

# IMPORTANCE OF IPARD COMPONENT FOR THE FINANCING OF RURAL TOURISM IN SERBIA

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**Abstract:** despite they dominate, rural areas in Serbia are characterized by economical and social devastation that are out of correlation with available natural resources and preserved cultural and historical heritage. On the other side, diversification of economic activities in rural areas extends the range of services available to rural populations and supports products and services based on traditional knowledge and technology, natural resources and cultural heritage. This kind of rural space revival is officially supported through national measures, where one segment of support is directed to the development of current rural tourism potentials.

Unfortunately, restricted agricultural budget at national level cannot cover sufficiently all requirements of rural tourism, before all elements of physical and social infrastructure at macro level as well as equipping elements and supply of offered facilities and services at the farm level. Because of that, to IPARD as potential financial component that will strengthen the farm capacities in function of rural tourism has to be given adequate importance. Therefore, economic diversification of nonagricultural activities should support the growth, employment and sustainable development of rural territories, contributing their better economic and social balance and increase of rural population income.

Observed from previously mentioned aspects, the main goal of paper is to reconsider the significance of IPARD fund for the further development of rural tourism at national level.

**Key words:** Rural tourism, Serbia, IPARD.

## Introduction

Although agricultural and rural developments are the key policy areas in many countries, there is still no universally accepted way on how to define urban and rural. Besides usually used OECD approach where rural areas are defined towards the current population density, there are strong statistical and policy debates related to other variables that should be involved within the process of determination of urban-rural typology (Pizzoli, Gong, 2007).

Classic approach in OECD methodology for the regional typology, distinguishes local administrative entities at a geographical level lower than NUTS 3 as rural if population density is below 150 inhabitants/km<sup>2</sup>. Besides, regions are

classified as: a) Predominantly urban area if the share of population living in rural local units is below 15%; b) Intermediate area if the share of population living in rural local units is between 15-50%; and c) Predominantly rural area if the share of population living in rural local units is higher than 50%. Additionally, region could be marked as: 1) Predominantly rural is re-classified as Intermediate, if there is an urban centre with more than 200 thousand inhabitants representing no less than 25% of the regional population; or 2) Intermediate region is re-classified as Predominantly urban, if there is an urban centre with more than 500 thousand inhabitants representing no less than 25% of the regional population (OECD, 2011; Štrbac et al., 2011).

Serbia does not have official definition for rural areas. The most often is used the existing statistical nomenclature of settled territorial units based on the legal criteria for the determination of urban settlements, where all other settlements outside the category of urban are identifying with rural settlements. Unfortunately, such a classification debases the analysis of indicators for the rural areas development. On the other hand, determination of line between rural and urban areas is a precondition for accessing the appropriate funds and public financial assistance, as well as for the creation of different development policies (Gajić, 2015).

Rural areas could be also defined as the area whose dominant physical and geographical characteristic is the use of land in agricultural production and forestry. According to this, around 70% of the Serbian territory is classified as rural, where live around 43% of the total population. Comparison with the global statistical data (primarily the data of the European countries) imposes the application of OECD methodology, according to which rural areas cover around 85% of the territory of Serbia, where live more than 55% of the total population, or which have average population density of around 63 habitants per square kilometre (Mirković, 2010).

According to basic development indicators, rural areas significantly lag behind the urban areas. They are characterized by noticeable depopulation, employment of local population mostly in primary sector, GDP per capita far below the republic average, underdevelopment and lack of elements of physical and social infrastructure, much higher level of poverty but lower level of education of local population, etc. (Popović et al., 2011).

On the other hand, according to its social and natural elements, Serbian rural space is among the most diverse one within the Europe. Although, currently it is pretty much economically and socially devastated, available natural resources and preserved cultural and historical heritage could be considered as huge development potential but only with strict compliance to the principles of sustainability. Expressed heterogeneity on physically cramped space and economic backwardness of the rural areas usually cause high managing complexity of its development. In practice, its development is usually based on combining the concept of multifunctional agriculture and the development of other economic activities. At the same time, during the previous period was striving to the integral

reconsideration of the sector of agriculture and rural territories (Đorđević Milošević, Milovanović, 2008).

Tourism is one of the substantial sectors of the Serbian economy. It has strong influence on level of GDP, employment and balanced regional development. Also, it improves national balance of payment throughout the silent export of goods and services and FDI attraction. Generally it relies to available natural resources, rich cultural, religious and historical heritage, adequate physical and social infrastructure, as well as proper accommodation and catering facilities (Jeločnik et al., 2013).

