

# Financing of Rural Tourism in Romania, Serbia and Montenegro in the Period of Integration into the European Union

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**Abstract.** *Rural tourism, viewed from the aspect of agricultural farms, provides additional income, enables the creation of new jobs, but also provides a market for the placement of agricultural products. Adequate sources of financing are needed, which would enable the development of this activity, significant for agricultural farms, the local rural economy, but also for the entire country. In the section dedicated to relevant sources from the literature, the views of the cited authors point to the conclusion that the growth of rural tourism requires a strategy, which should be interdisciplinary, as well as adequate means of financing. The purpose of the paper is to present the sources of financing rural tourism in the period of integration into the European Union (pre-accession period) in Romania, Serbia and Montenegro. The pre-accession period for EU membership is still ongoing in Serbia and Montenegro, so the final effects of these funds will only be seen in the future. To answer the research question formulated: "How do the sources and methods of financing rural tourism vary in Romania, Serbia, and Montenegro during the period of integration into the European Union, and what is the impact of these differences on the development and sustainability of rural tourism in each country?", the authors use descriptive and desk research method, like us, methods of analysis and synthesis. The authors suggest that Romania has effectively utilized EU pre-accession financial tools to foster growth in this sector, indicating that its approach could serve as a model for Serbia and Montenegro.*

**Keywords:** rural tourism, development, financing, European integration, pre-accession financial instruments

## Introduction

Rural tourism plays a vital role in the sustainable development of rural areas in European countries, having a positive impact on the surrounding environment, local economy, social cohesion, and preservation of cultural and natural heritage (Hall et al, 2005).

From one perspective, rural tourism can contribute to the conservation and protection of the surrounding environment by promoting sustainable use of natural resources and rural cultural heritage. In this way, rural tourism can encourage the preservation of traditions and traditional

ways of life in rural communities (George et al, 2009). From another perspective, rural tourism can be a significant driver of economic development in rural areas, generating additional income for farmers, small businesses, and local communities. As a result, it can create jobs in sectors such as hospitality, traditional food production, crafts, and tour guiding (Sharpley & Telfer, 2014).

At the beginning of the 20th century, the European Commission called rural tourism "a natural alternative to mass tourism" in its documents. This speaks of the essence of this type of tourism, that it is based on natural resources, on authenticity and direct contact of tourists with the hosts, the owners of rural tourist households. The affinity of modern tourists to the rural environment can also be explained as an escape from urban everyday life, polluted air, fast food, traffic jams.

Observed at the global level, today rural tourism is the most developed in the EU. This is the result of adequate investments in the development of this activity. It is important to say that funds for financing rural development in European countries have been allocated since 1980. Investments in the development of this activity continued even after the constitution of the EU. The strategic commitment to the development of this non-agricultural activity was defined by the reform document - Agenda 2000. The reform of the CAP significantly reduced the amounts of subsidies for agriculture, which were paid until then, and farmers focused on the development of additional activities within their agricultural holdings. This was also one of the goals of the Agenda 2000 reform document.

In this context, financing rural tourism is essential for stimulating sustainable development, conserving cultural and natural heritage, and enhancing the quality of life in rural communities. It is important for governments, non-governmental organizations, and other stakeholders to pay attention and allocate adequate resources to support and promote rural tourism. Funding for rural tourism can come from a variety of sources, including local, regional, and national governments, non-governmental organizations, international financial institutions, European funds, private investors, and public-private partnerships (Badulescu et al, 2015). Funds provided by states can be directed towards various objectives, such as developing tourist infrastructure, promoting and marketing rural destinations, conserving cultural and natural heritage, creating jobs, and supporting local communities.

Integration into the European Union brings a series of opportunities and challenges for member states, including in the rural tourism sector. Examining the financing of this sector within the framework of European integration offers a more profound comprehension of how these nations handle their resources and leverage their tourism assets throughout the integration journey. Contrasting the financing of rural tourism in Romania, Serbia, and Montenegro throughout their EU integration phases can offer invaluable insights into the distinctions and parallels among these countries concerning rural tourism financing policies and practices. This comparative analysis can be useful for identifying best practices and lessons learned that can be applied in the context of each country. Moreover, the study offers valuable insights for policymakers, regional planners, investors, and various stakeholders engaged in advancing and advocating for rural tourism across the three nations. Such insights can lay the groundwork for formulating and executing impactful policies and strategies in the realm of rural tourism development.

## Literature review

In the literature, there are different views on possible ways of developing rural tourism, but all authors agree that this activity is of exceptional importance for local economic development.

Bartlet (2006) believes that this activity should be developed on a completely different basis compared to mass tourism. Mitchell & Hall (2005) point out that rural tourism should have a good development strategy, which should be interdisciplinary, that is, it should successfully connect all segments of spatial, social and economic development. The development must be balanced with the development of other activities, authors (Razt & Puczko, 1998) indicate.

Machado et al (2022) points out in their research that rural tourism is a key factor in the sustainable development of rural areas. Lane et al (2022), who call rural tourism the "cornerstone" of sustainable development, are of a similar opinion. According to the cited authors, rural tourism has an important role in regional sustainable development plans.

In order to ensure the sustainability of a rural tourist destination, financial support and training programs related to the implementation of the principle of sustainability in practice, as well as the cooperation of rural tourism entities with the local economic community, are important (Chan, 2023).

Adequate financing modalities are necessary for development. The importance of financing lies in the optimal provision of the necessary financial resources. Optimum provision of financial resources means that they are obtained under the most favorable conditions (at a lower price and in the long term). Van-Horne et al (2007) point out that the best combination of possible sources of short-term financing depends on their costs, availability, time schedule, flexibility, as well as on the degree of ownership of the property with mortgages. Of course, quality sources of financing are not always available, and subsidies or donations are necessary, considering that rural tourist households, for the most part, do not have the possibility of self-financing.

