ECONOMIC DIVERSIFICATION POLICIES AND RURAL TOURISM IN SOUTH EAST EUROPE
ECONOMIC DIVERSIFICATION POLICIES AND RURAL TOURISM IN SOUTH EAST EUROPE
Regional Rural Development Standing Working Group in SEE (SWG) Blvd. Goce Delčev 18, MRTV Building, 12th floor, 1000 Skopje, North Macedonia

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Support to Economic Diversification of Rural Areas in South East Europe (SEDRA), Antonie Grubišić 5, 1000 Skopje, North Macedonia

The analysis, conclusions and recommendations in this paper represent the opinion of the authors and are not necessarily representative of the position of the Regional Rural Development Standing Working Group in SEE (SWG) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

Edited by: Suzana Đorđević-Milošević, Kirsi Hyvaerinen, Boban Ilić, Dori Pavloska Gjorgjieska, Benjamin Mohr, Anica Palazzo

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а) Рурален туризам – Југоисточна Европа

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FOREWORD

The assessment “Economic Diversification Policies and Rural Tourism in South East Europe” was prepared within the project Support to Economic Diversification of Rural Areas in South East Europe (SEDRA), jointly implemented by the Standing Working Group for Regional Rural Development in South East Europe (SWG) and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), aiming at strengthening the institutional capacities of selected stakeholders in South East Europe (SEE) for supporting EU-compliant economic diversification in rural areas.

SEDRA contributes to the improvement of technical, methodological and implementation capacities for evidence-based rural development policies for economic diversification, facilitates community-led area-based development, as well as value chain development. The lead executing agencies are the ministries in charge of agriculture and rural development, through their membership in the regional organization SWG.

The project aims at formulating regional recommendations for evidence-based and EU-compliant policy on diversification in rural areas, which are expected to be adopted and supported by administrative or legislative measures by national authorities responsible for implementation in SEE. The logic is that only an enabling policy framework agreed on the regional level and implemented on the national level can enable EU-compliant economic diversification in rural areas.

Rural tourism is high on the economic diversification in SEE. The focus is to streamline tourism in agriculture and rural development programmes to enable economic growth, income and employment in the rural areas of the Western Balkans.

The objective of this work – carried out by the Regional Expert Advisory Working Group (REAWG) on Economic Diversification through Rural Tourism (ED-RT) is to develop a regional approach for assessing and presenting policies for diversification of economic activities in SEE rural areas, focusing on rural tourism development, as well as to propose an improved policy framework for economic diversification through rural tourism in line with EU policies.

We would like to express our gratitude to the ministries of agriculture and rural development as well as to all participating experts from SEE.

