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Guidance to strengthen destination management organisation structures in Croatia

OECD

Guidance to strengthen destination management organisation structures in Croatia

This report provides guidance to strengthen destination management organisation (DMO) structures to support sustainable tourism development in Croatia. It aims to enhance collaboration between tourist boards and destination management organisations at the national, regional and local levels, and help to build the capacity required to deliver Croatia's Sustainable Tourism Development Strategy 2030. It takes into consideration the evolving legal framework, governance and funding for destination management in Croatia, and presents a set of recommendations to address identified challenges in the form of a framework to support destination management with DMOs playing a central role. The proposed framework aims to use the experience, knowledge, skills and resources of the public and private sectors and NGOs and support DMOs to perform the function of destination management in an efficient and effective way.

JEL codes: L83; Z32; Z38

Keywords: tourism, destination management, DMO, governance, Croatia, sustainable tourism

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The report provides analysis of destination management in Croatia and examines opportunities and challenges to strengthen destination management structures and operations. It has been produced with support from the Croatian Ministry of Tourism and Sport, the Croatia National Tourist Board, the Institute of Tourism, and other stakeholders working in destination management across the country, including representatives of county and local tourist boards, and industry associations, who provided valuable written and oral inputs. It has also benefitted from significant contributions, feedback and guidance from policy makers from OECD member and partner countries.

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Executive summary

Like many countries across the world Croatia recognises that sustainability is both a major opportunity and a significant challenge for the development of tourism. It has consequently put sustainability at the heart of its Sustainable Tourism Development Strategy 2030. Launched in 2022, the Strategy has four strategic objectives: year-round and more regionally balanced tourism; tourism with preserved environment, space and climate; competitive and innovative tourism; and resilient tourism. As part of Croatia's plans to transform tourism, the transformation of tourist boards into high performing Destination Management Organisations (DMOs) is identified as a priority area for action.

In any discussion of destination management and DMOs it is worth reflecting on why they are needed:

Firstly, neither the public or the private sectors alone can ensure that a destination is sustainable in the long term and that tourism activity delivers a benefit to all its constituent stakeholders – visitors, residents and businesses. Dedicated and proactive management is needed to ensure that the interests of all those impacted by tourism, positively and negatively, are held in balance. This is the job of a DMO.

Secondly, the tourism sector is characterised by a great many small firms providing a wide array of tourism services. These firms tend to focus on their own businesses and may lack the time, resources and perhaps the expertise to look at the industry more widely. Consequently, they may fail to recognise opportunities for skills development, product development or innovation and market development and may fail to understand, or be unaware of, the business and training support available. A DMO can help fill these gaps.

Thirdly, the range of organisations that have resources, assets, skills, knowledge and influence that can contribute to tourism development, from the government sector, the business sector, the community and the NGO sector, tend to work unilaterally or together in a limited way. They need mobilising to collaborate in local or regional areas to ensure that their co-ordinated and combined efforts have a greater impact than working alone. Bringing them together in a destination management partnership is a core role of a DMO.

Croatia is one of several countries in Europe that has recently recognised the importance of destination management in achieving their tourism aims and has embarked on a programme of reform to change the way that tourism is managed. In 2024, a new Tourism Act entered into force that builds on previous legislation and introduces new ways of working. The Act expands on a range of factors to strengthen and align key areas of tourism management and development, including the introduction of sustainable monitoring systems, the clarification of public sector roles and responsibilities, the provision of incentives and funding, as well as measures to align tourism planning at the national, regional, and local level. The next step is to further develop Croatia's system of tourist boards, so that they are integrated both horizontally and vertically into an effective destination management structure, each having the capacity and capability to operate to a high standard.

Analysis of Croatia's destination management structures and practices has highlighted key considerations that, if addressed, could further strengthen and increase their efficiency and effectiveness. Outlined below, the following key considerations inform the development of a set of recommendations to strengthen destination management in Croatia:

- A more proactive approach to removing barriers and incentivising co-operation at both local and regional levels will enhance and accelerate horizontal integration. There are some good examples of co-operation between neighbouring local Tourist Boards, however, the extent to which they can legally combine budgets, staff, and activities, is not well understood and for the smallest tourist boards' co-operation is limited by their capacity to instigate and/or participate in partnerships. Potential partnerships can also be stymied by political or policy divisions in some locations. These factors can prevent tourist boards from building the critical mass necessary to be effective delivery partners within the country's destination management structure.
- Vertical integration has been improved through the 2024 Tourism Act but it continues to be hampered in several respects. This includes the limited capacity of county tourist boards to co-ordinate the work of all the local Tourist Boards within their area of operation, and the freedom that local tourist boards have to work in isolation both from their neighbours and their county, which can hamper spatially coherent approaches.
- Claims by tourist boards of funding shortfalls remain. Although there are funding disparities between continental and coastal areas of the country and between local tourist boards and county tourist boards in some locations, funding does remain available for destination management and marketing functions. Clarity is needed on where underfunding is a real issue so that steps can be taken to resource tourist boards appropriately.
- Tourist boards need sufficient staff and budgets to perform as fully functioning DMOs. This issue is most acute in local tourist boards that serve rural areas and small municipalities, though a significant number of county tourist boards are also under-resourced. City-based tourist boards generally have larger budgets and adequate staffing levels. Ideally tourist boards should have resources that are commensurate with their responsibilities and in many cases they do not.
- Recent legislation will strengthen destination management but also increase workloads for both county and local tourist boards. Successful implementation of new processes, for example destination management planning, depends to a large degree on the capacity of tourist boards to undertake additional responsibilities. To ensure they have the resources to meet expectations, adjustments may be required to the functions expected of each type of tourist board.
- Concerns about the quality of destination management and skills levels of staff may be valid in some instances but many people working in tourist boards are knowledgeable, experienced and passionate about the potential of the areas they serve. The more significant issue is capacity, both in term of budgets and levels of staffing.
- The value of local tourist boards' engagement with businesses, visitors, local authorities and communities should be recognised and protected. Their understanding of the issues and impacts associated with tourism within their destinations, as well as their ability to identify, articulate, and address problems, are central to developing tourism in a sustainable way.
- EU project funding is not a sustainable source of funding to support day-to-day destination management operations. National funds that are administered by the CNTB and the Ministry of Tourism and Sport could be further adapted to shape the destination management landscape of the country. Fundamental changes to funding formulas and allocations may be required to develop a network of high performing DMOs.
- The current governance structure is inclusive in nature and well understood. However, it is quite onerous for smaller local tourist boards. The governance model needs review to ensure that it is appropriate and proportionate to the role and remit of different classes of tourist board.
- Efforts should be made to ensure that political or policy differences between administrations do not prevent organisations from working in harmony. The involvement of politicians in the governance of tourist boards is a positive feature of the Croatian system but political influence should remain at a strategic level and focused on setting direction and monitoring performance.

Situation analysis

Croatia has the assets necessary to attract inbound visitors and domestic markets – coastlines, historic cities, natural landscapes and an offer that represents value for money compared to many of its European competitors. In 2022, Croatia received 16.2 million international tourist arrivals which represents a 42% increase compared to 2021. In addition, 2.6 million domestic overnight tourists were recorded in 2022 (Croatia National Tourist Board, 2024^[1]; OECD, 2022^[2]).

Nevertheless, tourism activity in Croatia is characterised by pronounced seasonality and regional concentration, putting significant pressure on destinations and local communities and weakening the resilience of the tourism ecosystem. There is a pressing need to diversify the tourism economy, better spread the impacts and benefits of tourism, and shift to a more sustainable model of tourism development.

In response to these challenges Croatia has set a comprehensive reform agenda to promote sustainable tourism planning and development, considering the economic value, as well as the social, cultural, and environmental impacts of tourism. The aim is to establish a strategic, regulatory and institutional framework underpinned by a strong evidence base for decision-making, and a legal framework that is both comprehensive and efficient, in order to manage and develop tourism sustainably. Destination management has a key role to play in achieving this aim.

The way that destination management is currently carried out in Croatia is through a system of about 300 tourist boards. A situational analysis has been carried out to investigate to what extent they fulfil their remit, to describe and assess their potential to improve efficiency and effectiveness, identify the key challenges they face and suggest how these challenges can be addressed.

Informing the analysis is an assessment of strengths, weaknesses, opportunities, and threats using input from a total of 110 (or 37%) of tourist boards operating at county (15) and local (95) levels, the Croatian National tourist board, the Institute of Tourism and five private sector tourism companies/membership organisations with a national footprint. Just over half of county tourist boards and more than a third of local tourist boards responded to the survey. Geographically, there is a relatively even spread of responses across the country though notably fewer from Istria and Dalmatia Dubrovnik. The strongest response was from Central Croatia and Dalmatia Split. The strongest response within a county was from Osijek Baranja in the northeast of Slavonia.

Six fact finding meetings complemented findings from the survey and provided an opportunity for tourist boards who had not responded to provide their views in person. Two were held with groups of local tourist boards, one with county tourist boards, one with the Ministry of Tourism and Sport, one with the Croatian National tourist board and one with representatives from private sector organisations operating across a regional or national footprint.