On the other hand, the literature is focused on analyzing the development of tourism during the pre-accession period of states to the European Union. In Vágner's (2007) study, the focus is on the tourism evolution within the Visegrád Group countries (Czech Republic, Hungary, Poland, and Slovakia) during their accession to the European Union. The author delves into the repercussions of EU accession on the tourism sector within these nations, highlighting prevailing trends and challenges. Additionally, the study underscores how EU accession catalyzes tourism growth in the Visegrád Group countries while also outlining the opportunities and obstacles accompanying this process. Meanwhile, Ackovska et al. (2012) explore avenues for financing rural tourism development in the Republic of Macedonia. Their research scrutinizes various funding sources and instruments aimed at fostering rural tourism in the country. Essentially, the paper offers a comprehensive overview of financing possibilities for rural tourism development in Macedonia, pinpointing strategic actions and measures to bolster and market this sector effectively within the nation. Galluzzo (2021) conducts a quantitative analysis on rural areas in Romania, agritourism, and the impact of European Union financial subsidies. The author investigates how EU financial subsidies have influenced the development of rural areas in Romania and the agritourism sector in particular. Using empirical analysis, the author assesses the efficacy of financial support initiatives in encouraging diversification within the rural economy. This includes fostering the growth of non-agricultural sectors, rural tourism, handicraft production, and other alternative economic endeavors.

Finally, Mbrica (2013) conducts a comparative analysis of EU pre-accession assistance in

agriculture and rural development, focusing on the SAPARD and IPARD programs in Slovenia and Macedonia. Through the study, differences and similarities between the SAPARD and IPARD programs are highlighted, as well as their impact on the agricultural sector and rural communities in the two countries. The paper provides a detailed perspective on EU pre-accession assistance in agriculture and rural development in Slovenia and Macedonia, emphasizing the lessons learned and best practices that can be applied in other countries undergoing European integration.

In conclusion, the literature offers a insights into the impact of pre-accession financial support measures on the diversification of the rural economy in European states and identifies the challenges and opportunities associated with this process. This information can be useful for formulating and implementing policies and strategies aimed at supporting sustainable economic development in rural areas in Serbia and Montenegro in the current period of European integration.

## Methodology

The aim of the paper is to present the funding sources and the level of financial allocations for rural tourism in the period of integration into the European Union (pre-accession period) in Romania, Serbia and Montenegro. The authors use descriptive and desk research method, like us, methods of analysis and synthesis.

Data sources are scientific and professional papers on the subject, as well as available data on the website of relevant institutions, as well as relevant ministries in Romania, Serbia and Montenegro. For the analysis of the socio-economic modelers of the level of financing of rural tourism in Romania during the pre-accession period, Bayesian network analysis will be used. This is a statistical method used to model the causal relationships between the observed variables. This involves using an acyclic directed graph to represent probabilistic dependency relationships between variables, where nodes represent the variables and arcs represent the direction of causality. The data available for Romania are provided by the Ministry of Agriculture and Rural Development (MADR) and the National Institute of Statistics (INS) and cover the period 2000-2009. To make the effects easier to interpret and to ensure a normal distribution, all the data were logarithmized.

The chosen investigative approaches will provide insights into addressing the research question: *During their integration into the European Union, how do the funding sources and methodologies for rural tourism differ among Romania, Serbia, and Montenegro, and how do these disparities influence the advancement and durability of rural tourism in each respective country.*

## Results and discussions

The subject of research is experiences in financing rural tourism in the pre-accession period in Romania, Serbia and Montenegro. The data can not be analyzed comparatively because Serbia and Montenegro are still in the process of EU integration, so public calls for investments from pre-accession funds are still ongoing, that is, the data on their realization is not yet final.

### *Romania*

According to official data (National Institute of Statistics, <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>), Romania has about 20 million inhabitants in 2022, of which

46% live in rural areas. The pre-accession period for the EU ended for Romania in 2007. The experiences of this country regarding the use of EU pre-accession funds for the growth of rural tourism can be useful for other countries.

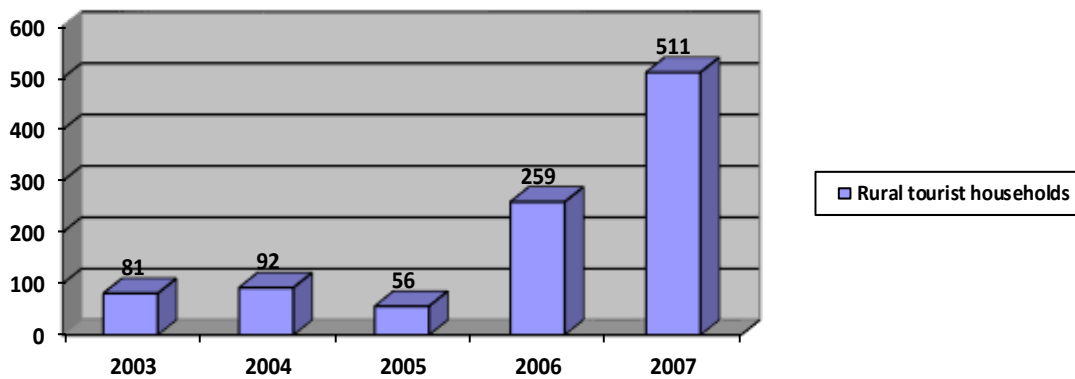
The most significant source was SAPARD. In addition to SAPARD, the pre-accession instrument PHARE was also used, as well as national (budget funds) and private funding sources. In Romania, in the period 2002-2006, over 300 million euros were invested, and almost half of this amount was invested in the growth of rural tourism (Baltes & Ciuhureanu, 2009).

**Table 1. Sources of funding 2003-2007**

Sources of funding	RTH
- SAPARD	354
- Other sources of financing	157
Total:	511

Source: Baltes & Ciuhureanu, 2009, pp.5-9.

