

The Economic Impact of DokuFest 2015

February 2016

forecasts for 2016-2018



1. Introduction

DokuFest is one of the most successful and best-known documentary and short film festival in the region and the world. Many artists from various countries take part in this festival. The Impact of DokuFest in the cultural life of the country is an aspect that has been highly valued by many experts in the field.

However, besides the cultural aspect, DokuFest has a great impact not only on the economy of Prizren, but also on the Kosovo's economy in general. The economic impact was proven in 2011 through an analysis conducted by the GAP Institute in cooperation with DokuFest where, based on the number of visitors and a 20% propensity to import, the impact of DokuFest 2011 on the Gross Domestic Product (GDP) was estimated to be 3.1 million euros, and together with consumption expenses, the value rose to 3.8 million euros.

Main beneficiaries of this festival were local businesses in Prizren: hotels, renters, restaurants, coffee-bars, street vendors, but also nation-wide businesses, such as airlines, banks, and telecommunication companies. This festival is also known for creating jobs, new investments, increasing the amount of income tax collected and stimulating the local economy through tourism.

During the 14th edition of DokuFest, i.e. the 2015 edition, there were more than 15,000 participants. Out of those, 7,000 or 48% were first-time participants and their average age was 26. Since 2011, the number of participants has increased for over 50%, and based on preliminary trends, this number will continue to rise even more in the upcoming years. Consequently, the impact of DokuFest on GDP in 2015, with a propensity to import of 48%, amounted to the annual value of 2.4 million euros. If consumption expenses are included, the annual impact is estimated to be over 4.7 million euros.

This is GAP Institute's second report in a row that assesses the economic impact of DokuFest. It presents direct and indirect impact of this festival on the GDP and the 2016-2018 macroeconomic projections.

2. Methodology

The goal of this study is to measure the economic impact of the nine-day festival in Prizren. Due to the high level of informality prevailing in Kosovo, exact measuring of this impact and cash flow is difficult. Therefore, GAP Institute, in cooperation with DokuFest organizers has compiled a questionnaire that was filled out by 1,105 respondents - DokuFest participants. The number of visitors at DokuFest held between August 8-16 2015, based on the number of movie tickets sold in the city's eight cinemas, and the participants in other activities organized by DokuFest, was over 15,000.

The sample of 1,105 respondents represents 1/15 of the total number of visitors of DokuFest, i.e. every fourth person that purchased something in DokuFest shops. This sample is considered all-inclusive and statistically acceptable. The research was conducted with resident and non-resident visitors of Prizren. The research was carried over nine days.

Besides surveys, GAP also acquired information from the Tax Administration of Kosovo (TAK) on the incomes from Prizren during the summer. The TAK data confirm increased income during the month when DokuFest is organized.

3. Briefly about DokuFest

The documentary and short film festival DokuFest is the biggest film and cultural event in Kosovo, which is organized every year in Prizren. Various cultural activities are held during the festival. In addition to movies that are played during the day and in the evening, around 150 volunteers are engaged in organizing a number of other activities such as workshops, trainings, debates, exhibitions, DokuPhoto, DokuKids children's festival, camping, DokuNights music concerts, DochuTech technology conferences, and Kino Prizren Cabaret.

During the 2015 edition, 228 short films and documentaries were screened in the city's eight cinemas. In addition to visitors from Kosovo and the region, over 300 international visitors and distinguished guests from Kosovo and the world participated as well.

4. Economic Impact of DokuFest

The DokuFest festival has a direct and indirect impact on the national economy. The direct impact is a result of expenses that are directly linked to the organization of DokuFest events.

Whereas, indirect impact includes persons or businesses that are not directly linked to the festival but benefit as a result of organization of the event, which in DokuFest's case are entrepreneurs that provide services to visitors in the field of transport, food, recreation, accommodation, seasonal employment due to the increased economic activities, etc.

4.1 Direct impact

For the organization of DokuFest, in total € 315,430 were collected from various donors, sponsors, own revenues and loans. Out of this amount, over € 131,000 were spent on human resources, accommodation, and transportation; € 29,000 on marketing, € 18,000 on equipment, logistics, and maintenance; and € 136,000 for prizes awarded to winners, organizing DokuNights, DokuPhoto, DokuKids, panels, one Master Class, workshops, etc. Therefore, direct beneficiaries of the festival are persons or enterprises directly involved in organizing the festival.