On behalf of the SWG Secretariat

Mr. Boban Ilić
SWG RRD Secretary General

On behalf of GIZ

Mr. Benjamin Mohr
Team Leader
ACKNOWLEDGMENTS

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- Milena Kotlica, Ministry of Agriculture and Rural Development, Montenegro
- Lidija Aćimović and Milan Ivanković, Ministry of Agriculture, Forestry and Water Economy, Republic of Serbia
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- CSO Pečurka, Krupanj, Serbia
- CSO Etno dame, Laznica Selo, Žagubica, Serbia
- CSO Kamenica, Niš, Serbia
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- Ministry of Foreign Affairs and Economic Relations, Bosnia and Herzegovina
- Ministry of Trade and Tourism, Republika Srpska
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- Nysrete Doda, Ministry of Agriculture, Forestry and Rural Development, Prishtina, Kosovo*
- Office for Harmonization and Coordination of the Payment System in Agriculture, Food and Rural Development, Bosnia and Herzegovina
- Rural Development Network, Bosnia and Herzegovina
- Sokol Kongoli, Albanian National Tourism Agency
- Tourism cluster of Herzegovina
- Tourism Organization of RS (TORS), Republika Srpska
- Tourism organization, Inđija Municipality, Serbia
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- Vladimir Radić, agricultural household Radić, Velika Planina, Serbia
- Zoran Gačić, rural tourism household Gačića Magaza, Bogatić, Serbia
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<tr>
<td>3S</td>
<td>Sun &amp; Sea &amp; Sand</td>
</tr>
<tr>
<td>ADF</td>
<td>Albanian Development Fund</td>
</tr>
<tr>
<td>AFSARD</td>
<td>Agency for Financial Support to Agriculture and Rural Development</td>
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<tr>
<td>AIC</td>
<td>Actual Individual Consumption</td>
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<td>APST</td>
<td>Agency for Promotion and Support of Tourism</td>
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<td>ARDA</td>
<td>Agriculture and Rural Development Agency</td>
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<tr>
<td>ARDP</td>
<td>Agriculture and Rural Development Plan</td>
</tr>
<tr>
<td>ASCI</td>
<td>Areas of Special Conservation Interest</td>
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<tr>
<td>ATA</td>
<td>Albanian Tourism Association</td>
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<tr>
<td>ATTA</td>
<td>Adventure Travel Trade Association</td>
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<tr>
<td>B&amp;B</td>
<td>Bed and Breakfast</td>
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<tr>
<td>BD</td>
<td>Brčko District</td>
</tr>
<tr>
<td>B&amp;H</td>
<td>Bosnia and Herzegovina</td>
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<tr>
<td>BRDN</td>
<td>Balkan Rural Development Network</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
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<tr>
<td>CBC</td>
<td>Cross-Border Cooperation</td>
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<tr>
<td>COVID-19</td>
<td>Corona Virus Disease</td>
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<tr>
<td>CRDP</td>
<td>Centre for Regional Development Planning</td>
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<tr>
<td>CSO</td>
<td>Civil Society Organization</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>DBRNM</td>
<td>Development Bank of the Republic of North Macedonia</td>
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<tr>
<td>DCM</td>
<td>Decision of the Council of Ministers</td>
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<td>DLDP</td>
<td>Decentralization and Local Development Program</td>
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<td>LTDZ</td>
<td>Law on Tourism Development Zones</td>
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<tr>
<td>LTO</td>
<td>Local Tourism Organization</td>
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<tr>
<td>m.a.s.l.</td>
<td>Meters above sea level</td>
</tr>
<tr>
<td>MAFRD</td>
<td>Ministry of Agriculture, Forestry and Rural Development of Kosovo*</td>
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<tr>
<td>MAFWM</td>
<td>Ministry of Agriculture, Forestry and Water Management</td>
</tr>
<tr>
<td>MARD</td>
<td>Ministry of Agriculture and Rural Development</td>
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<tr>
<td>MCYS</td>
<td>Ministry of Culture, Youth and Sports</td>
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<tr>
<td>MEPS</td>
<td>Ministry of Environment and Spatial Planning</td>
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<td>MESP</td>
<td>Ministry of Environment and Spatial Planning</td>
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<tr>
<td>MFE</td>
<td>Ministry of Finance and Economy</td>
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<tr>
<td>MICE</td>
<td>Meetings, Incentives, Conventions and Exhibitions</td>
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<td>MKD</td>
<td>Macedonian Denar</td>
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<td>MLGA</td>
<td>Ministry of Local Government Administration</td>
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<td>MoE</td>
<td>Ministry of Economy</td>
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<tr>
<td>MOFTER</td>
<td>Ministry of Foreign Affairs and Economic Relations</td>
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<td>MOOC</td>
<td>Massive Open Online Courses</td>
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<tr>
<td>MTC</td>
<td>Ministry of Transport and Communication</td>
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<td>MTE</td>
<td>Ministry of Tourism and Environment</td>
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<td>MTI</td>
<td>Ministry of Trade and Industry</td>
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<tr>
<td>NAITM</td>
<td>National Association of Incoming Tour Operators</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<td>NEA</td>
<td>Agency for support of agriculture development – National Extension Agency</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>DMO</td>
<td>Destination Management Organization</td>
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<tr>
<td>DPMEA</td>
<td>Deputy Prime Minister responsible for Economic Affairs</td>
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<td>DRV</td>
<td>German Travel Association</td>
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<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ED-RT</td>
<td>Economic Diversification through Rural Tourism</td>
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<td>EFTA</td>
<td>European Free Trade Association</td>
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<td>EHCI</td>
<td>European Health Consumer Index</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>ELARD</td>
<td>European LEADER Association for Rural Development</td>
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<td>ENRD</td>
<td>European Network for Rural Development</td>
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<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>EU</td>
<td>European Union</td>
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<td>EU-27</td>
<td>European Union with 27-member states</td>
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<td>EUR</td>
<td>Euro</td>
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<td>EUROSTAT</td>
<td>Statistical Office of the European Community</td>
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<tr>
<td>Ex-YU</td>
<td>Former Yugoslav Republics</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<tr>
<td>FAS</td>
<td>Factors, Attractors and Supports</td>
</tr>
<tr>
<td>FB&amp;H</td>
<td>Federation of Bosnia and Herzegovina</td>
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<tr>
<td>FIT</td>
<td>Fully independent traveller</td>
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<tr>
<td>FITD</td>
<td>Fund for Innovation and Technology Development</td>
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<tr>
<td>FTJ</td>
<td>Full-Time Jobs</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GIS</td>
<td>Geographical Information System</td>
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<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH</td>
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<tr>
<td>GLTP</td>
<td>General Local Territorial Plan</td>
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<td>GNNSP</td>
<td>General National Spatial Plan</td>
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<tr>
<td>GoA</td>
<td>Government of Albania</td>
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<tr>
<td>NPEI</td>
<td>National Programme for European Integration</td>
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<td>NTA</td>
<td>National Tourism Agency</td>
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<td>NTC</td>
<td>National Territorial Council</td>
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<td>NTO</td>
<td>National Tourism Organization</td>
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<td>NTOS</td>
<td>National Tourism Organization of Serbia</td>
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<td>NTPA</td>
<td>National Territorial Planning Agency</td>
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<td>NUTS</td>
<td>EU Nomenclature of territorial units for statistics</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>PESR</td>
<td>Public Enterprise for State Roads</td>
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<td>POE</td>
<td>Publicly Owned Enterprises</td>
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<td>PPS</td>
<td>Purchasing Power Standard</td>
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<td>PRO</td>
<td>Public Revenue Office</td>
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<td>PRTR</td>
<td>Pollutant Release and Transfer Register</td>
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<tr>
<td>PTT</td>
<td>Post Telephone Telecommunication</td>
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<tr>
<td>RAPA</td>
<td>Regional Administration of Protected Areas</td>
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<td>RDA</td>
<td>Regional Development Agency</td>
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<td>RDN</td>
<td>Rural Development Network</td>
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<td>RDP</td>
<td>Regional Development Plan</td>
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<td>RDS</td>
<td>Regional Development Strategy</td>
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<td>REAWG</td>
<td>Regional Expert Advisory Working Group</td>
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<td>REDAH</td>
<td>Association for Economic Development of Herzegovina</td>
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<td>RN</td>
<td>Republic of North Macedonia</td>
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<tr>
<td>MACEDONIA</td>
<td>Republic of North Macedonia</td>
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<tr>
<td>RS</td>
<td>Republika Srpska (Bosnian Serb Republic)</td>
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<td>RTC</td>
<td>Rural Tourism Cluster</td>
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<tr>
<td>SAI</td>
<td>State Agriculture Inspectorate</td>
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<td>SAR</td>
<td>Search and Rescue</td>
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<tr>
<td>SBB</td>
<td>Südtiroler Bauernbund</td>
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<tr>
<td>SDC</td>
<td>Swiss Development Cooperation</td>
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<td>Sustainable Development Goals</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>GoK</td>
<td>Government of Kosovo*</td>
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<tr>
<td>GSS</td>
<td>Alliance of Mountain Rescue Services in B&amp;H (Gorska Služba Spašavanja)</td>
</tr>
<tr>
<td>GVA</td>
<td>Gross Value Added</td>
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<tr>
<td>HACCP</td>
<td>Hazard Analysis and Critical Control Points</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>HEMS</td>
<td>Helicopter Emergency Medical Service</td>
</tr>
<tr>
<td>HNC</td>
<td>Herzegovina Neretva Canton</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technologies</td>
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<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>INSTAT</td>
<td>Institute of Statistics of Albania</td>
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<tr>
<td>IPA</td>
<td>Instrument for Pre-Accession Assistance</td>
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<tr>
<td>IPARD</td>
<td>Instrument for Pre-Accession Assistance for Rural Development</td>
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<tr>
<td>IPRD</td>
<td>Integrated Programme for Rural Development</td>
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<tr>
<td>ISARD</td>
<td>Inter-sectoral Strategy for Agriculture and Rural Development</td>
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<tr>
<td>ISP</td>
<td>Institute of Spatial Planning</td>
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<tr>
<td>IUCN</td>
<td>International Union for the Conservation of Nature</td>
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<tr>
<td>KIESA</td>
<td>Kosovo* Investment and Enterprise Support Agency</td>
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<tr>
<td>LAG</td>
<td>Local Action Group</td>
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<tr>
<td>LARD</td>
<td>Law on Agriculture and Rural Development</td>
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<tr>
<td>LDS</td>
<td>Local Development Strategy</td>
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<tr>
<td>LEADER</td>
<td>Liaison entre actions de développement de l’économie rurale (Links between the rural economy and development actions)</td>
</tr>
<tr>
<td>LED</td>
<td>Local Economic Development</td>
</tr>
<tr>
<td>LSG</td>
<td>Local self-government</td>
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<tr>
<td>LSGU</td>
<td>Local self-government unit</td>
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<tr>
<td>SEDRA</td>
<td>Support to Economic Diversification of Rural Areas in South East Europe</td>
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<tr>
<td>SEE</td>
<td>South East Europe</td>
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<tr>
<td>SEI</td>
<td>State Environmental Inspectorate</td>
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<tr>
<td>SFHI</td>
<td>State Forestry and Hunting Inspectorate</td>
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<tr>
<td>SIDA</td>
<td>Swedish International Development Agency</td>
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<td>SME</td>
<td>Small and Medium-Sized Enterprises</td>
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<td>SPRNM</td>
<td>Spatial Plan of the Republic of North Macedonia</td>
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<td>SSO</td>
<td>State Statistical Office</td>
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<tr>
<td>SWG RRD</td>
<td>Standing Working Group for Regional Rural Development in South East Europe</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities and Threats</td>
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<tr>
<td>TAIEX</td>
<td>Technical Assistance and Information Exchange instrument</td>
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<tr>
<td>TEUR</td>
<td>Thousand Euro</td>
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<tr>
<td>TO</td>
<td>Tourism Organization</td>
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<tr>
<td>TORS</td>
<td>Tourism Organization of Republika Srpska</td>
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<tr>
<td>UAA</td>
<td>Utilized Agricultural Area</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific, and Cultural Organization</td>
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<tr>
<td>UNWTO</td>
<td>United Nations World Tourism Organization</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<tr>
<td>VC</td>
<td>Venture Capital</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<tr>
<td>UNWTO</td>
<td>World Touristic Organization</td>
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<td>WW1</td>
<td>World War 1</td>
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INTRODUCTION