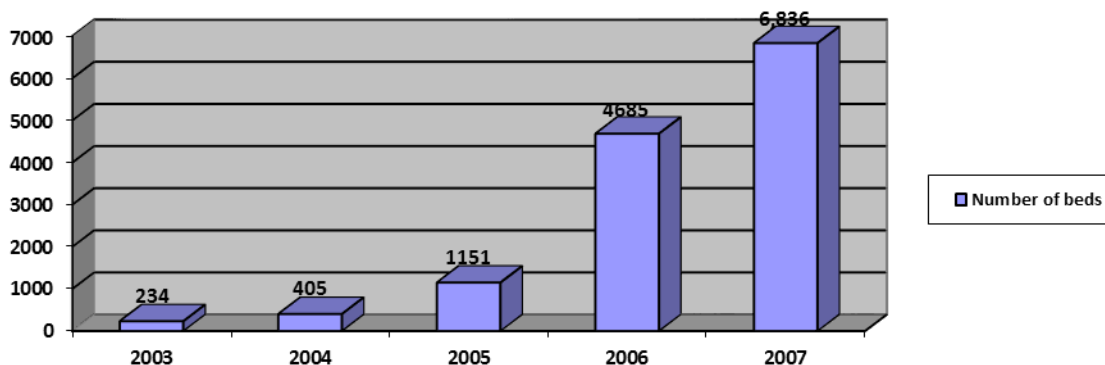
It is noted that 69% of investments in rural tourist households (RTH) realized from the resources of the SAPARD pre-accession financial instrument (Table 1). The aforementioned financing particularly influenced the growth of agritourism in Romania (Galluzzo, 2020).



**Figure 1. RTH 2003-2007**

Source: Baltes & Ciuhureanu, 2009, pp.5-9.

The number of rural tourist households (RTH), with slight fluctuations, was at approximately the same level in the period 2003-2005. Significant growth was recorded in 2006, when the number of rural tourist households was 220% higher compared to the initial year, 2003 (Figure 1). It is also noted that the number of beds in rural tourist households recorded a continuous and significant growth in the analyzed period 2003-2007 (Figure 2).



**Figure 2. Beds in RTH 2003-2007**

Source: Baltes & Ciuhureanu, 2009, pp.5-9.

As we mentioned above, during the pre-accession period, the biggest support for tourism infrastructure in Romania was provided by the SAPARD program, through measure 3.4 "Development and diversification of economic activities that generate multiple activities and alternative incomes" (Table 2). This program was created in 1999 and helped candidate countries in their efforts to join and implement the Common Agricultural Policy of the European Union. The program included a series of measures designed to support the adaptation of agricultural structures and rural development, investment in tourism, consumer and environmental protection, as well as technical assistance.

**Table 2. Distribution of funds attracted under the SAPARD program, 2000-2009, SAPARD Measure**

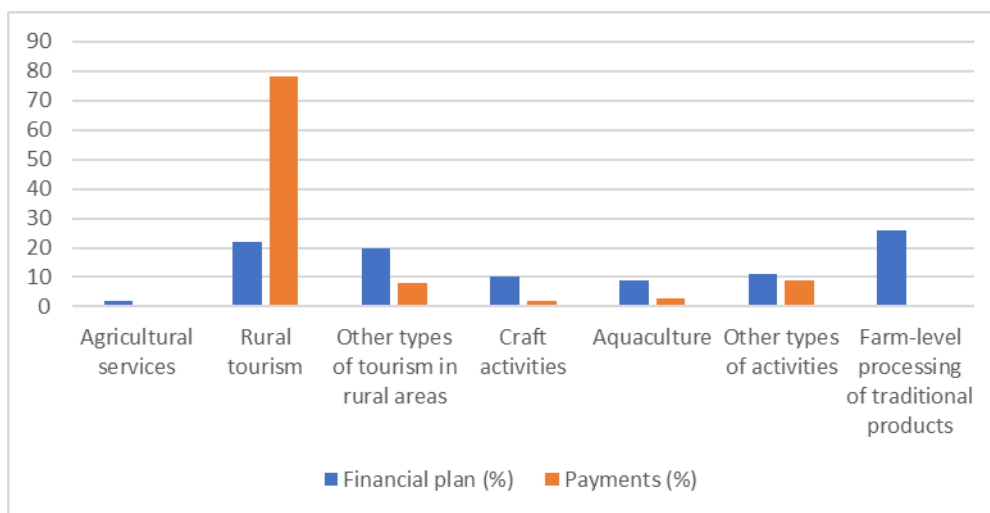
SAPARD	Number of projects	Project value (mil.euro)	Financial allocation (%)
Measure 1.1. "Improving the processing and marketing of agricultural and fishery products"	450	351,024	25,53%
Measure 1.2. "Improving structures for quality control, veterinary and phytosanitary measures, for the quality of food products and consumer protection"	19	29,355	2,13%
Measure 2.1. "Developing and improving rural infrastructure"	843	600,301	43,66%
Measure 3.1. "Investments in agricultural farms"	1916	263,84	19,19%
Measure 3.2. "Formation of producer groups"	-	0,057	0,00%
Measure 3.3. "Agricultural production methods designed to protect the environment and maintain rural landscapes"	-	0,191	0,01%
<b>Measure 3.4. "Development and diversification of economic activities to generate multiple sources of income"</b>	<b>1018</b> (628 contracted projects through the <i>Rural tourism sub-measure</i> )	<b>68,196</b>	<b>4,96%</b>
Measure 3.5. "Forestry"	113	57,599	4,19%
Measure 4.1. "Improving professional training"	5	3,028	0,22%
Measure 4.2. "Technical assistance"	10	1,424	0,10%
<b>TOTAL</b>	<b>4374</b>	<b>1.375,015</b>	

Source: MADR, 2010.

According to official statistics, Romania benefited from financial allocations of over 1,350 million euros through this program, amounts that were 99% absorbed, until the end of 2009, the total amount paid amounting to 1,348 million euros. Practically, in Romania, 4,374 contracts were financed at the national level, according to official information (MADR, 2010). Of the total projects approved under this measure, "1,055 remain contracted, of which 625 projects target the Rural Tourism type of action and 63 projects on other types of tourism activities in rural areas" (MADR, 2010, p. 232).

The largest allocation under the SAPARD program was given to investments for the development and improvement of rural infrastructure: roads, water networks, sewage and flood protection systems.