Rural tourism could be defined as holiday that is primarily driven by the wish to closely experience certain countryside, local population, heritage, nature and way of living. It should be dominantly arranged in a rural setting, opposite to general touring holidays. Narrower aspect points to the agro-tourism that tends to be linked directly to on-farm activities or accommodation usually conducted by farmer (Hall et al., 2005). So, rural tourism could be perceived throughout the several forms, such as rural, residential, native, recreational, etc., whereas the most important could be considered farm tourism, or tourism on rural farms, in line with fact that farmers are recognized as its main developers (Demonja, 2014).

Rural areas in Serbia often represent areas of exceptional value, i.e. ecological oasis or fortresses of traditional culture and diversity of ethno heritage. As economic activity, tourism can significantly affect the economic, social and functional structure of rural territory, where tourism has dominant role in the transformation of physiognomy and function of rural settlements. This is primarily the consequence of increasing need of urban population for recreation in different ambient that is provided by the rural environment. Therefore, the concept of rural tourism includes not only the vacation in the countryside, but also the all other tourist activities which are available in certain rural territory (Todorović, Bjeljic, 2007).

Rural tourism is not a newly developed concept. The interest for stay and recreation in rural landscapes and environment was initiated during the 19th century as respond to the pressure of growing urbanization and industrialization. The term rural tourism has been accepted later in order to better determine all touristic activities available in rural areas (Muhi, 2010). Beginning of rural tourism development in Serbia could be connected to seventies of 20th century, and up to present time it showed different character and dynamics (Vuković, 2017).

So, rural tourism includes wide range of activities, services and additional contents that are usually provided by agriculturalists, residents of rural areas at their family farms, attracting on that way tourists in their life space with the main goal to increase gained incomes, whereby respect the all principles of sustainable development. It can be also presented as the implementation of touristic activity in the areas of low population density, where rural tourism destinations are defined as specially identified areas in which is promoted the enjoyment in countryside and related activities. In Serbian conditions, this type of tourism represents a convenient tool for revitalization and preservation of sustainability of devastated

and abandoned rural areas, together with the protection of available natural resources and traditional rural crafts. It appears with the basic goal to provide additional income to the rural population throughout the diversification of the conducted activities of certain household, what generally affects the improvement of living conditions and achieved level of living standard (Muhi, 2013).

It cannot be denied the numerous changes within the sector of tourism that have emerged during the last few decades. They have initiated the growth of demand for alternative forms of tourism, among which tourism in rural areas could be emphasized, as today's tourists are increasingly interested in interacting with nature, introducing the new landscapes, people, cultures and customs. Therefore, many rural areas, up today almost completely underdeveloped and uninteresting, are entering the focus of tourists and tour operators. In absence of official data, certain estimations previously done by the World Tourism Organization are showing that around 25% of tourists annually at some moment turn to services of rural tourism, with expected retention of this trend in upcoming period (Gašić et al., 2015).

Observing the Serbia, previously mentioned could be considered in line with the fact that in 2107. there were about 3,1 million tourists in Serbia, or for 12% more than in the last year. From this number, there were about 1,6 million of domestic tourists (or 8% more than in previous year), or around 1,5 million of foreign tourists (or 17% more than in previous year). There were realized 8,3 million of overnight stays (or 11% more than in previous year), where the 62% of total overnight stays were made by domestic tourists (or around 7% more than in previous year). It is encouraging that foreign tourists, as economically stronger consumers, are achieved for about 16% more overnight stays than in previous year. To domestic guests the most interesting were the spas and mountain resorts (over the 70% of all recorded overnight stays), while the foreign guests are usually stayed in capital (over the 50% of all overnight stays). In the group of foreign guests the highest number of overnight stays are done by the tourists from ex-YU countries, Turkey, Russia, etc. (Ekapija, 2018).

The level of development of rural tourism in Serbia is not in correlation with the available tourism potential and natural resources. As one of the main causes of that are underlined the insufficient budgetary investments in its growth and development, appearance of self-financing as the dominant source of financing and relatively low ability for accumulation of rural tourism and agriculture activities. Low strength of potential rural touristic offer could be seen throughout the data from the last agricultural census, as only 12,4% of households are involved in other profitable activities linked to agriculture, where the share of rural tourism compared to other profitable activities was below 1% (Radović, 2016).