All relevant national strategic documents of the South East European (SEE) countries/territories emphasize that diversification of the rural economy is a prerequisite for sustainable livelihoods of their rural people. This trend seems in line with the contemporary economic developments in Europe and the rest of the world. Furthermore, it is an appropriate and wise response of the society to both diversity and scarcity of resources for the rural development which has for too long been based mainly on agriculture. On the other hand, the presence of the concept of rural economy diversification in the baselines of planning documentation also shows numerous gaps and problems which interfere with the development of rural areas. If these problems are not addressed properly to respond to the actual frames and challenges, it will be hard to advance the development toward an environmentally, economically and socially sustainable SEE. This leads to the inevitable search for clever, yet not necessarily novel solutions for integrating human and natural potentials for a more sustainable future. Development support consequently evolves to increasingly provide effective incentives for actions that can provide certain success by using experiences, local lessons learned and success stories from albeit remote, but similar conditions. Applying best practices, rather than “extinguishing fires”, when overcoming problems, requires further improvement of the implementing mechanisms and their intensity.

Parallel to raising awareness about the degradation of rural areas and its consequences for the overall development of the society, the need for halting and reversing the process appears an inexorable obligation for SEE governments. Thus, investment in sustainable rural development is becoming increasingly appealing for developing policymakers promising rural economic diversification to grow into more than a declarative priority for the SEE region. Micro, small and medium-sized enterprises (MSME) in rural areas progressively respond to the offered helping hand while urban stakeholders raise their interest in it. By discovering new sources of income for family farms and creating new employment opportunities, especially for the younger population, they consequently start contributing to halting rural depopulation and resulting population aging, which has been degrading SEE rural areas for decades. Nevertheless, the development of non-agricultural activities is far from being prioritized as a significant contributor to sustainable rural development. Large-scale agriculture businesses are still preferred even though they have a narrow group of beneficiaries (and not necessarily within the rural population) instead of supporting revitalization and repopulation of rural areas, which is necessary for balancing the human civilization.

The diversification of the rural economy needs to be accompanied with an improved policy environment (economic, social and environmental), as well as with road and municipal infrastructure and many other aspects for the quality of life in general. This includes a business environment backed up by stable and efficient long-term support policies. The careful selection of economic activities for this backup occurs in a narrow space, squeezed in the strait between sophisticated and capricious markets and rigid regulations as much as challenging natural environments. Today’s situation of the indisputable world economic crisis, political turbulences and hostilities, with natural and human-made risks and hazards blur the vision and dwindle the choices. Therefore, creative support measures, consistent and long-term partnerships, with permanent and steady capacity building, need to be shaped and coloured with responsible evidence-based action.
A.

Economies & Economic Diversification with the Focus on Rural Tourism

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A.1. INTRODUCTION TO RURAL SEE

Rural space of SEE

The studied region of the SEE includes the following countries/territories: Albania, Bosnia and Herzegovina (B&H), Kosovo*, Montenegro, North Macedonia and Serbia. This region is diverse for its geography as much as for its natural and cultural heritage. It is a multi-ethnic space with a variety of divergences and convergences of ethnic groups, which correlate with the territory, but not necessarily their countries/territories’ borders. As a “cradle of humankind”, this space in the ridge of watersheds of the Adriatic and the Black Sea has a long history of change; evolving, mixing and migrating people have created a colourful fabric of rural livelihoods as much as socio-economic traditions of its rural communities in general. One can say that this rural space is a melting pot of civilisation in space and time. The shared political history has also shaped some of the mutual features leading to common interests.

Based on the official documents, it is neither possible to determine unambiguously the share of rural space in the total area nor the share of the rural population in the total number of inhabitants in each country/territory. The criteria for its delimitation differ, causing quite different data as a result. Using the OECD definition¹, rural regions (including predominantly rural regions plus intermediate regions in some countries/territories) in the West Balkan rural areas cover most of the respective countries/territories (except for Serbia 75.1%, they are between 80% in B&H and 100% in Montenegro) (Đorđević-Milošević, 2020). Most of the population of the analyzed countries/territories live in rural areas (from 61% in B&H according to Sivrić, 2020 to 100% in Montenegro according to Bataković, 2020²), except in North Macedonia and Serbia where the rural population is slightly smaller than the urban (44% and 49.9% respectively) (Nikoloski, 2020 and Đorđević, 2020). The population is unevenly distributed in rural areas of the region. The average population density, i.e. inhabitants/km², is the highest in Albania (73) and the lowest in B&H (40) and North Macedonia (40) (Stamo, 2020; Sivrić, 2020; Nikoloski, 2020). According to international institutions such as the World Bank, the population density in rural areas is even lower than shown by national official documents (discrepancy between official statistics and reality). Rural areas with favourable conditions for intensive agriculture (the Pannonian plain and big river valleys) have the highest population density, while remote mountain areas are to a large extent depopulated or in their uppermost, marginal parts completely uninhabited.