As can be seen in Figure 3, most of the financial resources allocated through Measure 3.4 were made for the "Rural Tourism" Submeasure, where, compared to the initial allocation provided, more than 80% of the payments were made, the equivalent of about 53 millions of euros.



**Figure 3. Analysis of resources by sub-measures of Measure 3.4. on 31.12.2009**

Source: Final report on the implementation of the SAPARD program in Romania - Annex 2.

In addition, in terms of welcoming tourists in rural areas, another 8% of the available resources financed initiatives related to the tourism promotion of rural areas through the sub-measure "Other types of tourist activities in rural areas".

Therefore, during the pre-accession period, Romania had a series of financial opportunities for financing the creation of services in the rural area. In essence, in Romania it was desired to focus on the service sector, which would offer greater economic satisfaction. The major concentration of expenses in the "Rural Tourism" sub-measure (approximately 80% of payments) inevitably limited the achievement of the established operational objectives.

However, the Management Authority responded to the requirements of the beneficiaries who prioritized the diversification of their activity by increasing the capacity to receive tourists at the expense of other initiatives, such as processing at the farm level.

Throughout the pre-accession phase, funding for rural tourism in Romania was contingent upon various factors, including governmental policies and strategies, access to European funds, private investments, and socio-economic conditions. Consequently, the prioritization and strategies regarding rural tourism within governmental policies significantly influenced the

availability and amount of funds allocated to this sector during this period. Furthermore, access to European funds, particularly those earmarked for rural development, served as a pivotal determinant in shaping the funding landscape for rural tourism in Romania. The capacity of local authorities and businesses to access and effectively utilize these funds directly affected the level of financing available for rural tourism development.

Furthermore, the involvement of the private sector and the establishment of partnerships between the public and private sectors were essential in attracting additional funds for rural tourism in Romania. Private investments in rural tourism infrastructure, along with collaboration with local authorities for project implementation, contributed to increasing the level of funding available for this sector.

Furthermore, economic stability, rural area development, and local community and investor interest also exerted influence over the funding allocation for rural tourism in Romania during the pre-accession era. These interconnected factors collectively contributed to the varying levels of funding accessible for rural tourism development in Romania prior to EU accession.

Bayesian network analysis will be used to analyze the socio-economic determinants influencing rural tourism funding levels in Romania during the pre-accession period. This statistical approach models' causal relationships between observed variables. In developing the model, we will examine the following variables for the period 2004-2009:

- *FRT*: the level of financing for rural tourism in Romania through the SAPARD program (payments, mil.euro);
- *AF*: absorption of the funds allocated through the SAPARD program under the Rural Tourism sub-measure (%);
- *GDP*: GDP/capita level (USD-PPT);
- *POV*: poverty rate (%);
- *PI*: the level of private investments in the development of infrastructure and tourist services in rural areas (thousand euros);
- *UR*: unemployment rate (%).

To make the effects easier to interpret and to ensure a normal distribution, the data were logarithmized.

**Table 3. Summary statistics of the data collected**

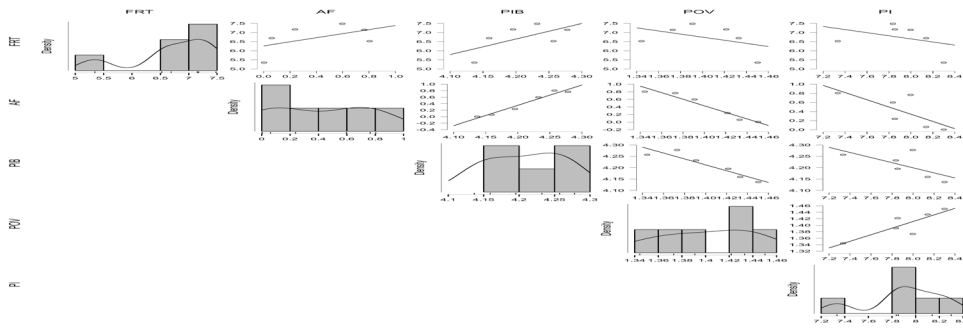
	<b>FRT</b>	<b>AF</b>	<b>PIB</b>	<b>POV</b>	<b>PI</b>
Median	6.919	0.418	4.214	1.406	7.925
Mean	6.727	0.411	4.21	1.402	7.91
Std. Deviation	0.761	0.356	0.056	0.04	0.333
MAD robust	0.482	0.522	0.072	0.045	0.225
Minimum	5.345	0.003	4.137	1.344	7.334
Maximum	7.481	0.804	4.278	1.45	8.3

Source: Data processing by authors in JASP.

As can be seen, in general, the data provided are coherent and provide a solid basis for the analysis and interpretation of financing for rural tourism in Romania during the pre-accession period. The detailed interpretation of these data in the specific context of the study is of particular importance for a deeper understanding of the relationships and influences between the variables involved.

The correlation between the selected variables is presented using the Correlation Plots in Figure 4.





**Figure 4. Correlation Plots between the Data**

Source: Data processing by authors in JASP.

To reflect the relative importance of each variable or each observation within the analysis or model, we use the weight matrix (Table 4).

**Table 4. Weights matrix**

Variable	Network				
	FRT	AF	PIB	POV	PI
FRT	0.000	0.000	0.356	0.000	0.335
AF	0.000	0.000	0.052	0.013	0.000
PIB	0.356	0.052	0.000	0.119	0.694
POV	0.000	0.013	0.119	0.000	0.160
PI	0.335	0.000	0.694	0.160	0.000

Source: Data processing by authors in JASP.