Destination management structure

Tourist boards operate at three levels in Croatia:

- At the national level the Croatian National tourist board (CNTB) leads the country's international marketing activity and encourages the development of product propositions that will enhance the country's ability to attract inbound visitors.
- At the county level, county (also referred to as regional) tourist boards and local tourist boards with large numbers of visitors, such as those in cities, perform a combination of strategic and delivery roles within their administrative areas such as planning, quality standards, marketing and product development.
- At the municipal level local tourist boards perform more operational and practical destination management functions including liaison with tourism businesses and local communities as well as marketing, event development. They also support the CNTB and county tourist boards to deliver strategic initiatives.

The 20 counties of Croatia and the city of Zagreb are all required to have a tourist board in law. At the local level there is flexibility and tourist boards are formed only if agreed among local stakeholders that one is needed. About 50% of Croatia's 600 municipalities have established a local tourist board.

The number of local tourist boards in counties and regions generally correlates to the maturity of the destination rather than the geographical size of the area they serve. Consequently, there are fewer local tourist boards in continental Croatia (Central Croatia, Slavonia) and many more in coastal areas which receive most of the country's inbound visitors. In 2023, the highest number of overnights stays were recorded in Istria, Split-Dalmatia, Primorje Gorski Kotar (Kvarner) and Zadar¹ the counties that have the largest number of municipal and city tourist boards (Table 1).

Table 1. The number of local tourist boards by NTB region and county

NTB Region	County	Number of Municipal level tourist boards	Number of City-based tourist boards
Central Croatia	Bjelovar-Bilogora	1	5
	Koprivnica Krizevci	2	3
	Krapina Zagorje	7	2
	Medimurje	3	3
	Sisak Moslavina	5	5
	Varazdin	4	5
	Zagreb county	3	9
Capital City	Zagreb city	-	1
Slavonia	Brod Posavina	1	4
	Pozega Slavonie	1	5
	Osijek Baranja	5	6
	Virovitica Podravina	3	3
	Vukovar Srijem	3	4
Dubrovnik	Dubrovnik Neretva	14	5
Istria	Istria	23	9
Lika-Karlovac	Karlovac	5	3
	Lika Senj	6	4
Kvarnar	Primorje Gorski Kotar	18	11
Sibenik	Sibenik Knin	12	5
Split	Split-Dalmatia	15	25
Zadar	Zadar	23	5

Source: Ministry of Tourism and Sport

All county tourist boards, and many local tourist boards, operate within the footprint of the administrative boundaries of public authorities. Local tourist boards vary greatly in size and shape and relate to different geographies from major cities and islands to towns, rural municipalities and occasionally small villages. Occasionally, one local tourist board may represent a cluster of municipalities and/or towns. Only one local tourist board is permitted to exist in any location which avoids direct competition. In Zagreb the tourist board exceptionally performs the role of both local and county tourist board.

Legal framework

Three laws directly govern tourist boards in Croatia, summarised in Box 1. Together, these laws regulate how tourist boards are established, governed, operate, where their revenue comes from and how they work co-operatively with other tourist boards both vertically and horizontally.

Box 1. Croatia's Tourism laws

Law on tourist boards and Promotion of Croatian Tourism (2020)

Coverage: tourist boards (national, county and local).

Areas of regulation: relationship between national regional and local, governance, structure, tasks, remit, financing, personnel.

Law on the tourist Tax (2020)

Coverage: tourist boards (national, county, local), accommodation plus visitors.

Areas of regulation: who pays, payment levels, tax supervision and collection, distribution of tax receipts, registration of visitors, penalties.

Law on Membership Fees in the Tourist Boards (2020)

Coverage: tourist boards (national, county, local), person or business that have direct or indirect income from tourism.

Areas of regulation: who pays, payment levels, fees supervision and collection, distribution of fees receipts, registration of visitors, penalties.

Tourism Act (2023)

Coverage: tourist boards, regional and local authorities.

Areas of regulation: monitoring systems, roles and responsibilities, destination management planning, projects of significance, incentives and funding.

In many respects the presence of a clear framework is beneficial because it avoids, largely, the duplication, overlap and conflict that is encountered in other countries. Conversely it can limit the ability of tourist boards to respond to flexibly to changing circumstances and develop innovative approaches to both the challenges and opportunities they face.

Finance and staffing resource

Tourist boards in Croatia are financed in three of the ways that are commonly used in other countries: (i) a share of tourism tax, (ii) income through membership, and (iii) local government contributions. They can

also access project funding from the government and the EU. The Law on the membership fees and Law on the tourist tax provides additional funds via the Fund for the underdeveloped areas and continent. The levels and allocation of tax and membership income are distributed across the hierarchy of tourist boards to a set formula. Budgets are not ringfenced for specific activity, but staffing must not account for more than 40% of the total annual budget.

There is a discernible disparity between continental and coastal areas and between local tourist boards and county tourist boards, but analysis of tourist board budgets suggests that there is a considerable amount of money at sub-national level being spent on destination management and marketing. Responses from one coastal county indicated that EUR 11.2 million is being spent between county, city and local tourist boards. Many county tourist boards and local city-based tourist boards that provided figures have annual operating budgets of over EUR 300 000, several with budgets much higher and only a couple reporting under EUR 200 000 per annum. For tourist boards that serve small municipalities, annual funding varies more widely, ranging from nearly EUR 20 000 to around EUR 400 000.

The budget figures provided through questionnaire responses suggests that around EUR 20 million is spent on destination management and marketing activities annually, by around a third of active tourist boards.

Whether each tourist board has enough to discharge their responsibilities in full depends on several factors, including the size and complexity of the tourism sector, the number of visitors received, as well as the geographic size and population of the of the area it covers. Most relevant, however, is the functions it is expected to perform.

In terms of staff the disparity from one tourist board to another is more apparent. A large percentage of local tourist boards reported only one or two full time staff, several with just a director and part time or intern support. All the county tourist boards that participated in meetings reported similar low staffing levels. Only city tourist boards, including Zagreb, reported staff teams that could be regarded as adequate to perform the full range of DMO functions. For a significant number of local and some county tourist boards, the ability to effectively discharge the responsibilities of a fully functioning DMO is unrealistic with current staffing levels. Ideally, resources, both budgetary and staffing, should be adequate and commensurate with the responsibilities placed on tourist boards and in many cases they are not.

Governance

Both county and local tourist boards have multi-level governance structures. There are at least two bodies – assemblies and councils – along with tourist board directors, that oversee the activity of tourist boards and take decisions on where they will focus resources. This provides opportunities for a wide range of relevant stakeholders, including all tourism businesses in the area, to participate in the decision-making.

The private sector and other stakeholders have a strong presence as mandatory or voluntary members of the tourist board and can be appointed to the tourism council and management board. The public sector, represented by the local mayor or someone of their appointment, occupies the key position of president of both the assembly and the council which theoretically ensures the local authority is an active participant in tourist board work. This adds a level of democratic accountability to the governance of the tourist board.

There are many positive aspects to the current governance structure. It is inclusive, provides funding for tourist boards through membership fees and supports an appropriate level of oversight for tourist boards in destinations of size and scale including counties, cities and developed islands. However, whether the same governance structure is appropriate for small local tourist boards is questionable and there are also additional drawbacks. Many tourist boards report that private sector involvement is tokenistic and many do not get involved in destination management in a practical sense. Another issue that is regularly cited is political influence on day-to-day operations.

Co-operation

The formal mechanism for co-operation between tourist boards of the same class is 'association' which supports collaboration in one or two areas of destination management where there is likely to be mutual benefit. Associations are supported by the government through the Fund for Associated Tourist Boards, that provides financing for collaborative activity. Tourist boards can use the funds if they are either formally merged or working together on specific projects (associated on projects).

Though not common, there is evidence of successful horizontal collaboration using the association mechanism in Istria and Central Croatia. A tourist board that acts on behalf of several towns and municipalities is evident in at least two areas at the local level and those that do work together benefit from increased support and resources. There is uncertainty among some local tourist board whether a full merger of staff and budgets is permitted or achievable.

There is no formal mechanism for vertical integration of tourist board activity – national to county, county to local – though county tourist boards are mandated by law to co-ordinate local tourist boards.

While not common, examples of vertical integration of tourist board activity can be found such as those in Istria, Medimurje, Varazdin and Dubrovnik Neretva where county tourist boards are successfully co-ordinating local tourist boards, and there is co-operation between the CNTB and city and county tourist boards. Equally there are examples where co-operation is weak or completely absent.

Despite a clear directive that county tourist boards are responsible for co-ordinating local tourist boards in their area it does not appear to be an easy task. Resources are a factor but so too is the principle of self-determination which permits any area to establish a tourist board and decide for itself what the tourist board does. Collaboration with neighbours and tourist boards operating at a different level is expected but the national and county tourist boards have little leverage if a local tourist board decides to pursue its own path.

In some instances, despite a willingness to co-operate, small tourist boards do not have the capacity to engage with neighbours or with regional or national organisations. This is particularly evident where a local tourist board has very limited resources, and could have, for example, just one member of staff responsible for all day-to-day functions and activities that take precedence over progressing opportunities to work outside the destination boundaries.