Specificities of national rural economies. Rural areas in SEE are their most undeveloped parts, mainly in terms of economy, infrastructure and employment, income and quality of life. Although each country/territory has its distinctions, problems in rural economies are of the same kind. These depend largely on the territory assessed by its remoteness, natural constraints limiting the success of the primary sector, increased exposure to hazards, etc. One can say that, in general mountain regions lag behind while plains and suburban areas are more prosperous. SEE countries/territories are characterised by a high level of rural poverty, and one can say that increased poverty in SEE is to a large extent a rural phenomenon. Employment opportunities are scarce, employment rates of women are lower than men, off-farm employment, pensions or income/transfers from abroad are significant, etc. Some natural resources suffer from abandonment, e.g. undermanaged pastures, while other assets, e.g. forests, are under high pressure of exploitation (firewood and timber) with devastating effects (Đorđević-Milošević, 2019). The cause of imbalance is evident: the number of inhabitants is rapidly decreasing due to the break of traditional patterns of balanced natural resource management which are not adequately replaced with efficient institutional control.

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¹ According to the OECD, rural areas are territories with less than 150 inhabitants per km²
² According to the OECD methodology, the three regions of Montenegro differ, though: the Northern region, with 13 municipalities, belongs to the “predominantly rural” regions (59.7% of the population lives in rural local communities), while the Coastal (41.7%) and the Central (20.4%) belong to “intermediate” regions.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.
In Albanian rural areas, on-farm employment is the main form of occupation, however, off-farm employment is also crucial for the areas in the vicinity of big urban centres and big tourist centres. For example, off-farm employment is insignificant in the region of Elbasan, while it is quite important in the region of Durres, due to the availability of alternative employment opportunities in tourism and services.

In B&H, poor socio-economic conditions in rural areas have made them less favourable or even unattractive for decades. Agricultural production itself is not at an enviable level and is still much lower in comparison with the pre-war status. This is especially evident in remote rural mountainous areas where there is plenty of abandoned agricultural land and vast pastures, which as a result are losing their economic value and the chance to contribute to sustainable livelihoods in mountainous rural communities like in other SEE countries/territories (Đorđević-Milošević and Milovanović, 2020a and 2020b). Forest exploitation is one of the main activities in a large number of rural municipalities, but it is rather simplified – primarily for timber of firewood production without local processing and finalization.

In Kosovo*, 60% of the population lives in rural areas, and the majority of people depend on agricultural activities. Agricultural supply chains crashed all through the 1990s, and their full capacity has by no means been re-activated to the level they were once at. Agricultural production is highly diversified, and due to climate conditions, many different varieties of vegetables and fruits are produced in the lowlands on the entire territory. The production of livestock is going through a period of major technical innovations. Farmers are normally no longer organized into larger groups for cooperation and land consolidation, they have little technical knowledge, poor use of present-day inputs and restrained access to finance.

The key problems of the rural economy in Montenegro are typical for predominantly high mountainous areas: remoteness and dispersion of villages, unused agricultural land, undeveloped land market, low level of organization of agricultural holdings and a negative attitude toward cooperation, poor structure of farms and their low economic efficiency and output.

Small and medium-sized enterprises and micro-enterprises that sell their products at the local/regional markets dominate in the Macedonian rural economy. Most of the primary agricultural enterprises, as well as food processing facilities, are in rural areas, generating income for their inhabitants.

Although Serbia has also a large-scale agricultural sector, its rural economy is dominated by small agricultural households providing unstable and rather small seasonal income as a result of a lower degree of labour productivity. To reduce risks, these farms have diverse production which might bring profit only if some kind of added value is provided. Agricultural households with significant agricultural income are only those with a younger workforce. They are specialized in a few products and have a better marketing position. Adding value through local processing and direct marketing is still underrepresented or at a low scale (Đorđević-Milošević, 2020).

**Challenges for rural development in South East Europe**

**Challenges for rural development in SEE** are numerous and related mainly to human capital, rural infrastructure and the capacity of the state to provide adequate and timely support for developing rural areas with rather diverse properties and needs. The countries/territories in the studied region vary significantly in size and population – from the smallest Montenegro (13,812 km² and population size around 0.6 million) to the largest Serbia (88,499 km² and population size around 7 million), meaning that the challenges of sustainable rural development through rural economy diversification differ a lot in their size and nature (Bataković, 2020; Đorđević-Milošević, 2020).

The predominant geographical features, their extremes and diversity could aggravate the challenges of rural development in some areas (e.g. the high mountains of the Dinaric Arc, Sharr - Pind and Carpathian mountain chains, areas with predominantly marginal lands – hard and salty soils, predominantly steep and rocky terrains, areas exposed to frequent or torrential floods and often not easily accessible, etc.). Climate extremes are present throughout the
region: models of desertification, a consequence of climate change, are showing that the majority of SEE countries/territories are affected (according to Stamo, 2020; Sivrić, 2020; Nikoloski, 2020, Bataković, 2020 and Đorđević-Milošević, 2020). These challenges are shared across country/territory borders since the conditions are often more similar across the borders than inside individual countries/territories.

- **Depopulation.** All the studied countries/territories have the same social and demographic problems: rapid depopulation of rural areas, resulting in a decrease of the agricultural population (deagrarianization). The decrease of the overall population is the main feature of all, even the richest rural areas. According to Eurostat, the Statistical Office of the EU, 228,000 people left this region in 2018. The highest figures are recorded for Albania (62,000 emigrants, equivalent to 2.2% of the total population), similarly, high percentages are recorded for North Macedonia (2.1%) and Kosovo*.

Internal migration to cities/municipalities with better prospects and migration to foreign countries is evident in all SEE countries/territories. In Albania, the population of predominantly and significantly rural areas decreased by 20% in the period 2001-2011 and in B&H by 7% in the period 2014-2018. In Bosnia and Herzegovina, the number of inhabitants in urban areas increased by 0.2% annually, while in rural areas it decreased by 0.15% annually (Sivrić, 2020). In North Macedonia, 7,764 citizens from rural settlements moved to urban areas in the period 2014-2018 (Nikoloski, 2020). In Serbia, internal migrations, mainly from rural to urban areas, reached 120,355 persons in 2017 (75% of municipalities/cities have a negative migration balance) (Đorđević-Milošević, 2020).