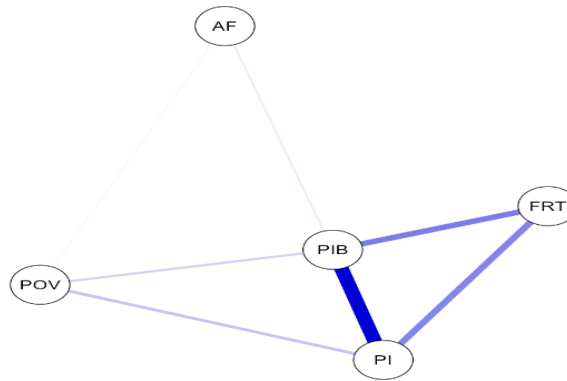
It can be seen that the level of financing for rural tourism in Romania (FRT) is strongly connected with the level of GDP/capita, having a weight of 0.356. This suggests that *the level of funding for rural tourism in Romania during the pre-accession period was closely related to the country's overall economic performance as measured by GDP.*

The level of financing for rural tourism in Romania (FRT) is also connected with private investments in the development of infrastructure and tourism services in rural areas (PI), having a weight of 0.335. This suggests that *the level of funding for rural tourism is, to some extent, influenced by private investment in the development of infrastructure and services in rural areas.*

The GDP/capita variable is strongly connected with private investments in the development of infrastructure and tourist services in rural areas (PI), having a weight of 0.694. This indicates that private investment is significantly influenced by the overall economic performance of the country.

Finally, the poverty rate (POV) is connected with private investments in the development of infrastructure and tourism services in rural areas (PI), having a weight of 0.160. This suggests that the poverty rate may influence private investment in the development of infrastructure and tourism services in rural areas, but to a lesser extent than other variables.

For data modeling and interpretation, taking into account both prior information and observed data, a Bayesian network will be constructed (Figure 5).



**Figure 5. Bayesian Network Analysis results**

Source: Data processing by authors in JASP.

Also, to evaluate the strength and significance of network relationships and to guide the process of building Bayesian network models, the Edge evidence probability table was also constructed. This is a representation of the probabilities associated with the existence or absence of a connection between nodes in the network (Table 5).

**Table 5. Edge evidence probability table**

Variable	Network				
	FRT	AF	PIB	POV	PI
FRT	-∞	-0.241	0.800	-0.120	0.405
AF	-0.241	-∞	0.080	0.663	-0.323
PIB	0.800	0.080	-∞	0.847	∞
POV	-0.120	0.663	0.847	-∞	0.201
PI	0.405	-0.323	∞	0.201	-∞

Source: Data processing by authors in JASP.

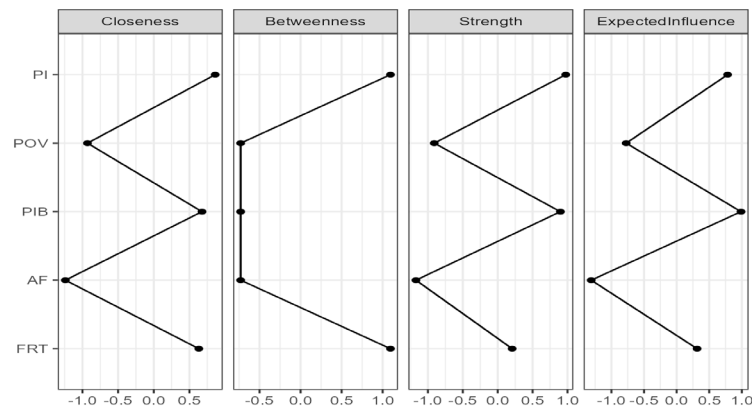
Based on the above data, it can be seen that there is a *high probability of a connection between the level of financing for rural tourism in Romania (FRT) and the degree of absorption of funds (AF)*. This suggests that the degree of absorption of funds can significantly influence the level of financing for rural tourism in Romania.

At the same time, there is a *high probability of a connection between the level of financing for rural tourism in Romania during the pre-accession period (FRT) and private investments in the development of infrastructure and tourist services in rural areas (PI)*. This indicates that private investment can play a significant role in determining the level of financing for rural tourism in Romania.

There is a *high probability of a connection between FRT and poverty rate (POV)* suggesting that the level of funding for rural tourism may be influenced by the level of poverty in the respective areas.

Finally, there is a moderate probability of a connection between the FRT and the unemployment rate (UR). This suggests that the level of funding for rural tourism may be influenced to a lesser extent by the unemployment rate in the respective regions.

In order to evaluate the relative importance of each variable within the constructed Bayesian network, the measures of centrality per variable will also be analyzed (Figure 6).



**Figure 6. Centrality plot**

Source: Data processing by authors in JASP.

The level of private investment in the development of tourism infrastructure and services in rural areas (PI) has the strongest connections with the other variables in the network. This suggests that private investment in the development of infrastructure and tourism services in rural areas could have had a significant impact on the level of financing for rural tourism in Romania.

Likewise, the level of GDP/capita has the highest probability of influencing the other variables in the network, suggesting that the general economic performance had a significant impact on the other aspects analyzed, including the level of financing for rural tourism in Romania.

By synthesizing the data obtained in the conducted analysis, we conclude that Romania made good use of the available financial instruments of the EU, which participated with about 70% in the total sources of financing. In conclusion, it can be appreciated that, during the pre-accession period of Romania to the European Union, the level of financing of rural tourism was enhanced by various factors such as the degree of absorption of funds, private investments and the level of economic development. These findings provide valuable insights for policy makers and stakeholders involved in rural tourism development initiatives.

### *Serbia*

Serbia has been a candidate country for EU membership since 2012. This country has about 6.6 mill resident, of which 43% live in rural areas (<https://data.worldbank.org>). According to current data, available on the eTurista website, 776 rural tourist households were engaged in rural tourism on January 31, 2024 (<https://www.eturista.gov.rs>).

**Table 6. RTH in 2012**

Region	RTH
Belgrade	14
Vojvodina	93
Šumadija and Western Serbia	295
Southern and Eastern Serbia	112
KM	-
Unified:	514

Source: Census of agriculture in 2012, pp.190-197.

The most rural tourist households (RTH) in 2012 (Table 6), and even today, is in Šumadija and Western Serbia. Some municipalities, such as Gornji Milanovac and Kosjerić, have a long tradition and a very strong position on the tourist market in Serbia, when looking at rural tourism.