There are also examples of county tourist boards that don't engage or collaborate with local tourist boards, in effect obstructing the flow of communication from the national to the local level. Political or policy differences between levels of administration were often mentioned as the main issue preventing organisations from working in harmony.

Tourist board functions

In law both county and local tourist boards are described as destination management organisations (DMOs). The Law on Tourist Boards and the Promotion of Croatian Tourism (2020) details the competencies (tasks) assigned to tourist boards (Table 2). There is a considerable emphasis placed on marketing, research and information provision both for the visitor and about the performance of the sector.

Each tourist board is required to produce an annual work plan. Some county tourist boards also have longer term strategic plans. The planning function of tourist boards has been enhanced by the Tourism Act to ensure that planning is carried out in a more comprehensive manner and that plans are aligned from the national to local level. It also adds a requirement that tourist boards of all classes will be actively involved in measuring and monitoring the sustainability of the sector using a new set of indicators.

Table 2. Tourist board responsibilities in the Law on Tourist Boards and Promotion of Croatian Tourism

Responsibilities	County tourist board	Local tourist board
Product development	Co-operation with partners, counties, tourism communities to develop regional and inter regional product	Participation in planning and implementation
	Supporting application for funding from government and EU	Product development to produce packages
	Procurement for events	Event development
	Initiatives and managing product development and product improvement	Development of year-round product
Visitor experience	Quality management standards	Quality management of services and utilities
	Management of public tourism infrastructure	Management of public tourism infrastructure
	Skills development, employees and stakeholders	
Marketing	Participation in implementation of strategic marketing projects	Implementation of strategic marketing projects directed by CNTB and county TBs
	Adoption of strategic marketing plan as defined by the CTNB	Prepare destination marketing materials
	Conducting press and travel trade trips	Support press and travel trade trips
	Public relations	*Public relations
	Define standards for promotional materials	*Define standards for promotional materials
	Marketing infrastructure online	*Marketing infrastructure online
	Strategic and operational marketing activity	*Strategic and operational marketing activity
	Co-ordination of joint advertising	*Co-ordination of joint advertising
Stakeholders	Co-ordination and communication with private and public sector in region	Co-ordination and communication with private and public sector in destination
Planning	Participation in developing strategic documents	Participation in strategic and development planning for tourism
	Participation in legislation, spatial planning and instruments of regulation	Organisation of a visitor management system
Information and research	Provision of supply and demand data	Production of visitor information materials
	Creating maintaining and online content (websites and social media)	Creating maintaining and online content (websites and social media)
	Visitor satisfaction surveys & other market research	Establish, co-ordinate and maintain tourist information centres
	Business intelligence systems	Plan, develop, install and maintain tourist signage
	Participation in development and management of eVisitor and other tourist information systems	Operate eVisitor and other tourist information systems
	Participation in maintain records of the tourist offer	Maintain records of the tourist offer and distribute to regional and national partners
Co-ordination	Support to local tourist boards in underdeveloped areas	
	Support for projects in underdeveloped areas	
	Supervision and co-ordination of local tourist boards	

Note: *additional tasks for local tourist boards with over 1 million commercial overnight stays.

Source: Law on tourist boards and the Promotion of Croatian Tourism

A handful of functions are performed by both county and local tourist boards as outlined below. In practice tourist boards may differentiate how they carry out these roles depending on their areas of operation, however, the potential for duplication is present and problematic.

- Participation in the development of strategic and development plans for tourism in the destination area.
- Co-ordination and communication with private and public sector stakeholders in the destination.

- Participation in the implementation of strategic marketing projects defined by the Croatian National Tourist Board.
- Public tourism infrastructure management.
- Creating, maintaining and regularly creating content on the destination's website and social media.

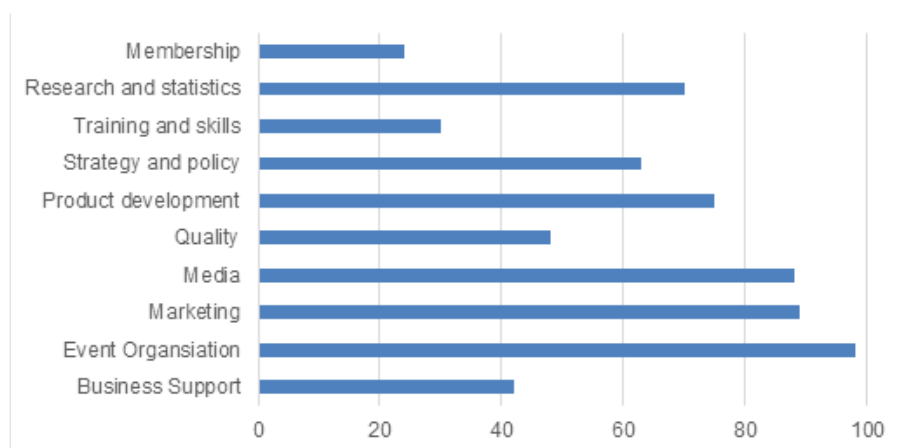
The law describes a common set of competencies that if carried out in full will ensure that destinations are developed holistically and in a sustainable way. Analysis of data provided by tourist boards shows that they currently deliver their prescribed functions to varying degrees tailoring their activity to the needs of their destination and available resources.

Responses to the fact-finding questionnaire indicate that event organisation, marketing, media, product development and research and statistics are activities that are prioritised by all classes of tourist board. It is assumed that event organisation, marketing and media are to some degree linked activities with tourist boards developing events and then promoting them to generate an audience. It is also assumed that research and statistics features towards the top of tourist board activities because of their involvement in operating the eVisitor platform. Product development is a function delivered by about two thirds of tourist boards that completed questionnaires. It is fair to conclude that marketing and product development are the main activities of most tourist boards.

Other destination management functions that are necessary to ensuring that visitors have a positive experience are less frequently prioritised by tourist boards. Among these are quality management, with only 50% saying they are involved in monitoring or raising standards, business support and training and skills with under a third of tourist boards involved in these activities.

Despite the importance of membership fees to tourist board funding, responses to the fact-finding questionnaire indicate that relatively few focus on providing services to their members. This may be because membership of the tourist board, where one exists, is mandatory for tourism businesses and other stakeholders. More detail on the functions that tourist boards deliver is provided in Figure 1.

Figure 1. Functions carried out by county and local tourist boards in Croatia (%)

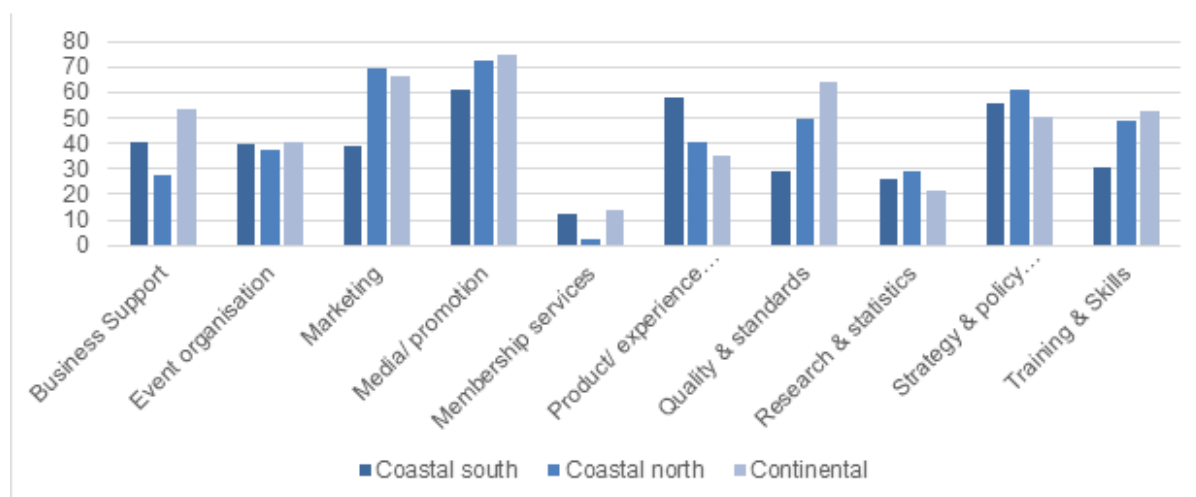


Source: OECD fact-finding questionnaire.

There are some differences between classes of tourist board. County tourist boards are less likely to be involved in event organisation while for local tourist boards developing events is a main activity. County tourist boards are much more likely to contribute to strategy and policy development though most tourist boards say they are involved in this activity. Local tourist boards that operate in cities put equal emphasis on product development and marketing.

In Figure 2, tourist boards responses to the fact-finding questionnaire have been grouped into three categories by type of region, Coastal south, Coastal north, and Continental, to identify commonalities or differences in the functions they deliver that relate to the product offer and maturity of destinations.