Although diverse in many aspects, the socio-economic situation of the rural SEE could be described with the following factors/features/aspects:

- **Aging.** SEE rural population has been aging over the decades. The average age of the population in Albania increased from 30.6 years in 2001 to 35.3 in 2011. In B&H, the average age of men in 2013 was 38.2 years and the average age of women was 40.7 years. The average age of the population in Serbia is 43.1 years. Its old-age index (the proportion of the population of 65 years and above divided by the total population) has increased. The substitution index (the proportion of the population under 15 years divided by the total population) has decreased. The population age structure data (available for Albania and B&H – entire country, and for rural areas of Serbia) are similar when it comes to the percentage share of age groups: 15-18% below 15 years of age, 67-70% between 15 and 64 years of age, 12-16% at age 65 and above (Stamo, 2020; Sivrić, 2020; Đorđević-Milošević, 2020).

- **High unemployment rate.** The unemployment rate in SEE is higher in rural areas than in respective urban areas in their zones. B&H is one of the countries with the highest unemployment rate on the continental scale (European level). Unemployment has been decreasing in recent years, partly due to new jobs, but also due to the intensive outmigration causing shortages of the labour force. Unemployment rates vary considerably in B&H municipalities, but neither population density nor distance can explain this. Part of the explanation may be historical: over time, people gravitated toward major sources of employment, such as mines, factories and other state and socially owned enterprises; with the general economic collapse that followed the breakup of Yugoslavia, many of these former employers closed down but the people remained, creating pockets of unemployment in densely populated areas. The rural parts in North Macedonia have an average unemployment rate of 21.6%, and in Serbia, it reaches 21% (Stamo, 2020; Sivrić, 2020; Nikoloski, 2020, Bataković, 2020).

- **Low Gross Domestic Product (GDP).** Rural areas in SEE participate less than urban areas in national GDP. In B&H, for instance, the GDP per capita of rural areas is about 43% lower than the GDP per capita of urban areas. In Serbia, the GDP per capita of rural areas is only 74% of the national average of 6,000 EUR. Both in B&H and Serbia, rural areas contribute 41% of the national GDP.
ECONOMIC DIVERSIFICATION POLICIES AND RURAL TOURISM IN SOUTH EAST EUROPE

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(Sivrić, 2020; Đorđević-Milošević, 2020).

• **Decreasing importance of agriculture.** Apart from Albania, agriculture in the rural areas of SEE is since recently neither the main source of income nor the main source of employment. Agriculture is still one of the main sources of income in rural areas in Albania. In the other studied countries/territories, agriculture is still a more significant source of income in rural areas than the EU average, but not the main one. A survey of rural households in B&H in 2012 indicated that for more than 80% of rural households the main source of income was other employment and various types of external support. Montenegro’s economy relies heavily on tourism; agriculture is playing an important role in the economy, but it stays behind tourism and the energy sector. The share of agriculture in rural households’ income in Serbia was 11% in 2016.

Agriculture was the main source of (self) employment in the rural areas of Albania in 2017. Another extreme is recorded for B&H – half of all the households in rural areas are slightly or not at all engaged in agriculture. Agriculture has the following share in total employment: Albania – 38%, B&H – 17%, Montenegro – 30%, Serbia – 16%. The agricultural sector in SEE has the following share in national GDP: Albania – 20%, B&H – 6% (with forestry and fishing), Montenegro – 8%, North Macedonia – 10%, Serbia – 7% (Stamo, 2020; Sivrić; 2020; Nikoloski, 2020; Bataković, 2020; Đorđević-Milošević, 2020).

• **Small rural households.** Generally, in all the studied countries/territories of the SEE, most rural households have up to 2 ha of land, divided into several plots. Small and fragmented farms have hampered the growth and competitiveness of agriculture. On the other hand, the limited amount of food produced is mainly satisfying the producers’ own needs, while small surpluses are free for offering through rural tourism or direct marketing, for instance.

In Albania, the average size of a farm is 1.2 ha. In B&H, 36% of households are small households engaged in subsistence farming, without or with some surplus to be sold on the local market, while less than 1% of households can be classified as “commercial households”. Around 72% of agricultural holdings in Montenegro possess up to 2 ha of land. The farm structure is dominated by small subsistence family farms. Their market share is limited (Sivrić, 2020). In North Macedonia, the average size of an agricultural parcel per agricultural economy is 1.85 ha. More than 58% of agricultural households cultivate less than 1 ha of land and only 20% of households cultivate parcels in the range between 1 and 2 ha (Nikoloski, 2020). Also, in Serbia, small farms have the highest share in the total number of holdings (48.1% with up to 2 ha of land but using only 8% of the area). 77.4% of the total number of farms are holdings of less than 5 ha. They occupy about 25% of the utilized agricultural area (UAA). In contrast, the largest farms of over 50 ha, account for only up to 1% of the total number of farms and cultivate about one-third of UAA. The average plot of UAA per farm in Serbia is 5.4 ha (about one-third of the EU-27 average of 14.5 ha) (Đorđević-Milošević, 2020).

**Opportunities for rural development in South East Europe**

Considering available resources, human and natural capital, SEE is diverse. Of course, the chances for success depend to a large extent on available support, which, depending on its size and quality, can reorder prospects. Although endogenous potentials, considering the natural and cultural heritage, are indisputable, limited availability of human capital in most of the rural areas is a challenge. Demand for rural services and products is the most likely to drive rural development. The most supportive exogenous trends, in general, are the positive development of environmental awareness and rehabilitation of interest in the traditional aspects of rural life and products. However, the overall economic situation in SEE is preventing rural areas from using the momentum for their own revival. Urban people in SEE have been losing their purchasing power for decades.

Despite the awareness that rural areas can provide healthier food and plenty of useful services, enabling escape from troubled, crowded city ag-
glomerations and their mega-markets, “low-price/low-quality” strategies fail to benefit both rural and urban communities. Due to increasing poverty, people are unable to buy more valuable products from healthier environment and consequently to contribute not just to the socio-economic prosperity of rural areas, but also to help preserve rural originality and attractiveness while supporting biodiversity and cultural heritage conservation. They can just speechlessly look at the showcase of those more expensive, valuable traditional products from small farms often deriving from the precious indigenous geodiversity and high nature value (HNV) farming (Dajić Stevanović and Đorđević Milošević, 2018) and witness their closure, leading to dying villages, degraded biodiversity and lost cultural heritage for rural areas.