It is assumed that the fund of available accommodation capacities, from the aspect of time dimension, is a very changing category, as well as with the high probability it can be stated that there are unregistered but used accommodation capacities. On the other hand, although the competent Ministry does not separate the accommodation capacities that are in function of rural tourism from the total

sum of available touristic capacities, according to estimation of local tourism organizations (specifically national association for the rural tourism) related to their type and size that facilities are characterized by the great diversity. For the example, during the 2014. in rural tourism to tourists were available next types of accommodation facilities: apartments (41), log cabins and “vajat” – type of wooden house (28), weekend cottages (23), villas and exclusive facilities (37), ethno villages (16), guest houses and houses in villages (332), “salaš” – type of grange (11) and hotels in villages (2), (Vuković, 2015).

Certain estimations done during the creation of Master plan of sustainable development of rural tourism in Serbia have been shown that at national level there are available almost 33 thousands general touristic beds potentially usable in rural tourism, with average rate of occupancy of 21% and average overnight price of around 20 EUR. Besides, almost 9 thousands of beds could be marked as pure rural accommodation, with assumption that additional 20% of rural accommodation capacities are not officially registered. These capacities are characterized by very low rate of occupancy (lower than 5%) and for the 50% lower overnight price compared to previously mentioned category of accommodation. Additionally, it was estimated that average tourist oriented to rural tourism on a daily basis for non-accommodation consumption (excluding accommodation and transport costs) spends less than 20 EUR (UNWTO, 2011).

Generally, main problems that limit the further development of rural tourism at national level are recognized as: insufficient financial support; lack of proper register of rural tourism offer and uneven standardization of used facilities and services; negligible number of associations and inadequate education of service providers in rural tourism; unsatisfactory equipping and supply of offered facilities and services; underdeveloped elements of physical and social infrastructure and lack of signposting in rural areas; insufficient engagement of tour-operators in its promotion and sales, etc. (Radović, 2013).

### **Methodology and data sources**

Research has been included wide range of available secondary data sources, as well as current scientific and professional literature related to the financing of rural tourism. The research was dominantly based on the desktop study method. The main goal of the paper is to show the importance of IPARD fund for the further development of rural tourism at national level in line to previous public support to this purpose and general underdevelopment of main elements of mentioned type of tourism.

### **Results with discussion**

Financing of rural tourism usually relates to the financing of agriculture and rural development, as agriculture and tourism like activities settled in rural space are mutually and complexly interconnected (Todorović, Štetić, 2009). Unfortunately, although the agriculture and rural development could be considered as the vital economic activities framed with many risks, Serbia has relatively

limited and restricted budget for their support, where during the last decade it has been usually amounted with around 4% of total national budget (Potrebić et al., 2011; Atanasijević, Danon, 2014; Kuzman et al., 2017).

On the other hand, relationship between the agriculture and tourism can affect the resolving of many issues characteristic for the rural areas. Therefore, the improvement of rural tourism as a supplementary activity for the rural population could be considered as one of the most important goals in villages' development and preservation of agrarian resources.

Within the EU, financing of the rural tourism in current program frame of CAP (for the period 2014-2020) is continuing to be funded by the assets from the common agrarian fund European Agricultural Fund for Rural Development (EAFRD), in other words from the component which co-finances the rural development programs of all Member States. Value of the total EAFRD budget for the current program period is around 100 billion EUR. One sub-segment of EAFRD is directed to the improvement of life conditions in rural territories, as well as to diversification of non-agricultural activities and strengthening of linkages between the agriculture and other sectors of rural economy. Co-financing activities of certain kind of revival of rural areas also considers investment in the development of rural tourism elements, before all in: training, advice and farm visits; ongoing and start-up aid for rural and farm businesses; public infrastructure; small capacity accommodation; development of services; tourist information and marketing of tourism services; pilot and demonstration projects; clusters and networking; preservation of cultural and natural heritage, activities of the LEADER program; etc. (Noev, 2013; EC, 2018).

In same time, to the candidate countries for the accession to EU, through IPA programs (Instrument for Pre Accession Assistance) it is also offered the access to the financial assets for the strengthening of competitiveness of national agriculture and development of constitutive elements of rural space (IPARD). Logic of rural areas development is also recognized through the mechanism of development of agriculture and rural tourism, as they are offering survival and retention of rural population based on family business, as well as conditions for balancing of regional development. Of course, it's considered that the withdrawal of these assets represents a process whose effects can be expected in medium and long term period (Petrović, Grujović, 2015).