Figure 2. Tourist board functions by category of region in Croatia (%)



Note: Coastal South = Dalmatia Dubrovnik, Dalmatia Sibenik, Dalmatia Split, Dalmatia Zadar. Coastal North = Istria, Kvarner, Lika Karlovac. Continental = Central Croatia, Slavonia

Source: OECD fact-finding questionnaire

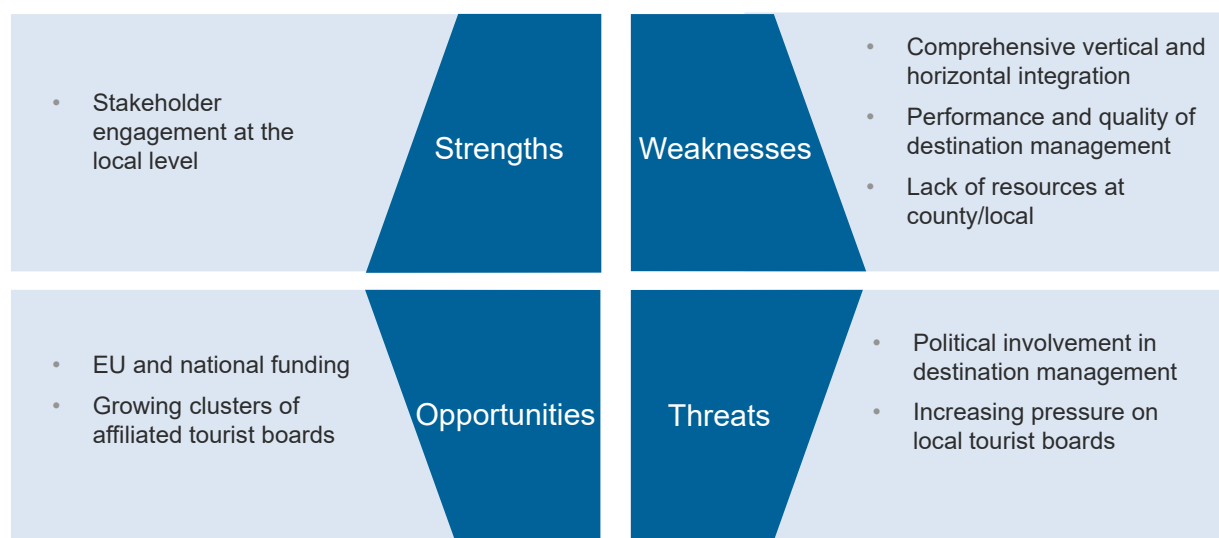
Tourist boards in continental Croatia are aware that visibility is an issue for them. Consequently, they focus on media and marketing to raise their profile. Also important to continental tourist boards in contrast to their coastal counterparts are training and skills, quality and business support which suggests that they are working to improve the visitor experience in their areas. It is interesting that they put a comparatively low priority on product development given that a strong and differentiated product offer helps to attract visitors and supports marketing and promotion.

Southern coastal areas that are already well known and popular locations for visitors are less likely than their northern coastal and continental counterparts to be involved in marketing and more likely to be involved in product development, as well as strategy and policy. This might reflect the challenges they have managing large numbers of visitors and pressure on resources in resorts which requires policy solutions to manage capacity as well as new product to draw visitors inland. Northern coastal areas prioritise marketing and media over all other destination management functions. The assumption is that even though in the case of Istria and Kvarner they already receive large numbers of visitors they have the capacity for more.

A lower level of involvement in some of the key destination management functions such as business support, quality and training and skills suggests where there is room for improvement to increase the competitiveness of Croatia's tourist offer.

Figure 3 summarises feedback received from national and local level stakeholders on how the tourist board structure and systems are performing, and the main developmental requirements needed to strengthen the system. When considering strengths, weaknesses, opportunities and threats to effective destination management, the weakness most often mentioned across all responses (local, county and national) was the need for greater vertical and horizontal integration of the destination management function. While many examples of collaboration can be found, the consensus is that there is more to do to make the structure work efficiently.

Figure 3. Strengths, weaknesses, opportunities and threats as perceived by all respondents



Source: Fact-finding questionnaire.

There is agreement that resources for both county and local tourist boards are insufficient for the job they are expected to do, that forward planning is not present in enough areas and that there are skills and experience deficits in county and local tourist boards. There is recognition that local tourist boards play a valuable role in local engagement with stakeholders, that co-operation between local tourist boards is more evident than between county tourist boards, and that EU and national funding provide opportunities to strengthen destination management. A common threat identified by stakeholders at the national, county, and local levels, was the influence of politics on tourism activity and the increasing number of tasks expected of local and county tourist boards.

While there were many similar views, differences remain. At the national level the common view was that there are too many tourist boards, and that money is being utilised inefficiently or is misdirected. It was also noted that there is no obligation at a sub national level to align with the national strategic approach or to co-operate with neighbouring tourist boards. Local tourist boards were more likely to mention issues of engagement and support, both with local authorities and the private sector.

Challenges for destination management

The situation analysis undertaken in the previous section highlights a range of issues that need to be overcome to strengthen destination management in Croatia. Outlined below are some of the most critical challenges to this process, to illustrate where there is room for improvement.

Proliferation of local tourist boards

The principle of self-determination has produced a large quantity of active local tourist boards. The current total of 297 is disproportionate to the size of the country and its tourism sector. By area, Croatia is less than half the size of England but based on recent estimates it has more tourist boards operating at the local level. The result is many micro-organisations, often with very limited resources, serving a single town, or a small municipality, trying to perform the role of a DMO. There is an opportunity to review the number of tourist boards that the country requires and create larger more effective organisations.

Delivery of destination management functions

Although the 2020 Law on Tourist Boards and the Promotion of Croatian Tourism provides a clear definition of destination management, many tourist boards deliver a small subset of the functions allocated to them, either through choice or because of a lack of resources. When considering the activities they prioritise, a significant number of local tourist boards, particularly those operating at municipal level, could be more accurately described as event producers and destination marketers. Determining at which geographical level a tourist board is best placed to operate as high functioning DMO, and consequently which will perform a supporting role, will bring clarity and focus to the existing structure.

Engagement with those that live and work in a location is an essential requirement for developing tourism in a sustainable manner. There is recognition that local tourist boards, however small, perform this valuable role and many staff demonstrate intimate knowledge of their destination. It is important to retain and support this level of engagement and create sufficient time and space to allow local tourist boards to continue to deliver this critical role.

Vertical and horizontal integration of activity

The challenge for destination management that is most often mentioned by tourist boards is the need for greater vertical and horizontal integration of the activities they carry out. There are some good examples of horizontal collaboration at the local level, for example in South Istria and Međimurje (Box 2). However, there is very little evidence of county tourist boards working together across regions. There is scope for more horizontal partnership at the local and county levels through the association mechanism, with support from the Tourism Fund.

Box 2. Horizontal collaboration in South Istria and Međimurje

South Istria

In 2020, six tourist boards in southern Istria formed a partnership using the association mechanism and secured financial support from the Fund for Associated tourist boards. Pula tourist board, which manages the largest city in the area, is the main co-ordinator and all six tourist boards have signed an Association Agreement to work together on activities aimed at developing the product and promoting the destination. The first initiative to be implemented, in 2021, was *South Istria – Pet Friendly*, and the partnership has subsequently applied for further funds to invest in infrastructure for businesses that welcome pets.

The benefits of working together have been identified by the partners as enhanced resources, increased efficiency, expanded networks, increased market reach, sharing risks, cost reductions and greater influence. The partnership is seen as a way to support long-term sustainable growth.

Međimurje

Međimurje is a small region situated close to the borders with Slovenia and Hungary. Tourism collaboration and partnership has been key for this region to leverage its potential and attract visitors.

Collaboration within Međimurje's tourism sector typically involves partnerships among various stakeholders, including local government authorities, tourism boards, tourism businesses, local artisans, and event organisers. The Međimurje county tourist board plays a central role in facilitating collaboration. It organises initiatives to promote the region and co-ordinates with local businesses to create attractive travel packages. In particular, collaborative efforts revolve around cultural heritage and regional development. Events, marketing campaigns and EU funding often involve a range of tourism sector stakeholders to strengthen the region as a tourist destination.

Vertical integration is more of a challenge. For the CNTB the issue is a lack of leverage to align individual tourist board activity with the national strategy. Despite some examples of joint projects between the CNTB and county tourist boards the relationship is often transactional and related to the CNTB as a funder rather than a strategic delivery partner. For county tourist boards the barrier to joint working is often a lack of capacity and in some instances conflicting political priorities between administrations.

Resources

Despite a commonly held view that tourist boards are under resourced, there is considerable funding available and being spent at sub national levels on destination management activity. The more fundamental issue is how money is distributed across regions and between the different classes of tourist boards.

EU project funding is viewed as a possible solution to underfunded tourist boards, whether perceived or real. However, these funds are often time-limited and suited to major product or infrastructure development, they are unlikely to solve the capacity challenges associated with day-to-day destination management.

National funding is certainly an option, but often it too is project specific and managed on an annual cycle. The CNTB indicated that the funds it administers on behalf of the Ministry of Tourism and Sport, and in line with Ministry parameters, could sometimes be spent more efficiently on initiatives with greater impact.