Service providers in rural tourism, as a group of special interest for this study, think that the change of legislation in terms of providing a more favourable business environment for rural tourism (VAT reduction, support for self-employment, easier access to finance, organizing training for missing skills and competences, solving problems of the jurisdiction of institutions, etc.) would significantly contribute to increasing the number of service providers, increasing the number and quality of services and their job satisfaction. This can help local stakeholders launch businesses which can add value to primary products, enable diversification of the rural economy and consequently contribute to rural development. Further valorization of authentic and unique tourist rural attractions such as protected and surrounding areas would significantly contribute to their development, the satisfaction of the owners of the rural tourism facilities and service providers and their motivation to continue and expand their businesses. Service providers start to consider competition as a business opportunity rather than an obstacle, since the merging of capacities enables them to target different markets and offer more sustained products.

Opportunities for rural economic diversification as a preferable tool for rural development we are trying to assess depend on the perspective, as much as on any other approach; thus, different stakeholders have different opinions. Yet, with no exception, stakeholders in rural tourism as the promising branch of rural development as much as rural development stakeholders in general, agree that the basic infrastructural improvements (roads, waste management, social and educational facilities), easier access to finance (grants or loans), technical support and effective promotion are among sector’s top priorities to be addressed in order to benefit from the existing opportunities.

Experts of institutions of relevance for rural economy diversification admit some shortages in achieving a more efficient level of support to rural development. This is obvious when it comes to the efficiency of the services provided. Closer cooperation between, in the first line, the ministries in charge for agriculture, rural development and tourism and, in the second line, other ministries relevant for rural tourism business environment (environmental protection, spatial planning, infrastructure etc.), as well as other related institutions, responsible for the formulation of laws and by-laws will contribute positively to the development of rural tourism in each studied country/territory. Stakeholders are particularly concerned about the often-adverse role of the administration responsible for the energy sector, the goals of which do not match the overall interest of the rural population to protect the environment. Rural development stakeholders see a possibility to diversify rural economies to a large extent by promoting renewable energy sources but also by restraining from introducing mini hydro-power plants based on derivation, which appear a major threat to rural landscapes as much as its biodiversity and consequently the sustainable future of rural economies.

Closer cooperation between the ministries in charge of rural tourism development, promotion and sales, as well as other related institutions will increase the existing, often very small, synergies in dealing with the mentioned topics. Increasing state subsidies to rural tourism stakeholders as well as providing favourable loans would significantly contribute to increasing the supply and quality of rural tourism in all segments: organization, accommodation, food and beverage production, etc. Stability of support measures from year to year, i.e. avoiding their current frequent changes would avoid confusion and difficult preparatory planning of the investments.
The relative poverty of the SEE might lead to a growing interest in closer, domestic and regional tourist destinations. Climate risks, environmental hazards and (currently pandemic) health constraints are growing. Changing habits that promote short, multiple holidays over the year are opening new opportunities for rural products and services. Even the poorer population can become capable of supporting directly marketed rural business initiatives. By travelling more to rural areas and getting closer to the original small-scale food production, visitors are not only consuming rural products grown and processed on site but also shortening food supply chains. Products of small farmers get the chance to become more competitive/affordable, while offering higher quality. Digitalisation enables better promotion and marketing of local products and services. This is attractive not only to consumers, but also to new business initiatives and investments, paving the way to social and economic rehabilitation of the rural population.

Opportunities for development of SEE rural areas are rising with both negative and positive global trends, but these opportunities will be used only if governments become aware that healthy and sustainable rural development is a very important way to stabilise the overall economies of their countries/territories. They must overcome critical obstacles, such as deficient infrastructure and negative attitudes towards everything rural. New cultures and understanding of the “big picture” must be introduced. This will include changes in overall development policies. Old habits of exploiting rural areas as a source of raw materials must be broken. Humiliating attitudes towards the rural population as backward and source of shame for the nation(s) must change. The overcoming of primitive approaches to rural economies will mean a rethinking of natural resources and capacities, moving away from the relentless and ruthless intensification of the primary sector and diversifying rural economy with environmental conservation as a must. Rehabilitation of indigenous knowledge and application of lessons learned in combination with best practices available worldwide, would increase the self-esteem and social health of rural communities, restore community values and strengthen rural families as one of the fundaments of strong national economies.

A.2. SOUTH EAST EUROPEAN RURAL ECONOMY PROSPECTIVE – DIVERSIFYING FOR ACHIEVING SUSTAINABILITY

A.2.1. Rural economy diversification and its role in sustainable rural development

Rural economy diversification within sustainable frames is possible at two main levels – on-farm and off-farm, and it can work both at the family as much as at the community level. A community can be local or regional, depending directly on the capability and willingness for cooperation, partnerships and harmonization. Orientation towards diversification depends on the available natural and human resources, but also on the wider context, including market requirements and legal frames, which reflect overall public interests. Options are normally numerous, and they include even interventions to expand resources, with the consequence of expanding options, yet options striving for sustainability should never go beyond potentials.

Considering the available natural resources and conditions, intensification of agriculture is definitely not a sustainable option for any of the rural regions in SEE, no matter to which extent agriculture has been historically present or successful. Some of these regions have no more possibility to hold even extensive agriculture, which was for ages sustaining local communities, since resources are depleted. Other regions do not provide chances for growth. In areas with limited potentials or natural constraints and in those with a small margin for intensification, wisely adding value to the primary production is the better
ECONOMIC DIVERSIFICATION POLICIES AND RURAL TOURISM IN SOUTH EAST EUROPE

option. Being predominantly mountainous and with lots of other spaces with marginal lands, SEE needs wiser agriculture development policies and generally, a new concept of rural development.

It may take painful decisions to decrease the exploitation intensity of degraded agriculture areas. But that is what it takes to adopt and put into practice the Sustainable Development Goals (SDGs) and to implement responsible evidence-based policies. Even more, extensification should go hand in hand with the rehabilitation of degraded land. Both extensification and healing of depleted land and landscapes might be achieved through diversification, including through the promotion of multifunctional agriculture and forestry (Đorđević-Milošević and Milovanović, 2020). This model has proved to be able to avoid economic losses and reduce pressures on natural resources, while capitalising on human skills and knowledge. For instance, the degradation of the Pannonian plain, known as “the granary of Europe”, due to its history of large food producers, has reached a high level of soil degradation. Reconsidering the introduction of agroforestry practices instead of intensive agriculture or a combination thereof is, therefore, one of the few inevitable options, together with intensified production of crops and return to mixed farming in order to provide the material for reconstructing solid organic soil fractions (livestock providing manure) (Đorđević-Milošević, 2019).