According to the preliminary results of the Census of Agriculture in 2023 (Republic Institute of Statistics, 2024), there are a total of 508,365 agricultural farms in Serbia, of which 506,303 (99.6%) are family farms. Given that 776 rural households are engaged in rural tourism, we come to the conclusion that this additional non-agricultural activity is engaged in by less than 1% of the total number of family farms. More precisely, only 0.15%.

According to the results of the latest agricultural census (Republic Institute of Statistics, 2024), the largest number of agricultural farms is in the region of Šumadija and Western Serbia. In 2023, there were a total of 224,433 agricultural farms in these areas. It is important to say that it is precisely in these areas that traditionally the largest number of agricultural farms are engaged in rural tourism. This is where rural tourism began to develop in the territory of Serbia, in the 70s of the 20th century in the territory of the municipality of Ivanjica.

Serbia has quality natural resources, which are important for the development of rural tourism. First of all, these are natural beauties, as well as the diversity of natural landscapes (a distinct plain in the north and hilly and mountainous areas in other parts of the country). Differences in natural landscapes enable the development of different forms of rural tourism. According to the criteria of the World Union for Nature Protection, the territory of the Republic of Serbia is one of the six European and 153 world centers of biological diversity. (<http://www.raris.rs>). In order for quality natural resources to be adequately realized on the tourist market, it is necessary to "define the modality of financing the development of the rural tourist offer, which should include accommodation facilities, catering and tourist facilities " (Radović, 2015, p. 66).

Also, Serbia has quality social and physical resources that are important for the development of rural tourism. When we talk about social resources, we first of all mean the preserved rich cultural and historical heritage, which tourists can best get to know at numerous events held throughout the year in all regions of Serbia. It is an impressive fact that around 1,500 tourist events are organized annually, most of which are held in rural areas. Regarding the physical resources important for the development of rural tourism, it is important to mention the preserved traditional rural architecture that differs in certain regions in Serbia, which is important for the development of the rich tourist offer of rural tourism. However, the limiting factor in the development of rural tourism is traffic and communal infrastructure, as well as tourist signage. And in order to develop them, adequate funding modalities are needed, and all of this is significant for the sustainable development of rural tourism in Serbia.

Human resources are of primary importance for the development of rural tourism considering that it is a type of tourism in which there is direct communication between guest and host. As already mentioned, about half of the total population lives in rural areas, more precisely 43%. According to data from (Republic Institute of Statistics, 2022), women make up 42.4% and men 57.6% of the total population structure in rural areas. Based on the preliminary results of the last agricultural census (Republic Institute of Statistics, 2024), every 11th resident of rural areas is under 40 years old. When looking at the structure of unemployed persons in rural areas, it is precisely younger residents who make up the largest number of unemployed, and they could be adequately employed through the development of rural tourism. Specifically, according to (Republic Institute of Statistics, 2022), in the total number of unemployed persons in rural areas, the most are in the age group between 25-34 years. They make up 27.7% of the total population of rural areas. When looking at the structure of residents of rural areas in terms of education level, it can be concluded that there is also a good basis for the development of rural tourism. More precisely, of the total number of residents in rural areas, 72.5% have a secondary level of education, and 10.9% of the total number of residents in these areas have a university degree (Republic Institute of Statistics, 2022). On the other hand, the poverty risk rate is twice as high in rural (sparsely populated) than in urban (densely populated) areas of Serbia. According to research (Petrović & Milić, 2016), the poverty risk rate in rural areas is 37.98%, and in urban areas 15.92%. Therefore, the development of rural tourism, bearing in mind that it is an activity that gives a development impulse to the entire rural economy, could successfully affect the reduction of the poverty rate in rural areas.

According to research (Radović, 2015), financial resources were the biggest limitation for the development of rural tourism in the period before the beginning of the period of European integration. The majority of agricultural farms used self-financing, i.e. the accumulation created in agriculture, as a source of financing for the development of rural tourism. That was insufficient for faster and better development of sustainable rural tourism in Serbia.

**Table 7. Modalities of financing investments in rural tourism before the beginning of the period of European integration**

Financing modalities	Number of RTH	Percentage (%)
Self-financing	39	37.5
Self-financing and subsidies of the Provincial Secretariat for Agriculture	1	1.0
Self-financing and local self-government subsidies	1	1.0
Self-financing and bank loans	2	1.8
Self-financing and subsidies and loans approved with the support of the Ministry of Economy of the Republic of Serbia	1	1.0
Local government subsidies and subsidies from the Ministry of Agriculture of the Republic of Serbia	1	1.0
No current investments	59	56.7
Unified:	104	100.00

Source: Radović, 2015, p.85.

Self-financing participated independently in the financing of investments in rural tourism among surveyed rural tourist households (RTH) in the period before European integration, with 37.5%, and in combination with other sources of financing, primarily subsidies from different levels of state administration, with 43.3% (Table 7). Therefore, funds from European funds, to which Serbia is entitled as a candidate country for membership in the European Union, are of great importance for the sustainable development of rural tourism.

**Table 8. Accredited measures of the IPARD 2 program in Serbia**

Measures	Published number of public calls	EU contribution 2014-2020
Measure 1 – Investments in physical property of agricultural holdings	7	88,322,473 €
Measure 3 – Investments in physical assets related to the processing and marketing of agricultural and fishery products	4	43,461,806 €
Measure 4 – Measures in the field of agriculture, environmental protection, climate and organic production	-	-
Measure 5 – Preparation and implementation of Local Development Strategies (LEADER approach)	-	-
Measure 7 – Diversification of agricultural holdings and business development	2	26,200,000 €
Measure 9 – Technical assistance	2	500,000 €
Unified:	15	158,484,280 €

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Source: MAFW RS.