There is more scope to review how national funding, and funding formulas for distribution of tourist tax and membership fees, can be used to provide adequate core funding for tourist boards and build their capacity.

Managing the workload

At the national level there are concerns over the quality of destination management and this is echoed regionally and locally where there are perceived skills and experience gaps within teams. However, by law, directors of tourist boards must be qualified for the position and it can be assumed therefore that they are competent. Tourist boards with more staff have not identified issues around skills and experience, while smaller tourist boards are often led by individuals with a strong knowledge of tourism gained through experience in the sector and who demonstrate energy and commitment to develop tourism further in their area.

The underlying issue is the capacity of tourist boards to deliver the range of activities they have been allocated and the expectation that one or two staff will possess the necessary skills and knowledge to carry them out.

There is an opportunity to review whether all destination management functions need to be carried out by all tourist boards or whether there should be a clearer division between strategic destination management functions and practical destination management activity.

Governance

There are many benefits to the overarching model of governance applied to tourist boards. It is inclusive, it provides a voice for both the public and private sectors, it ensures that communities have a role in decision making through their elected representatives and it delivers funding for activity through membership fees. The model supports an appropriate level of oversight for tourist boards in destinations of size and scale including counties, cities and developed islands. However, whether it is appropriate for tourist boards of all sizes and shapes, is questionable and it could be adding to an already substantial administrative workload for small local tourist boards.

At the level of the tourist board, political involvement can have both positive and negative consequences. Elected officials are often great champions for tourism and can influence key decisions such as public authority funding for tourist boards. They are also able to represent local communities through their democratic mandate. However, a common concern among tourist boards is that political influence extends beyond oversight and governance into day-to-day delivery. Such involvement has the potential to steer the activity of the tourist board towards political rather than tourism priorities. Retaining the engagement and support of locally elected officials is important, however, consideration needs to be given to the extent of their role and remit.

The ability of tourist boards to effectively perform their designated functions can suffer significantly when political priorities between regional (county) and local administrations are not aligned. In one instance, noted during the fact-finding process, this has led to a breakdown in communication and co-operation between a county and a city. Even though the city accounts for a large percentage of the county's tourist traffic, its tourist board is unable to influence how it is represented in domestic and international marketing, does not receive information from the national level and is obliged to either operate in isolation or circumvent the county tourist board to work with national level organisations.

Developing a framework to support destination management

Ideally a sub national destination management structure would be comprised of DMOs that are based on a strong consumer-centric tourism proposition and a stakeholder environment that could support their operations. The existing structure in Croatia was not conceived in this way and instead has been established to fit the footprint of county and municipal administrative boundaries.

Where destination management structures have developed in this way there is a general argument to be made that if they are working to a good and effective standard, that any changes should have regard to existing structures and build on them for further organisational and tourism development. In Croatia the structure has certain strengths and is performing well in some locations. It is a solid foundation on which to build but needs to evolve to provide greater flexibility and help all levels of destination management to work more effectively, both individually and in partnership.

Several strategic issues for destination management in Croatia have emerged from the previous analysis:

- proliferation of DMOs potentially leading to fragmentation
- the often-limited capacity and capabilities of small local tourist boards
- a 'one size fits all' approach to tourist board governance is not optimum
- there currently exist barriers to tourist board association
- the level and distribution of funding is not optimum

These strategic issues can be grouped under three priority areas for consideration when seeking to maximise the effectiveness of DMOs in Croatia i) Evolving the structure; ii) Funding the structure, and; iii) Managing the structure.

Evolving the destination management structure

Reducing the number of DMOs

Based on the current tourist board structure Croatia has, in theory, about 300 DMOs. In practice not all tourist boards are operating as DMOs. For reasons of capacity and capability many undertake a fraction of the tasks that are assigned to them.

Many European countries have found themselves in a similar situation and have undertaken a process of rationalisation to strengthen destination management by concentrating the DMO function in a smaller number of high performing organisations (Box 3). There is an opportunity for Croatia to do the same and place the DMO role with a class of tourist board that can undertake the full range of functions and responsibilities and support them to perform at a high level. Building on the county's existing structure, the class of tourist board that is most likely to have a critical mass of product, industry and support, and therefore the potential to perform well as a DMO is that at the county level.

Box 3. Rationalising the destination management landscape in selected European countries

Denmark

In 2019, approximately 80 DMOs operated across Denmark. By 2024, this had been reduced to 19. The process of consolidation was taken after agreement between the national government and municipal authorities with the aim of creating fewer stronger DMOs that would support better and more coherent public tourism promotion. A fund for destination development gave municipalities an economic incentive to create cross-municipality DMOs.

Estonia

Estonia's Ministry of Economic Affairs and Communications in co-operation with Visit Estonia have designed and led a programme of reform and rationalisation to create a small number of DMOs capable of strategically leading the visitor economy in their areas. In 2019, Estonia had 40 DMOs and by 2024, this number had been reduced to 7. The aims were to make DMOs more competitive, facilitate sharing of knowledge and best practice, reduce overlap and duplication, deliver national priorities around product development and address the growing performance gap between the capital city Tallinn and the rest of the country. Long term funding is provided by the government to give DMO staff security of tenure, but regions are expected to contribute equal funding and increase it year on year.

England

Until 2021, there were an estimated 200 DMOs operating in England. The DuBois review of tourism management recommended a new tiered organisational structure to create a national portfolio of high performing and strategic destinations. The proposed structure has three tiers: 15-20 regional Destination Development Partnerships (DDPs) that are funded by government, 40 local Visitor Economy Partnerships (LVEPs) operating at destination level and a third tier of destination organisations operating at sub-LVEP level. The programme began in late 2021 and to date 2 DDPs and 26 LVEPs have been approved by VisitEngland.

Source: Denmark's Ministry of Industry, Business and Financial Affairs, Visit England, Estonia's Ministry of Economic Affairs and Communications.

There is a good argument too for some cities and selected islands to operate as DMOs, for example where there is a compelling tourism proposition, an international brand and there exists the support and funding for an organisation to operate at a high level. Which cities and islands could be determined using minimum thresholds. In the examples in Box 4 below Denmark, Estonia and Slovakia have used minimum requirements around geography, capacity and funding to identify viable DMOs.

County tourist boards and the selected city and island tourist boards should become Croatia's network of high performing DMOs and their status should be recognised through formal designation to differentiate them from local tourist boards.

Where county and city/island local tourist boards operating as DMOs co-exist, a pragmatic division of responsibilities will minimise organisational complexity both for the organisations involved and importantly for other stakeholders in the destination. How they work together could be formalised to document how they will operate in areas of potential duplication, such as international marketing, liaison with national agencies and public authorities, information gathering and flow, and engagement with the private sector. Both entities will need to be flexible and pragmatic when drawing up an agreement.

Box 4. Minimum requirements for viable DMOs in selected European countries

Denmark

In Denmark, the minimum requirements to establish a DMO, include:

- Cohesive geography, an area containing more than one municipality
- A critical mass of tourists measured by minimum level of commercial nights and/or tourism revenue
- Municipal base funding, excluding project funding
- An organisation with responsibility for local tourism promotion in the given area
- Specialised competencies in strategic destination development, product and business development, marketing and guest services.

Estonia

The requirements for establishing new regional DMOs are minimal:

- A public/private partnership
- The DMO co-operation model (leader and main partners) must involve collaboration that transcends county boundaries (except for Pärnu County and the city of Tallinn)
- At least five full-time equivalent employees
- At least 50% of targeted funding from DMO starting from the third year of operation of the programme.

Slovakia

In the Slovak Republic DMOs must reach 'critical tourism mass'. This is defined as:

- Established by business entities and at least five municipalities
- Total number of overnight stays 100 000 per annum
- Fewer municipalities are required if the total number of overnight stays are 250 000.

Source: Denmark's Ministry of Industry, Estonia's Ministry of Economic Affairs and Communications, Business and Financial Affairs, VisitEngland, (OECD, 2020^[31])

If county tourist boards and selected city and island tourist boards become Croatia's network of high performing DMOs, the issue that remains to be resolved is the role of small and very small local tourist boards that operate in smaller or underdeveloped cities, at municipality level and in villages and towns.

Croatia currently has the Fund for Associated Tourist Boards for local tourist boards that merge. Ideally many of the smallest tourist boards should be encouraged to merge with their neighbours where they have product and interests in common. In some areas they may choose instead to merge with their nearest DMO rather than adjust their remit or merge with a smaller neighbour. This might be appropriate for municipalities that surround small cities for example. There is a fund to support merger of tourist boards – the Fund for Associated Tourist Boards – the availability and purpose of which should be proactively promoted, to local tourist boards in particular. Denmark requires its municipalities to join and help fund its network of DMOs. Each Danish DMO receives contributions from between two and ten municipalities that regard it as their "regional" DMO. In addition, DMOs generate revenue through memberships and project

funding. Out of 98 Danish municipalities nine have not joined a DMO. They are therefore ineligible to apply for economic subsidies through the national funding programme for tourism development.