4.2 Indirect impact

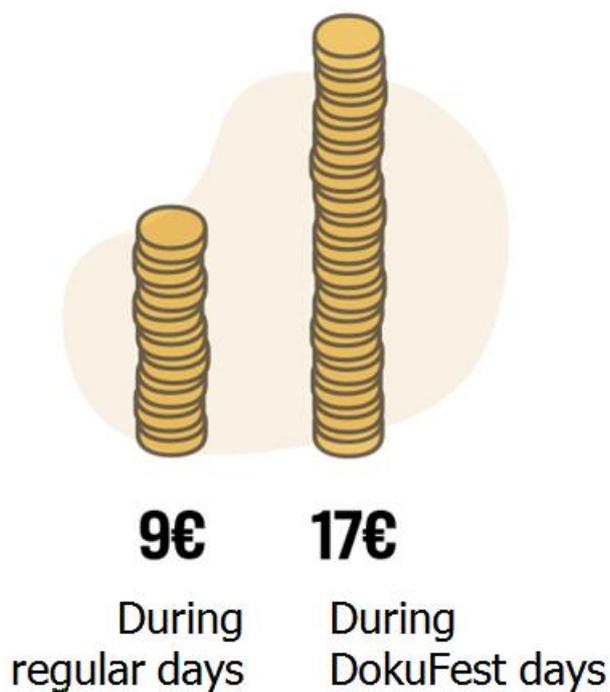
On the other hand, due to the increase of the number of visitors and consequently the consumption, during DokuFest many businesses in Prizren that provide accommodation, food, transportation, recreation, and other services have benefitted. Additionally, compared to July 2015, during August of the same year, when DokuFest was held, tax income rose by 44%¹. Below are shown some of the indirect benefits that come from residents of Prizren, as well as visitors from Kosovo and abroad. This impact was calculated based on the average expenditure declared by the respondents.

¹ Data from the Tax Administration of Kosovo (TAK), pursuant to the request of GAP Institute, January 2016.

Based on the collected data, average expenditure of citizens of Prizren is equal to 9 euros per day. This includes daily food, transportation, and recreation expenses. Compared to regular days, during this festival, the citizens of Prizren almost double their daily expenses from 9 to 17 euros per day.