Some action of this kind needs to be taken at interregional levels to achieve change towards sustainable development. For instance, the intensification of food production on highlands is an option to reduce the pressure on lowlands. However, this could happen only to the extent to which it provides the survival of semi-natural grassland biodiversity – meaning that we might be forced to produce less per surface. Consequently, the lost income should be replaced by food supply chains capable of providing added value to primary products within a farm or in short local value chains. Diversification of the rural economy based on agriculture and primitive forestry, harmonized with the intensification of agriculture wherever possible, is the only way for the recovery of SEE rural areas.

Non-agriculture diversification in rural areas can help rural populations build new economic activities within and outside the food production process, create new products, employment possibilities and incomes, especially for women and young population – while promoting and protecting natural resources, or at least without jeopardizing them and the environment in general.

A.2.2. Rural economy diversification – EU perspective

The aim of rural economic diversification is not a new one in the EU. Already in the programming period 2007-2013, one of the objectives of rural development policy, as was outlined in the strategic programming guidelines, was to improve the quality of life in rural areas and encourage diversification. The relevant direct measures were: 311 – Diversification into non-agricultural activities; 312 – Support for business creation and development and 313 – Encouragement of tourism activities. Accordingly, in EU policies rural tourism is much more than farm or agricultural diversification: it represents rural economy diversification efforts to transform a rural economy from a primary manufacturing-based into a service-based economy.

Rural entrepreneurship is seen as an effective means of promoting rural economic development and its long-term sustainability. Multifunctional development, particularly of rural tourism is a priority for most of the governments within the EU. The period until 2013 was followed by quite some criticisms about the “EU funds for diversifying the rural economy delivering only limited value for money”. Lessons learned could be taken as a warning to Western Balkan policy makers, not to repeat mistakes such as:

• Being driven by a (speedy) need to spend allocated budgets rather than by an assessment of the appropriateness of the diversification projects themselves
• Lack of clear needs for intervention or specific objectives set in rural development programmes
• Broad eligibility criteria that do not limit projects to those most likely to achieve diversification and selection criteria
• Excessive administrative burden and payment delays
• The overarching priority of job creation: the methods of monitoring and evaluation must allow to ascertain the true picture of jobs created and maintained by these measures
• Strategy that is demand-led rather than objective-driven

Launched in 1962, the EU’s common agricultural policy (CAP) is a partnership between agriculture and society, and between Europe and its farmers. It aims to:

• Support farmers and improve agricultural productivity, ensuring a stable supply of affordable food
• Safeguard farmers to make a reasonable living
• Help tackle climate change and the sustainable management of natural resources
• Maintain rural areas and landscapes across the EU
• Keep the rural economy alive by promoting jobs in farming, agro-food industries and associated sectors

The CAP is a common policy for all EU countries. It is managed and funded at the European level from the resources of the EU budget. To consolidate the role of European agriculture for the future, the CAP has evolved over the years to meet changing economic circumstances and citizens’ requirements and needs.

On 1 June 2018, the European Commission presented the legislative proposals on the future of the CAP for the period after 2020.\(^6\)

The EU’s Rural Development policy supports rural areas to meet the wide range of economic, environmental, and social challenges of the 21st century. It aims to achieve the following strategic objectives:

• Fostering the competitiveness of agriculture
• Ensuring the sustainable management of natural resources, and climate action
• Achieving a balanced territorial development of rural economies and communities, including the creation and maintenance of employment

The Common Agricultural Policy (CAP) objectives provide the basis for implementation through six priority areas:

• Priority 1: Knowledge Transfer and Innovation
• Priority 2: Farm Viability and Competitiveness
• Priority 3: Food Chain Organization and Risk Management
• Priority 4: Restoring, Preserving and Enhancing Ecosystems
• Priority 5: Resource-efficient, Climate-resilient Economy
• Priority 6: Social Inclusion and Economic Development\(^7\)

As EU policies are supporting diversified economic approaches, rural tourism becomes one of the new sources of sustainable development and income generation in rural communities.

The EU legislative proposals on the CAP beyond 2020 aim to make it more responsive to current and future challenges such as climate change or generational renewal, while continuing to support European farmers for a sustainable and competitive agricultural sector. The budget gets shaped for a pragmatic, modern, and long-term planning for the 2021-2027 period to deliver on issues that matter to Europeans. The funding for the CAP is likely to get moderately reduced — by around 5% — due to

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5 European Court of Auditors: Press release ECA/13/25, Luxembourg, 17 September 2013
fewer contributions, with a future union of 27 members, without the United Kingdom.

The future CAP will continue to ensure access to high-quality food and strong support for the unique European farming model with these 9 objectives:

- Ensure a fair income to farmers
- Increase competitiveness
- Rebalance the power in the food chain
- Climate change action
- Environmental care
- Preserve landscapes and biodiversity
- Support generational renewal
- Vibrant rural areas
- Protect food and health quality

Figure 1: The 9 CAP objectives 2021-2027

Changes in this European agriculture and regional development policy framework for the period 2021-2027 create new chances for synergies between rural and urban areas. The updated concept of the CAP builds around the above nine specific objectives. Most of them hold synergies with tourism, confirming the strategic importance of sustainability through rural tourism either as: “Sustainable Tourism for Rural Development“ or “Tourism for Sustainable Rural Development“.

Local rural development initiatives have been organized around the LEADER concept since 1991. Fitting perfectly with tourism sustainability criteria, this methodology unleashes the human energy that is critical for any initiative in the future. Connecting the ambitions of individuals and facilitating rural people to meet and interact, rural human dynamics trigger socio-economic development with SDG vision while being rooted in the local community.

To underline the meaning of the whole value chain of tourism and beyond to policymakers, the European Tourism Manifesto – created in 2016 by an alliance of more than 50 European public and private organizations – appealed to the new Parliament and Commission to advance an integrated European tourism policy and strategic funding at the EU level.

The Manifesto calls for a holistic European approach, considering the multiple impacts of the sector as well as the wide spectrum of stakeholders involved or affected by tourism. Its key messages underline needs that are fully compatible with rural diversification requirements and opportunities for competitiveness – such as reduction of seasonality, digitalization, skills and qualifications, and sustainability in all its dimensions.