The current mechanism for collaboration between tourist boards, through 'association', should be reviewed to allow full integration of staff, funds and functions across administrative boundaries to create new larger entities on a permanent basis. One additional benefit of this approach could be that a proportion of the 300 municipalities that are not currently active in tourism could become active because they are given a viable route to engage in tourism development without having to create their own local tourist board.

Care must be taken not to undermine the existing partnerships that have emerged organically and have created a firm foundation based on shared interests and successful delivery, although if they haven't already done so they could be encouraged to formalise their partnership. The priority for creating critical mass through tourist board mergers, at least initially, could be in areas where there is a proliferation of small, isolated tourist boards that have limited capacity and are struggling to have an impact.

Merging organisations across administrative boundaries can be challenging. VisitEngland is having some success (Box 5) and there is evidence that the DMO landscape is becoming less fragmented as a result.

Box 5. Merging local tourist boards in England

England's new tourism management structure which is being rolled out over a 3–4-year period (2021–25) has three tiers, each with defined roles and responsibilities. The middle tier called local Visitor Economy Partnerships, formerly DMOs, lead, market and manage the destinations within their geography which is either the same as the administrative area of a county or city region.

Where two administrations exist within a county they are expected to merge their tourism functions to become accredited DMOs. An example is provided by the county of Staffordshire which comprises a county council, seven district (municipal) councils and a city council. Before 2021, the county and city tourist boards operated independently of each other. To become a recognised DMO they have merged staff and budgets to produce a single structure governed by a board of directors. District councils are integrated into the DMO structure contributing money and staff time to deliver agreed functions identified in the DMOs destination management plan. They have a limited number of seats on the governance board to represent their interests.

Source: Visit England

All local tourist boards (those that are not designated DMOs) should have their remit adjusted to focus on practical management of their destination including providing support to businesses, taking care of the public realm, providing local information to visitors and managing events. They should be regarded by tourist boards designed as DMOs as essential delivery partners within the county level destination management partnership.

Strategic regional partnerships

Collaboration between counties should be proactively pursued to create regional partnerships capable of undertaking strategic tourism functions that are currently allocated to county tourist boards but would be more effective if delivered across a regional footprint. Functions could include large-scale infrastructure and product development and international marketing.

The template, and starting point, for organising the country into regional tourism partnerships is the 10 regions that the CNTB use to promote the country to international consumers (Figure 4). Over time these partnerships will evolve and boundaries may change, for example due to joint work between some of the

country's coastal counties. However, by moving some functions from county DMOs to regional partnerships would support a general shift of competencies from the local to the county to the regional level, reducing the workload at each level of the structure and allowing each level to fulfil its assigned role more effectively.

Figure 4. Tourism regions used by the Croatian National Tourist Board



Regional partnerships could also be based on product strengths that exists across more than one county, or more than one region. Themes that are common to regional partnerships elsewhere are eco-tourism, rural-tourism, architecture, archaeology, and castles and gardens. Information provided as part of the situation analysis and included in the national tourism strategy highlight potential themes for Croatia including active tourism, wine-gastronomy tourism, cultural tourism, nautical tourism and health tourism.

An example of a region using product development to strengthen tourism management and increase its competitiveness is provided by Epirus in Greece. Here four regional units (equivalent in area to two Croatian counties) and a cluster of 70 companies, under the management of the regional development agency, has produced a 344 km tourist trail that connects five ancient architectural treasures. It has used EU funding to support the initiative.

Alternatively, the rationale for a regional approach could be delivery of specific destination management functions, for example working with the travel trade. This may be particularly pertinent to Central Croatia and Slavonia where collaboration is viewed as a tool to increase visibility for the region and grow visitor numbers. Both areas are more likely to have the critical mass of product to satisfy inbound tour operators by working across county boundaries.

Given its responsibilities for marketing and product development the CNTB could be a key partner and facilitator in developing regional initiatives, with the Croatian government and the EU as potential source of funding. The Tourism Act which entered into force in 2024 allows for 'projects of particular importance' to be included in destination management plans and to take precedence for co-financing from the Tourism Fund. Priority could be given to projects that are brought forward by strategic regional partnerships that will provide new products of national significance.

Rewarding partnerships that are working regionally is an approach that has been taken in both Denmark and England (Box 6).

Box 6. Rewarding regional partnerships in Denmark and England

An unanticipated outcome of DMO consolidation in **Denmark** has been the creation of cross-DMO strategic development plans to streamline tourism development across larger geographical areas. The Danish Government has recognised the importance of these plans for the country by directing DKK 21 million to kick start the implementation of plans.

In **England**, three local Visitor Economy Partnerships and seven local authorities are working together as the country's first regional Destination Development Partnership. The national government has allocated GBP 2.25 million to the partnership for programmes of work focused on skills, product development, travel trade, business events, accessibility and sustainability.

Source: Denmark's Ministry of Industry, Business and Financial Affairs, VisitEngland.

Clarifying roles and responsibilities

Currently all tourist boards are expected to be involved, to some degree, in most destination management functions (Table 2). Clearer differentiation between the roles and responsibilities of tourist boards operating as DMOs, local tourist boards and, if adopted, strategic regional partnerships, should be provided by reviewing the competencies assigned to each level of the destination management structure.

Table 3 provides a summary of core and enabling DMO functions. As general rule tourist boards operating as DMOs will have the primary responsibility for the enabling functions and core functions that are more strategic in nature such as research and intelligence, strategic planning, destination and product development, destination marketing and skills development. Local tourist boards should have the functions assigned to them reviewed and slimmed down which will reduce the pressure that many feel and support them to be more effective. Analysis shows that small tourist boards already focus on providing tourist information offices and supporting business networks. Other activities that they are well placed to deliver include information provision, business support, local events, improving the quality of the public realm and liaison with local stakeholders.

Table 3. Core and enabling functions of Destination Management Organisations

Core / Enabling	Types of DMO functions
Core functions	• Research and intelligence
	• Strategic planning
	• Destination marketing and sales
	• Visitor Services
	• Destination and product development
	• Events planning and development
	• Skills development
Enabling functions	• Partnership development & management
	• Advocacy and corporate/industry communication
	• Application of digital systems and applications
	• Administration and finance

Source: : (OECD, 2020^[3])

When reviewing competencies an emphasis should be placed on DMOs taking responsibility for data and sustainability which are central to delivering the national strategy.

The principle of mutual support between DMOs and local tourist boards should be built into the destination management structure and clearly described. For example, a county DMO may develop and deliver a skills programme but rely on local tourist boards to engage tourism businesses in the programme and encourage participation. This way of working is almost certainly happening in many locations across the country but it should become the default. All organisations will benefit from understanding who is taking a primary or supporting role for each destination management function.

Table 4 illustrates how primary and supporting roles can be assigned across a destination management structure from the national to the local for each of the core functions listed in Table 3 above. For Croatia a distinction would be made between the roles of DMOs and strategic regional partnerships.

Table 4. Assigning roles at the local, regional and national level

Function	local	Regional/county	National
Research & intelligence (R&I)	User of regional R&I knowledge base	Preparation of regional R&I knowledge base, using international, national and regional sources. Supplementing national research, as required, to meet the specific needs of their destinations	Primary role in commissioning market and economic research. Realisation of future potential for 'big data' analysis. Advice/framework for regional research
Strategic planning for local and regional destinations	Preparation of local plans within framework of regional strategy	Primary role , producing regional tourism strategies within framework of national strategy, with national support and local involvement	Supporting role – providing strategic advice and research input to regional strategies
Destination marketing & sales	local marketing within region. Supporting role through engagement in regional partnerships for international and domestic marketing.	Key role supporting national marketing , by forming regional marketing partnership (including main local tourism organisations) + working with other regions. Primary role in domestic marketing, co-ordinating with local level Primary role in gathering, managing and distributing digital content , using national platform	Primary role in international marketing , focusing on types of experiences that are most attractive for target markets. Provision of a national content platform with a range of distribution channels used by target markets.
Visitor services	Primary role for provision of 'on-the-ground' services , within framework of national VS strategy and standards + regional information network	Primary role for the development of digital information services. Co-ordination of regional information network	Development of national VS strategy and standards
Destination & product development	Primary role in Creating an attractive public domain Creating or enhancing tourism products and experiences to attract target markets.	Primary role in packaging of existing experiences on a thematic basis, in partnership with other regional DMOs and the national authority	Support (advice and/or funding) for development of primary experiences for target markets.
Events development	Primary role in creating or enhancing events to attract target markets	Support for major tourism events and co-ordination of events involving multiple destinations, in partnership with national authority	Support for national events and co-ordination of events involving multiple destinations, in partnership with RTOs
Skills development	Primary role in delivery and promotion of training opportunities to tourism businesses.	Co-ordination of education and training suppliers to ensure availability of suitably trained staff	Primary role in strategy for recruitment and training of hospitality staff

Source: (OECD, 2020^[3])

Every tourist board in the current structure reported that they are involved in marketing and media activity, often it is their principal function, but some of the activity taking place, particularly at the local level, is almost certainly having little impact on tourism performance. Examples have been provided of small towns promoting themselves to international long-haul markets and effort being put into poor-quality websites with low levels of traffic promoting a handful of accommodation operators. The general approach should be that international marketing is delivered at the national level with support from DMOs (or potentially strategic regional partnerships), domestic marketing is delivered by county/city DMOs with support from local tourist boards and local tourist boards focus on providing information to visitors post arrival. An exception would be DMOs in larger cities and strong destinations that border other European countries where it would be appropriate for them to undertake day and short break cross-border promotion.