Serbia became entitled to the Instrument for Pre-accession Assistance in Rural Development (IPARD), the European Union's pre-accession fund for rural development, which is intended for candidate countries to prepare for the implementation of the EU's Common Agricultural Policy. IPARD 2 program of the Republic of Serbia for the period 2014-2020, the support of the European Union in the amount of 175 million euros and from the budget of the Republic of Serbia in the amount of 44 million euros (Ministry of Agriculture, Forestry and Water Management). The main goal of this program is the development agriculture, i.e. strengthening the competitiveness of food production and processing, as well as rural development, and above all, investments in the sustainable development of rural tourism. The aid is intended directly for beneficiaries, that is, agricultural producers - legal and natural persons. The type of accredited measures in the IPARD 2 program, the number of published calls and EU financial support for individual measures are shown in Table 8.

**Table 9. Implementation Measure 7 IPARD 2 Program by of December 29, 2023**

	Budget - EU contribution 2014-2020	Total number of submitted projects	Number of contracted projects - number of canceled projects	Realized budget contribution to the EU 2014-2020	Realization December 29, 2023
First public call	15,000,000 €	311	102	11,424,469 €	76.16%
Second public call	11,251,837 €	294	74	10,357,251 €	92.05%
Total	26,200,000 €	605	176	21,781,720 €	83.14%

Source: MAFW RS.

During the period of EU integration, the IPARD 2 Program was available to Serbia. Measure 7 - aimed at diversification of agricultural holdings, business development, opening new jobs, increasing the income of agricultural holdings, as well as in the development of rural economies. A total of 605 projects were registered on two published public calls, but as of December 29, 2023, only 176 (29%) registered projects met necessary criteria and were entitled to this type of financial support. When analyzing the utilization of available financial resources in

both public calls, it was high, and when looking at the average, 83.14% of the total available financial resources were used (Table 9).

At the moment, there are still no known data on the realization of investments financed from the resources of the IPARD 2 program in the development of rural tourism. Therefore, this analysis could be the subject of some future research. In any case and at this moment, it can be said with certainty that these investments will contribute to the sustainable development of rural tourism in Serbia.

Pre-accession financial instrument for the Republic of Serbia - IPARD 3 program for the period 2021-2027. year was approved by the Decision of the European Commission No. S(2022)1537 of March 9, 2022, and adopted by the Decision of the Government of the Republic of Serbia of December 14, 2023. The EU's financial contribution to the IPARD III program increased by 65% compared to the total EU contribution to the IPARD II program. More precisely, the contribution of the EU through the IPARD 3 program will amount to 288 million euros and it is expected that the total amount of support, together with national and private contributions, will amount to 580 million euros.

And within the IPARD 3 program, Measure 7 - Diversification of agricultural holdings and business development is included. The effects of these investments in the sustainable development of rural tourism in Serbia can be the subject of future analyses. After the end of the European integration period of the Republic of Serbia, it will be possible to provide a complete report and analysis of the effects of investments made from EU pre-accession funds on the sustainable development of rural tourism in this country.

### Montenegro

Montenegro has been in the pre-accession process for joining the EU since 2010. This country has about 622,000 inhabitants in 2022, of which 32% live in rural areas (<https://data.worldbank.org>).

Rural tourism is more developed in the northern part than in other parts of the country. In the northern part of Montenegro, 90% of the area is located at an altitude above 1,000 meters. The rich offer of tourist content is especially in rural tourist households located in the southern region, that is, in the coastal part. For example, in the vicinity of Herceg Novi, rural tourist households have mini zoos or riding schools, or tourists can use the hiking and biking trails located near them (Ministry of Economic Development and Tourism of Montenegro, 2022).

**Table 10. RTH in 2013 and in 2023**

REGION	RTH	
	2013	2023
NORTHERN REGION Municipalities: Bijelo Polje, Pljevlja, Žabljak, Šavnik, Plužine, Mojkovac, Kolašin, Berane, Petnjica, Rožaje, Andrijevića, Plav i Gusinje	41	206
CENTRAL REGION Municipalities: Podgorica, Danilovgrad, Nikšić, Cetinje i Tuzi	38	47
SOUTHERN REGION Municipalities: Herceg Novi, Kotor, Budva, Bar i Ulcinj	28	26
TOTAL:	107	279

Source: Morić, 2013 & Government of Montenegro.

The number of rural tourist households (RTH) in Montenegro recorded an increase in 2023 compared to 2013 by 161%. In both years, the highest percentage of these facilities was in the northern region. In 2013, 38%, and in 2023, 74% of the total number RTH in Montenegro were located in the Northern region of the country (Table 10). The authors (Stanovčić et al, 2018) indicate that diversification of the existing offer, greater application of marketing, especially promotion, as well as a strategic approach in development is needed.

There are a total of 48,870 agricultural farms in Montenegro, of which 48,824 are family agricultural farms (MONSTAT, 2010). In accordance with the data listed in Table 10, in 2023, 279 farms engaged in rural tourism, i.e. 0.57% of the total number of family agricultural farms. Women are the owners of 6,286 family farms, which is 12.87% of the total number of family farms. Bearing in mind that rural tourism, as an activity, is primarily based on the work of women, we are of the opinion that precisely these farms could be the bearers of sustainable development of rural tourism, with adequate sources of financing, which could be provided from the pre-accession IPARD program.

In Montenegro, according to the OECD methodology, the northern part of the country is considered a predominantly rural area. According to the population census in 2011, in this region, 59.7% of the total number of inhabitants lived in the rural part of this region. (Directorate for Statistics of Montenegro, 2011). According to statistical data, in the last three decades there has been a trend of mass migrations from the northern (rural) part of Montenegro to the coastal and central parts of this country, and the development of sustainable rural tourism could stop these migrations (Directorate for Statistics of Montenegro, 2011-2020).

**Table 11. Labor force on family farms according to age groups**

Age groups	Population	Participation in the total number of working residents of rural areas (in %)
-until the age of 24	6,717	6.8
-from 25-34 years old	11,340	11.5
-from 35-44 years old	15,675	15.9
- from 45 to 54 years old	21,562	21.9
- from 55 to 64 years old	19,849	20.2
- aged 65 and over	23,198	23.6
Total number of working population in rural areas:	98,341	100.0

Source: Directorate for Statistics of Montenegro, Agricultural Census, 2010.