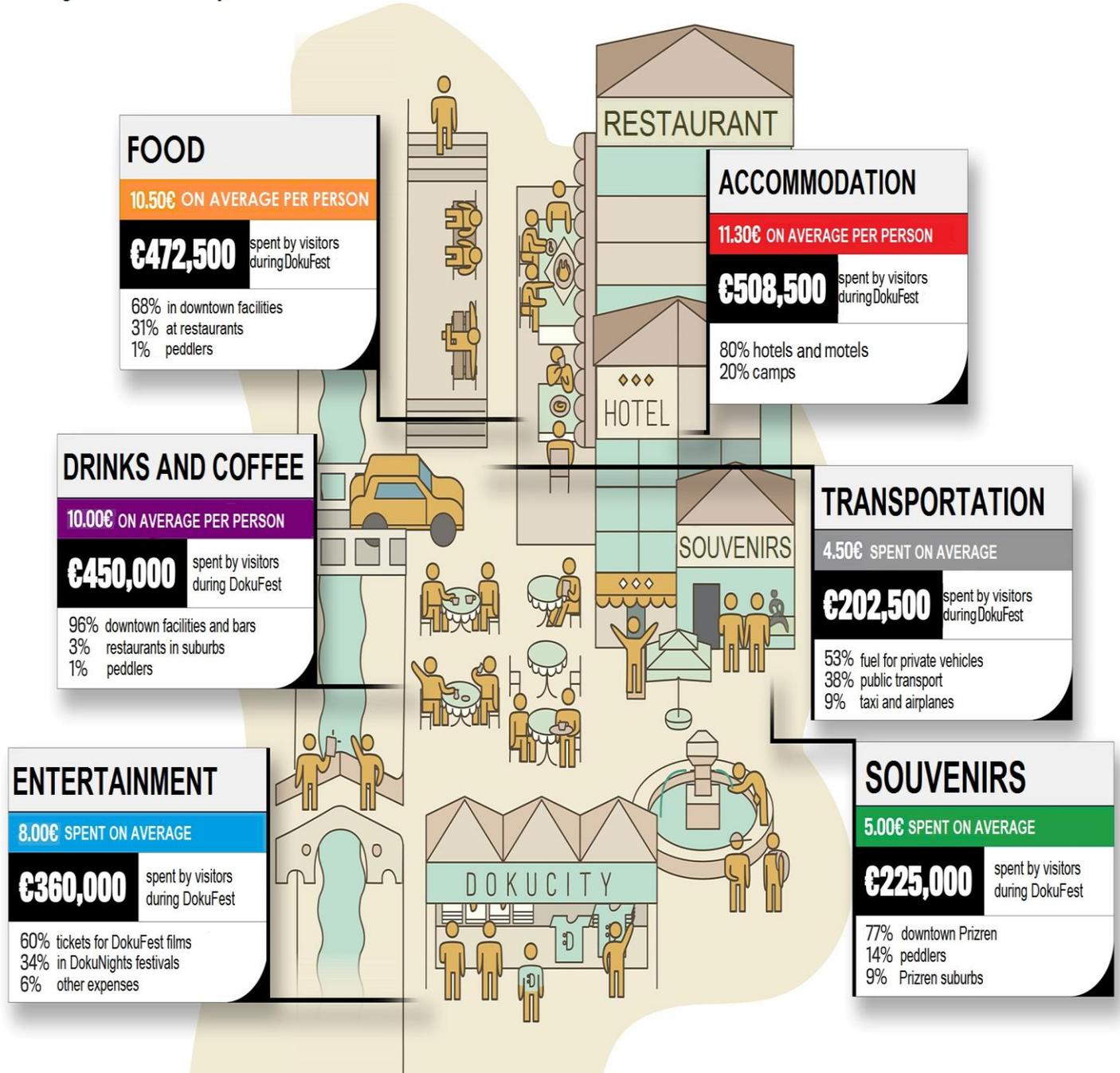
4.2.1

Daily expenses of Prizren inhabitants



4.2.2

Expenses of other visitors during DokuFest days



5. Macroeconomic impact

The model's assumptions of the GAP Institute macroeconomic projections on the economic impact of DokuFest 2015 are:

1. The total number of visitors in DokuFest 2015 was 15,000. Out of this, 25% of the visitors were from Prizren, 38% out of Prizren but Kosovo residents, and 37% were international visitors.
2. The amount spent by visitors was acquired from the survey and it is estimated that participants from Prizren spent on average € 102 during the entire festival, people from out of Prizren spent on average € 184, and visitors from abroad spent € 221.
3. This model presents two projections. The first table includes the economic impact and removes the import effect, and the second table presents all expenses.
4. Expense data show that a great part of consumption is concentrated on services which are mainly produced locally. However, when it comes to cash flow, based on the data from the Kosovo Agency of Statistics (KAS), 48% of products consumed are imported. In DokuFest 2011, the propensity to import was assumed 20% which had less of an impact on the decrease of the GDP than the 2015 value of 48%.
5. Similarly to the first report, this year's model foresees the 4-year economic and consumption impact, including the multiplier effect or the circulation of cash after the initial expenditure occurs. This year, the multiplier is estimated to be 1.78², which may be calculated from the KAS data on the changing of GDP and family consumption.
6. Based on previous trends of the increase in the number of visitors, this model projects a 10% increase for the next 3 years. However, expenditure per person and the proportion of participants from Prizren, out-of-towners, and internationals shall remain the same. The increase in the number of visitors is lower compared to the last report in 2011 because over the years the festival approaches fulfilling its attendance capacity.