Embedding principles of partnership into the destination management structure

DMOs are essentially organisations that facilitate a destination management partnership. Neither the public or private sectors or local NGOs alone can manage all the elements that go into ensuring that a destination is sustainable in the long term and that tourism delivers benefits to all its constituent stakeholders – visitors, residents and businesses.

Box 7. Collaborative destination management plans in New Zealand

New Zealand's approach to destination management revolves around empowering tourism stakeholders to determine the scope and approach that best serves the destination's interests and aspirations.

A key focus in New Zealand is fostering collaborative Destination Management Plans (DMPs) to maintain a positive social license and establish robust local agendas for destination management. These plans are developed through consensus among tourism businesses, local communities (including Māori communities), local government, and other stakeholders. Initial DMPs were funded by central government, and implementation will be undertaken locally (including resourcing).

To support the destination management process, New Zealand published Destination Management Guidelines to support stakeholders in their efforts to develop DMPs. The guidelines provide suggestions on components that could be included in a plan and questions to stimulate discussion and identify gaps, opportunities, and areas for further investigation.

Moreover, New Zealand launched a Tourism Funding Toolkit for local Government Revenue as a resource for local governments to meet the range of tourism costs incurred, including the costs associated with implementing regional tourism priorities through, for example, the development of Destination Management Plans. The Toolkit can also be targeted for building and maintaining infrastructure that supports tourism, and operational costs for services.

Source: (New Zealand's Ministry of Business, Innovation & Employment, 2024^[4])

Any business partnership works best when it is mutually beneficial to all parties involved. Partnership is a subtle blend of self-interest and a willingness to work with other secure a greater good for the community in the destination itself. Partnership arrangements and structure should therefore be equitable by all partners. The terminology of Public Private Partnerships is frequently used in the context of DMO development and forms the basis of how tourist boards in Croatia were conceived and constituted. However, the principles of operating a partnership are less recognised with several tourist boards reporting that private sector involvement in activity is weak. Box 7 highlights New Zealand's collaborative approach

to destination management planning as an example of how local government, businesses and communities come together in a destination management partnership.

Embedding the principles of partnership - shared goals, mutual benefit, inclusivity, transparency, open communication, shared responsibility, complementarity, accountability, commitment - within the destination management structure and in the operation and governance of DMOs, will strengthen the structure and help to create DMOs that are effective and resilient. Some tourist boards that have formed partnerships understand and operate by employing these guiding principles. They could be used as examples of good practice for others to follow.

Funding the destination management structure

Differences in tourist board budgets from region to region and destination to destination is an inevitable result of the current funding mechanisms and distribution formulas. In continental Croatia tourist boards have lower budgets because there are fewer visitors paying the tourist tax and fewer businesses contributing membership fees compared to those on or near the coast which have higher visitor volumes and more operators. In rural areas tourist boards are poorer compared to cities. This is funding picture is common in many countries and is not unique to Croatia.

Although mitigations are in place through additional financial allocations to underdeveloped areas and larger percentages of tourist tax to smaller tourist boards in many locations the funding formulas have not created budgets that can support DMO functionality. In addition, annual budgeting cycles and the project-based nature of national funding programmes have created funding uncertainty, shortfalls and pressure on the bodies that distribute funds.

The key issue for Croatia's destination management structure is underfunded county tourist boards as they develop into fully fledged DMOs. They need a minimum level of core funding and an assurance that it will be provided over several years. Visit Estonia took steps to address this issue when deciding how to support its new DMO network (Box 8).

Box 8. Funding of DMOs in Estonia

Estonia has recognised that DMOs need a minimum level of consistent funding over the long term. They have allocated funds to their 7 new DMOs according to a formula that takes into account the number of counties in the DMO area, the number of tourism companies operating, the number of visitors they receive and the number of products (thematic, experiential) they offer. The strongest destinations receive less money and the weaker destinations more. Support can be considerable, ranging from between EUR 200 000 and EUR 500 000 per DMO per year. All the annual allocation is given to the DMO in advance, although if there is an underspend at the end of the year the money is returned. Funding is provided at the same level for five years and it must be matched with local funding. Over time, local funding must increase so that at the end of the funding period the contribution from central government is a lower percentage of overall funding than at the start.

Source: Visit Estonia

Experience and examples from across Europe, would suggest a core budget of around EUR 500 000 would be needed for tourist boards that become designated DMOs. As such, those with budgets at or above this level should be able to operate within their existing resources and are not, therefore, a priority for additional financial support. Available information suggests that at least nine county tourist boards have budgets below this level and will need financial investment to develop their capacity and capabilities to

operate as DMOs. Ensuring that DMOs are well-resourced could be critical in supporting tourism development, particularly in underdeveloped regions.

How Croatia supports under-funded county and city DMOs is subject to several factors, but there is both funding and a formula already in place. The Ministry of Tourism and Sport should consider a review of the approach to allocations of funds away from project funding to core funding, at least in the medium term, to provide all DMOs and particularly those in underdeveloped areas with the resources they need to increase their financial resilience. Alternatively, there could be supplementary funding to support selected tourist boards as they evolve into DMOs that could be available for a time-limited period, limited to a maximum percentage of the core budget they secure from local resources, perhaps 60%, and require matched funding from other sources (local authorities, private sector, EU etc.).

For local tourist boards, a key change which could help them to make a greater contribution to destination management would be to allow more of their funding to be spent on staffing. Although it is a good discipline to ensure that budgets are not wholly spent on salaries, the kinds of functions that local tourist boards are best placed to deliver – local engagement, business support, management of the public realm, information and visitors services - require human resource more than activity budgets.

Box 9. Knowledge sharing networks for DMOs in Sweden

In **Sweden** some networks were created by existing DMOs for knowledge sharing, strategy discussions and possible common initiatives:

- The Regional Network on Tourism: Gathers the 20 regional destination organisations/functions in Sweden. (Sweden has 21 regions. Some are lacking a DMO but all at least have a smaller regional tourism function. Stockholm has no regional DMO, only municipal or sub-regional DMOs). The network meets twice a year and also invite national stakeholders, such as industry organisations, Visit Sweden and The Swedish Agency for Economic and Regional Growth. The event has developed into a high-profile meeting and was attended by the Minister of Enterprise and Innovation in 2019.
- SNDMO – The Swedish Network of DMOs: A recently initiated network, which gathers larger destinations (cities with more than 50 000 inhabitants). The network is mainly participants on a municipal or local level. The networks will meet twice a year and also invites national stakeholders such as Visit Sweden and The Swedish Agency for Economic and Regional Growth.
- “The Big City Network”: An informal network for the three largest cities Stockholm, Gothenburg and Malmo. They have much in common and meet regularly for knowledge sharing etc. This network does not include other external stakeholders in a regular or organised way.

Source: The Swedish Agency for Economic and Regional Growth

In developing a network of sub-national DMOs it will be important to understand the extent to which it may be possible to secure and leverage operational synergies across the network by establishing shared tools and resources. This could, for example, include a shared ICT platform, a common financial reporting structure (both for financial accounting and management accounting), integrated performance measurement tools, and a joined-up approach to consumer research (Box 9). Shared resources may be particularly relevant where county and city DMOs co-exist.

Managing the destination management structure

Governance

Stakeholders and funders must have oversight of DMO and tourist board performance and the ability to influence what they do by setting priorities and endorsing strategies, but as the destination management structure evolves it is important that governance models keep pace with change.

The current governance model is the same for all classes of tourist board. For tourist boards that are designated DMOs these arrangements are appropriate though checks and balances should be provided to ensure that political involvement is focused on direction setting, oversight and performance rather than day-to-day operations. A key role for the Ministry of Tourism and Sport is to clearly articulate expectations around governance and the remit of senior leaders.

However, in the case of local tourist boards, even those that merge to create greater mass, the current model is heavy handed. Consideration should be given to a lighter-touch approach and specifically whether all three governance bodies - assembly, council, board - are needed as well as who should occupy the position of president in any bodies that are retained.

Where local tourist boards merge or where municipalities join existing DMOs, care must be taken to ensure that businesses and public authorities can continue to influence activity that affects them by adjusting membership criteria and eligibility for appointment to bodies within the governance structure.

In England both local visitor economy partnerships and destination organisations (equivalent to Croatia's DMOs and local tourist boards) have slimmer governance arrangements than those in Croatia. Typically, a board of directors will be the main governance body and comprise members from both the public and private sectors who are appointed through an interview process that matches skills, experience and knowledge to the needs of the organisation. They are responsible for approving plans, overseeing delivery and measuring performance. In most cases the chair of the board will be a prominent private sector leader with an elected politician acting as vice-chair.