In the structure of working-age residents in rural areas according to the level of education, residents with an intermediate level of education (53.26%) and those with a basic level of education (27.93%) predominate, while the highly educated make up 9.09% of the total number of working-active residents of rural areas (IPARD 3 Program, Montenegro).

**Table 12. Financial plan of the IPARD 3 program by measures**

Measures	Budget - EU contribution 2021-2027
Investments in physical property of agricultural holdings	17,320,000 €
Investments in physical assets related to the processing and marketing of agricultural and fishery products	14,760,000 €
Agro-ecological-climatic measures and measures of organic production	5,380,000 €
Realization of local development strategies – LEADER approach	920,000 €



Measures	Budget - EU contribution 2021-2027
Investments in rural public infrastructure	5,730,000 €
Farm diversification and business development	12,670,000 €
Technical assistance	1,270,000 €
Establishment and protection of forests	4,950,000 €
United:	63,000,000 €

Source: IPARD 3 program Montenegro.

Based on the presented data, we can conclude that the population structure by education level, as well as the population structure by age presented in table 11, provides a good basis for the development of rural tourism. If the quality natural resources that Montenegro possesses are also included in this analysis, we can state that this country has a good basis for the development of sustainable rural tourism. For the purpose of development, financial resources are necessary, which can be provided in the current period of European integration of Montenegro through the Instrument for Preaccession Assistance in Rural Development (IPARD).

In the pre-accession period, Montenegro used funds from the IPARD 2 program, Program measures 7.1. The first Public Call for this measure was open from June 23, 2021 to September 30, 2021. Within this Public Call, €6,080,000 in grant support was available to potential users. A total of 102 requests for support were submitted to this Public Call. A total of EUR 51,816,473 in grants is available to Montenegro through the implementation of the IPARD 2 program. Of this amount, the funds of the European Union amount to 39,000,000 euros, and the national co-financing amounts to 12,816,473 euros. With the contribution of the beneficiaries, around 86 million euros will be invested in Montenegrin agriculture through the implementation of the IPARD II program (<https://www.gov.me/clanak/ipard-ii-program>).

Through the implementation of the IPARD 3 program, 63 million euros from EU funds will be available to Montenegro (Table 12). Within these funds, the EU's contribution to business diversification and development, i.e. to the development of rural tourism, amounts to €12,670,000. These funds are being realized in the current period, so the analysis of the effects of these investments will only be subject to analysis in the future.

## Conclusion

Financing is the primary condition for progress in all economic activities. Agricultural farms, for the most part, do not have their own accumulation, so they need external sources of financing. Often the lack of financial resources is the cause of stagnation and even a brake in the development of this activity. Adequate sources of financing are necessary for investments in accommodation capacities, in the development of the catering offer, as well as tourist content. Countries that are in the status of candidates for accession to the European Union, have the possibility to use pre-accession financial instruments, for that purpose. The presented experiences of Romania, Serbia and Montenegro show that in all three countries there was a great interest in using EU pre-accession funds.

The aim of the paper was to present the ways of financing rural tourism in the period of integration into the European Union in Romania, Serbia and Montenegro, i.e. to answer the formulated research question: How are the sources and ways of financing rural tourism in Romania, Serbia and Montenegro different during the period of integration into the European Union, and what is the impact of these differences on the development and sustainability of rural tourism in each country?

Based on the results of the conducted research, it can be concluded that Romania has significantly used the available funds for the development of rural tourism from the pre-accession financial instrument of the European Union - the SAPARD program. These funds participated with about 70% in the total sources of funding for the sustainable development of rural tourism in this country during the period of European integration.

The effective use of EU funds, especially the SAPARD program, had a significant impact on the development of rural tourism in Romania during the pre-accession period to the EU. These funds represented approximately 70% of the total funding sources and facilitated the significant increase in the number of rural tourist households and the number of beds available in them. Private investments in the development of tourism infrastructure and services in rural areas have also played a key role in financing rural tourism in Romania. These investments were closely related to the overall level of the country's economic performance. Thus, the country's general economic performance, measured by GDP/capita and the level of private investment, had a significant impact on the level of funding available for rural tourism in Romania, measured by actual payments made during the pre-accession period. These findings underline the importance of establishing a favorable economic environment for the development of rural tourism.

Romania's experiences can serve as a guide for Serbia and Montenegro, which are current candidates for EU membership, and which have the European Union's pre-accession funds at their disposal.

In the conducted research, it was concluded that both Serbia and Montenegro have quality natural, social and human resources for the sustainable development of rural tourism, but less than 1% of the total number of agricultural farms are involved in this activity. A significant reason for the insufficient development of rural tourism in these countries is the lack of financial resources for investment.

In Serbia and Montenegro, the implementation of the Instrument for Pre-Accession Assistance in Rural Development (IPARD) is underway, and it is expected that this financial instrument will significantly contribute to the sustainable development of rural tourism in these countries.

However, the research has certain limits. The research focused on Romania and analyzed how EU funds influenced the development of rural tourism in this country. These findings could be relevant to other countries in the region, such as Serbia and Montenegro, but there are significant differences between the political, economic and social contexts of each country. Therefore, the generalizability of the results to these countries might be limited.

It is important to note that the author's intention was not to compare the data on the use of financial resources from the pre-accession funds in the three analyzed countries, as this is currently unfeasible. In Serbia and Montenegro, public calls for submitting project applications for investment in rural tourism are still ongoing, and final data on the effects of investments from EU pre-accession funds are not yet available.

The results of this research provide valuable insights for future policies and governmental interventions aimed at the development of rural tourism in Serbia and Montenegro. Emphasizing the absorption of European funds, stimulating private investments, and creating a stable economic environment could contribute to strengthening the rural tourism sector and promoting sustainable development in these countries.

In the future, after the accession of Serbia and Montenegro to the European Union, it would be significant to compare the experiences of these countries with Romania, as well as with Hungary, Croatia and Slovenia, with regard to the analysis of the percentage of utilization of

funds from the pre-accession financial instruments of the European Union for the purpose of sustainable development of rural tourism in certain countries.

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