IPARD II program (Instrument for pre-accession rural development) is an EU instrument for pre-accession support within the field of rural development during the program period 2014-2020., that is delegated to Serbia in order to achieve European standards and improve competitiveness. This is an instrument approved by the Directorate for Agriculture of EU (DG Agri), which defines measures, criteria and financial frame for the support of rural development in line to actual EU regulative. Within the mentioned instrument, until 2020 to Serbia is on disposal the total budget of almost 230 million EUR. Granted assets could be realized only throughout the competent Ministry, i.e. Agricultural paying agency (MAEPRS, 2017).

Development of rural tourism and accompanying services is directly targeted throughout the implementation of Measure 7 of the previously mentioned program (measure under the title - Diversification of agricultural holdings and business development), for which purposes to Serbia has been allocated a total budget of over than 23 million EUR.

General goals of measure are recognized in: diversification and development of economic activities in rural areas through the development of business activities, creation of new jobs, and direct increase of household incomes; as well as in improvement of life quality in rural areas. On the other hand, specific goals of measure are recognized in: investment support of the agricultural producers and legal entities in rural areas from the aspect of the tourist facilities and services development, or wider expansion of rural tourism; as well as in support of the recreational, family and children's tourism development.

Financial assets covered by the measure are specifically directed to the investments in building, reconstruction and equipping of tourist and catering facilities (as like accommodation capacities, restaurants, indoor and outdoor recreational facilities, etc.) and marketing. With assets from the fund can be covered up to 65% of the planned investment, i.e. it will be possible to reimburse 5 to 300 thousand EUR of invested financial assets. As beneficiary of the fund could appear registered agricultural holdings and small legal entities established or active in rural areas. The specific criterion for acceptability of financing in rural tourism is limitation to up to 30 beds per registered applicant, where the beneficiary previously has to fulfil certain financial and regulatory requirements, to conduct business activities in line to national standards, to develop economically sustainable project, as well as to submit administratively completed request for financial support (Vandić, 2016; Sim Cert, 2018).

Within the group of potential modalities related to rural tourism financing that are available in Serbia, there are self-financing, crediting, access to the national and international grants and donations, official state support, EU pre-accession funds, concessions, public-private partnership, joint ventures, financing by securities or by investment funds, leasing, foreign direct investments, etc. (Radović, 2015).

Authorized Ministry is in situation to relax a part of the agricultural budget related to incentives in agriculture and rural development (specifically incentives for the improvement of economic activities in village through the support of non-agricultural activities has one segment turned to development of rural tourism, whereas the maximal value of incentives per one applicant is around 10.000 EUR) for the value of withdrawn IPARD funds oriented to rural tourism (UAP, 2016) and redirect these assets for some other purposes.

### **Conclusion**

Although the rural tourism is one of the youngest types of tourism, fact that territory of Serbia is dominantly characterized by rural space settled by almost the half of population, as well as significant economic orientation to primary

agriculture, gives to rural tourism such a big importance. Unfortunately, by quality and quantity weak power at the side of touristic offer does not correlate to available natural resources and cultural-historic heritage, which would surely attract, by adequate marketing approach, appreciable contingent of interested tourists. Main limitation of development is recognized in lack of financial assets at the level of agricultural holdings, state or local communities to self-finance building, adaptation or equipping of infrastructural and accommodation facilities required for its undisturbed conduction.

Because of this, by putting at disposal to Serbia a certain level of financial assets through the IPARD program, the EU was significantly increased the limited amount of public support (incentives of the competent Ministry) previously budgeted for these purposes. On that way, it will be increased the developmental chances of the rural space through the development of rural tourism at the national level.

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## **UNETHICAL PRACTICES IN THE HUNGARIAN HOSPITALITY AND HOTEL INDUSTRY**

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**Abstract:** corruption, the unethical business policy, and the practice of traveling on the borderline of legality are just as commonplace in tourism as in other areas of economic life. Of course, it varies according to country, but it is indisputable that it also affects the economic, social and natural environment of tourism.

The concept of sustainability and social responsibility, and the possible alternative directions, is based on the assumption that something should be changed. Black and gray revenues, turbulent business management of tourism employers, occasionally considered as general aspect, but legally questionable practices have been hidden from the statistics. This makes the job of authorities difficult, shields them, and sometimes conceals problems, which is so unspoken, so it cannot be solved.