² The multiplier is calculated from the KAS data on the GDP

The multiplier formula: $m=1/1-mpc*(1-VAT)*(1-mpi)$ VAT= 18%

M propensity to consumption: $Mpc= \text{consumption 2014} - \text{consumption 2013} / \text{GDP 2014} - \text{GDP 2013}$

Marginal propensity to import: $Mpi = \text{import of goods and services 2014} / \text{final consumption 2014}$

5.1 Impact on GDP

Table: 1: Impact of DokuFest 2015 on GDP and forecasts for the years 2016-2018

Year			2015		2015		2016		2017		2018	In total 4 years
No. of visitors			15,000		15,000		16,500		18,150		19,965	Direct impact
Residence of visitors	Proportion	Expenses in EUR	Total expenses in DokuFest		EUR	Increase	EUR	Increase	EUR	Increase	EUR	EUR
Prizren	25%	102	382,500		198,900	10%	218,790	10%	240,669	10%	264,736	923,095
Outside Prizren	38%	184	1,048,800		545.376	10%	599,914	10%	659,905	10%	725,895	2,531,090
Internationals	37%	221	1,228,215		638.672	10%	702,539	10%	772,793	10%	850,072	2,964,076
Total expenses in Prizren/Kosovo			2,659,515	Direct impact on the economy (GDP) in the medium term	1,382,948		1,521,243		1,673,367		1,840,704	6,418,261
Cash flow multiplier in the medium term (3 years)												
				1.78	2,461,647		2,707,812		2,978,593		3,276,452	11,424,504

5.2 Impact on consumption expenses

Table: 2: The impact of DokuFest 2015 on consumption expenses and forecasts for the years 2016-2018

Year			2015		2015		2016		2017		2018	In total 4 years		
No. of visitors			15,000		15,000		16,500		18,150		19,965	Direct impact		
Residence of visitors	Proportion	Expenses in EUR	Total expenses in DokuFest		EUR	Increase	EUR	Increase	EUR	Increase	EUR	EUR		
Prizren	25%	102	382,500		382,500	10%	420.750	10%	462.825	10%	509.108	1,775,183		
Outside Prizren	38%	184	1,048,800		1,048,800	10%	1,153,680	10%	1,269,048	10%	1,395,953	4,867,481		
Internationals	37%	221	1,228,215		1,228,215	10%	1,351,037	10%	1,486,140	10%	1,634,754	5,700,146		
Total expenses in Prizren/Kosovo			2,659,515	Direct impact on the economy (local production) in the medium term	2,659,515		2,925,467		3,218,013		3,539,814	12,342,809		
Cash flow multiplier in the medium term (3 years)					1.78		4,733,937		5,207,330		5,728,063		6,300,870	21,970,200

6. Conclusion

This report estimates the economic impact of DokuFest in the year 2015. In conclusion, this festival has increased the economic activity (GDP) in the amount of over 2.4 million euros. If consumption expenses are included, the annual impact is estimated to be over 4.7 million euros. Compared to the previous analysis on the economic impact of DokuFest 2011, this year's impact when it comes to expenses has increased about 24% and the number of visitors by 50%.

Based on Table 1, the number of participants is expected to increase by 10% annually until 2018, and the GDP impact is projected to increase from 2.4 million in 2015 to 3.2 million euros in 2018. A similar increase is projected in consumption. Table 2 projects an increase from 4.7 million in 2015 to 6.3 million euros in 2018.

Similar to DokuFest 2015, forecasts for the years 2016-2018, assumes that the main indirect beneficiaries of the festival will be local businesses in Prizren: hotels, renters, restaurants, coffee-bars, street vendors, but also nation-wide businesses, such as air companies, banks, and telecommunication companies. Moreover, this year income increases have been registered at the Tax Administration of Kosovo (TAK) as well. Compared to July 2015, at the time DokuFest was held, tax income increased by 44%. Thus, economic impact is not limited only to Prizren because the increase of economic activity through the multiplier effect circulates the cash all over Kosovo.

Therefore, considering the results of the first analysis in 2011 and the current one in 2015, we may conclude that DokuFest has a wide impact on the country's economy.



GAP Institute is a Think-Tank established in 2007 in Kosovo. The main goal of GAP is to attract professionals to create an environment of professional development and research, which is encountered in similar institutions in western countries. This also provides the opportunity to Kosovans for researching, developing and implementing projects with the aim of advancing Kosovan society. This Institute's priority is to mobilize professionals in addressing economic, political and social challenges of the country. The main goals of GAP are to fill the gaps between the Governments and the citizens, and also fill the gaps between problems and solutions.

GAP Institute is supported by:



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