Performance management

Performance of tourist boards is currently monitored by the Ministry of Tourism and Sport with a team of eight people delivering an inspection scheme and investigating complaints. Going forward this should be continued for DMOs but whether it is needed or appropriate for local tourist boards is questionable. If a DMO is performing the function of managing a destination management partnership well it should be able to identify local issues and either address them directly or escalate them to the Ministry.

For DMOs the principle of transparency and accountability will require the establishment of a set of Key Results Areas - KRAs (key activities and the results achieved which are core to the mission and purpose of the DMO), for example, these might include market growth, new product development, new skills training programmes, activities relating to sustainability, activity related to national priorities and a set of Key Performance Indicators - KPIs (measures and metrics that report in numerical terms on business performance) for example visitor numbers, average spend in the destination, new tourism jobs created, businesses with sustainability accreditation, levels of stakeholder satisfaction, business participation. Oversight of the performance of strategic regional partnerships should be part of the CNTBs responsibilities.

Reporting on performance will require DMOs to possess a competence in business planning and budget setting. If it does not already have one, it will also need a management control system to report on budgeted and actual expenditures and to provide information on actions taken, results achieved, and objectives secured. This will require investment in an appropriately designed Management Information System (MIS). This work could be undertaken by an in-house resource or perhaps more appropriately by an external

resource contracted to design and support a planning and control system appropriate to the nature and scale of the DMO.

Supporting DMO development

The expectations of DMOs vary from country to country and are closely related to functions they are required to perform. They are usually expected to contribute to national priorities which are set out in a national tourism strategy or plan and respond to regional or local needs outlined in a destination management plan. For example, Visit Estonia has several national priorities that all DMOs are expected to contribute to achieving, and this would suggest that Estonian DMOs require specific capabilities around sustainability, accessibility and product development. They could be summarised as follows:

- Sustainability principles embedded in product offer.
- A smooth customer journey for everyone including those with special needs.
- Achieving Green Destination Award.
- Developing a regional specific product offer aligned to the national tourism brand documents.
- Product development to support Estonia's brand proposition.

The equivalent priorities in Croatia would be the strategic goals identified in the Sustainable Tourism Development Strategy 2030 which are:

- Year-round and more regionally balanced tourism
- Tourism that preserves the environment, space and climate
- Competitive and innovative tourism
- Sustainable tourism

These goals suggest that Croatian tourist boards operating as DMOs require specific capability around sustainability (resource use, transport and quality) product development, managing visitor flows, digitalisation and data. In addition, they will need a set of core skills, common to all DMOs, to operate to a high level, including leadership, diplomacy, strategic planning, partnership development, and stakeholder management.

In Croatia tourist boards currently receive support from the CNTB whose main role is to help them align with the national strategy, make suggestions for product development and administer funds to support projects as well as information and advice from the Ministry on request. There are plans to enhance support by appointing a dedicated team of staff within the ministry. It is worth considering how the Ministry and CNTB could co-ordinate their support to ensure that it is complementary and that communication from the national to the sub national level is streamlined.

Visit Estonia and VisitEngland have both recognised that their new DMOs need ongoing support to develop their broader capabilities and have put in place an extensive support programme aimed at DMO leaders and employees (Box 10).

The account management style adopted by England could be applied to Croatia's DMOs to help them increase their capacity and capabilities. Regional leads could be tasked with helping them solve partnership and political challenges and ensure that destination management planning and delivery is aligned to national priorities. This would complement the existing inspection regime that is oriented more towards information provision and monitoring than problem solving. Some dedicated support could be provided to encourage local tourist boards to merge with neighbours or with DMOs. The thematic working groups established by Estonia could be a good approach for the CNTB in developing regional partnership initiatives.

Box 10. Enhancing knowledge and skills in Estonia's and England's DMOs

Estonia

Estonia have successfully rationalised their DMO structure by developing a shared vision across the country and providing financial incentives to encourage change. Recognising that the new structure needs development and maintenance it has created a comprehensive programme of support for DMO leaders and employees. The aim is to make Estonia internationally competitive by achieving a highly synergistic, collaborative team of tourism developers across Estonia, with shared knowledge, agreed roles, and positive co-operation. The programme of support comprises:

- Strategic management training, to ensure that newly established organisations and tourism is strategically managed.
- Study trips to neighbouring countries to learn from their tourism management models at the national, regional, and local levels.
- Leadership training and mentorship to support co-operation models (and people).
- Service design training in the field of product development.
- An annual seminar led by Visit Estonia to facilitate networking and collaboration among DMO employees and between Visit Estonia and DMO staff.
- Thematic workgroups, led by Visit Estonia (marketing, product development, sustainability)
- Monthly meetings (virtual) between Visit Estonia and DMO leaders (to exchange information at the leadership level).

England

England has taken a different approach and has recognised that organisations need help and support to change the way that they work.

Five people have been appointed within VisitEngland to positions called 'regional leads'. Each regional lead has responsibility for a defined geographical area. Their role is to act as a communication channel from the national tourist board to regional and local leaders, help bring partners together both regionally and locally to work in new ways and provide a feedback loop to the national level on what is happening across the country.

Each regional lead is expected to spend a proportion of their time visiting their region to get to know stakeholders and understand the area and, where needed, help to solve organisational issues and political challenges.

Regional leads are also responsible for identifying development needs and commissioning resources to help develop the knowledge and skills of staff working within the new destination management and marketing structure.

Source: Visit England, Visit Estonia.

Recommendations

This report provides guidance to strengthen destination management organisation (DMO) structures to support sustainable tourism development at the destination level in Croatia. It seeks to enhance collaboration between tourist boards and destination management organisations at the national, regional and local levels, and help to build the capacity required to deliver Croatia's Sustainable Tourism Development Strategy 2030. Taking into consideration the evolving legal framework, governance and funding for destination management in Croatia, the following recommendations are provided to strengthen destination management structures and practices in Croatia:

- **County tourist boards should be the default level of operation for DMOs.** A target number of DMOs for the country should be set with county tourist boards forming the core of the DMO network supplemented with tourist boards for selected cities and islands also assuming the DMO role. Such an approach would create a manageable network of key organisations and provide a focus for development support and funding.
- **Rethink the role of small and very small local tourist boards.** Local tourist boards operating in rural municipalities, small islands, towns and villages should have their role and remit adjusted to reflect their capabilities and resources. They should remain, however, as essential delivery partners within the county-level destination management partnership.
- **Review the governance structure for local tourist boards.** The governance of local tourist boards should be reviewed and adjusted to match their size and scale. Consideration should be given to whether they are subject to the same inspection regime as tourist boards acting as DMOs or whether a 'light touch' approach to oversight would be more appropriate.
- **Minimise barriers to the merger of local tourist boards.** Barriers to potential mergers between small and very small local tourist boards, and between local and county or large city tourist boards (e.g., a lack of understanding concerning the extent to which they can legally combine budgets, staff, and activities), should be addressed so that they can build a critical mass of resources and support.
- **Develop a set of strategic regional partnerships.** The CNTB should be given responsibility to lead and facilitate the development of strategic regional partnerships comprising clusters of tourist boards operating as DMOs. Strategic regional partnerships should be given responsibility for large-scale infrastructure development and cross county product development initiatives that could be supported through the Tourism Fund as projects of particular importance. They should be encouraged to apply for EU project funding.
- **Differentiate more clearly between the competencies of county and local tourist boards.** Review and differentiate between the competencies expected of tourist boards operating as DMOs and those that operate as local tourist boards. Those operating as DMOs should be expected to deliver all the competencies expected of a strategic destination management organisation (DMO) as listed in law (including those in the Tourism Act). Those operating as local tourist boards should focus on practical destination management activity. Marketing roles in particular should be clarified.
- **Ensure county tourist boards (DMOs) have a minimum core budget.** A minimum core budget for tourist boards operating as DMOs should be agreed and set. The core budget should be defined as contributions from tourist tax, membership fees and local authority contributions and should not

include time-limited project funding. A comprehensive audit should be conducted to understand available resources and activity and identify DMOs that have a shortfall. Consideration should be given to how any shortfall is addressed including through adjustments to funding formulas or through national funding.

- **Embed the principles of partnership into DMO governance and operations.** The principles of partnership should be built into the governance and operation of DMOs. DMOs should be expected to create inclusive destination management partnerships that involve local tourist boards, the private sector, universities, chambers of commerce, tourism professionals, transport providers, municipalities and local communities.
- **Implement a programme of capacity building and communications to support the new structure.** A programme of support for tourist boards operating as DMOs should be developed and implemented to ensure the destination management structure meets the Ministry of Tourism and Sport's objectives. The Ministry and the CNTB should ensure their support staff work collaboratively. A communications plan should be developed and delivered by the Ministry of Tourism and Sport to inform organisations operating at the national, regional and local levels about the DMO network and provide updates on milestones. A series of events should be scheduled to support the development of the DMO network and provide a platform for information sharing, identifying best practice and problem solving.

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Note

¹ Press release 3 January 2024, Croatia National tourist board