts should also focus on preventing conflicting development priorities, as in the case of energy vs. tourism; planning, managing, and promoting tourism not only by foreign monitoring measures in coordination with the affected sectors and implemented with immediate effect.

This list of recommendations is not exhaustive and can still benefit from more in-depth analyses on the sector. Nonetheless, it constitutes a starting point and food for thought for policymakers.

## Notes

1. Primarily owing to the political instability in the country.
2. The strategy was prepared by the UK-based firm Touch Ros and Europrincipal Limited.
3. Reduced VAT does not apply to drinks.
4. The list of challenges presented is not exhaustive given that the focus of the article is primarily on governance.
5. DCM no. 730, dated 20.10.2016 'For the Approval of the Regulation for the conditions, criteria, tariffs, deadlines and procedure for the classification of accommodating structures.'
6. The survey was conducted by the author in September 2019 through electronic communication. It consisted of five questions, including: (1) Is tourism a priority development sector in your municipality? (2) Do you have a Tourism Strategy or Tourism Development Plan for your municipality?; (3) Do you have enabling policies / incentive schemes for local businesses operating in the tourism sector?; (4) Do you have staff dedicated to the tourism sector?; (5) How many service structures (accommodation, restaurants, etc.) operating in the tourism sector result in your municipality?

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**Disclosure statement**

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