A.2.3. Importance of diversification for rural economy of South East Europe

The strategic documents of all SEE countries/territories state that rural areas offer great opportunities for future development and that it is necessary to diversify the rural economy through the development of, among other things, various appropriate types of tourism. One of the main priorities of national rural development policies in the short

8
9
10  More in chapter 1.3.2
12  The organizations are listed here: https://tourismmanifesto.eu/who-we-are/
13  https://tourismmanifesto.eu/
and medium term is a balanced territorial development of rural areas, meaning job creation, social inclusion, poverty reduction, improvement of living conditions and balanced economic development. Each country/territory has its own distinctions related to the types and ways of diversifying the rural economy. This specificity sometimes has no direct link to the true differences in available resources, but rather to different priorities or dynamics of taking all available resources into consideration in rural economic diversification. For instance, convergence is possible in respect of utilization of the huge biological diversity on disposal in the SEE region for introducing alternative rural livelihoods.

Some aspects of diversification in different countries/territories

According to Stamo, 2020 in Albania, medicinal and aromatic plants, mushroom production, aquaculture, on-farm processing of agricultural products, local handicrafts, as well as the production of renewable energy have been considered as the main sectors that have potential to create new jobs and incomes in rural areas. However, rural tourism, ecotourism and nature-based activities, cultural tourism, etc. are also recognized as an option for diversification of rural economies especially in mountainous areas, at the seaside, in the vicinity of tangible cultural heritage sites, etc.

In recent years in B&H, rural economies have increasingly benefited from an increase in the use and collection of non-wood forest products, which primarily end up in exports (mushrooms, berries, herbs). But other types of offers are developing more, primarily in the consumption of these products by tourists in ethno-restaurants, taverns and rural households. Some service providers organize excursions for picking and collecting as well as hands-on training on the processing and cooking of these products. Natural resources favourable for tourism development are mountains, lakes, rivers, forests, and waterfalls. B&H possesses a great diversity of plant and animal species, while exceptional cultural and historical heritage is of great importance and value for the development of diverse B&H tourist destinations in rural areas (Sivrić, 2020).

Mountain areas are ideal for winter sports activities such as skiing, but summer activities such as biking, hiking, rock climbing, paragliding, etc. are also getting more popular. Furthermore, there are also other kinds of adventure tourism, such as rafting and canoeing, on the rivers. B&H, but also other countries/territories in the region have entered high-quality cross-border initiatives such as Via Dinarica14, the Peak of the Balkans15 trail connecting Albania, Kosovo* and Montenegro and Balkan Hiking Adventure and High Scardus Trail16, connecting the border regions of Albania, Kosovo* and North Macedonia.

In Kosovo*, economic diversification is proceeding slowly, especially inside the rural regions. Opportunities for tourism development exist, linked to the geographical position of the territory in the centre of the Balkan Peninsula, cultural and natural heritage, specifically in the mountainous regions. Rural tourism is one of the development priorities of the Government, stated in its current programme. The core problem for the economic diversification of rural areas is the insufficient capacity of responsible stakeholders to support economic diversification and the sustainable use of natural resources. So far, there are no strategic documents that would pave the way for the development of economic diversification in rural areas.

The Montenegrin cultural and natural heritage of rural areas is undeniably one of the fundamentals of its development. Apart from investments in rural infrastructure, job creation beyond primary agricultural production is of great importance. This mainly relates to tourism and services in rural areas, considering the natural, cultural and historical features of Montenegro and the potential for the development of rural tourism. Within the framework of sustainable management of resources and incentives for blue and green circular economy, there is a need to preserve rural areas through sustainable rural development and the production of food and wine. One of the priorities is to increase investment in rural development by strengthening family farms to increase employment and retain the rural population, with special focus on the younger population.

In North Macedonia, many efforts to promote economic diversification by boosting entrepreneurship

14 https://viadinarica.com
15 http://www.peaksofthebalkans.com
16 https://www.balkanhikingadventure.com/
or crafts in rural areas have been strictly limited by the low educational status of the labour force and the lack of professional experience. IPARD and other national or local support measures have proven that the establishment of micro, small or medium enterprises is a huge challenge, particularly in rural areas, due to lack of good business ideas and entrepreneurial skills and knowledge. The majority of new businesses in rural areas are limited by the low incomes and low purchasing power of the local population as well as the saturation of businesses that require low investment capital (local retailers, restaurants). The initial investment capital is also considered a significant obstacle for the development of sustainable businesses in rural areas. Rural adventure tourism presents itself as a huge opportunity. The development of value chains in this segment needs the establishment of productive partnerships among their stakeholders (primary agricultural producers, bed & breakfast providers, guides, transporters, tour operators, local self-government, protected sites’ management bodies) as well as engagement with support organizations (donors, civil society organizations, the state agency for promotion and support of tourism), and feedback mechanisms on intervention processes.

In Serbia, rural tourism can initiate the development of rural areas and balanced regional development as a source of additional income in agricultural holdings. Although rural tourism has been promoted as a tool able to alleviate the permanent unemployment problem in rural areas, the importance of tourism in general is not yet recognised in most of the underdeveloped Serbian municipalities. Even the most attractive rural destinations still lack the infrastructure for tourism, miss entrepreneurial ideas, as well as accompanying entertainment and recreational activities to complete the rural tourism offer, which is often surprisingly very simple – based just on the offer of accommodation (renting unused space with limited improvements). Rural tourism has been identified as a key catalyst that can promote such diversification. However, developing synergies between existing agricultural production and tourism business initiatives is not yet fully understood and implemented as a suitable option for adding value to primary products, creating new markets and shortening their value chains. The existing agricul-

tural production and tourism business initiatives are part of the necessary sustainable development of these initiatives. Although above-mentioned synergies are not fully understood and implemented, support is offered to rural households engaged in small-scale farming, which are in urgent need for such solutions.

A.3. FOCUSING DIVERSIFICATION ON RURAL TOURISM

A.3.1 Rural tourism and its potential role in sustainable resources management in South East Europe rural areas

Most strategic and legislative documents at different levels of governments in all studied countries/territories recognize tourism as one of the very important opportunities, with huge potential for rural economic diversification and balanced internal regional development, as well as a source of additional income in agricultural holdings.

Rural tourism can have positive effects on the income increase of the rural population and support the preservation and sustainable use of available natural resources. Developing and strengthening the links between the current agricultural production and tourism is not yet fully understood and implemented as an opportunity to add value to agricultural products, create new markets and shorten value chains. Although at a rather slow pace, support is increasing year by year for those rural households that have recognized this as a solution to their own survival and sustainability.
A.3.2. Rural tourism in the EU – lessons learned

Europe is the global leader in international tourism, with over 600 million foreign tourists arriving each year. The travel and tourism sector has had a major impact on the European economy, directly contributing an estimated 782 billion EUR to the GDP in 2018. In 2014, rural tourism in Europe provided around 6 million bed spaces in 500,000 establishments, representing around 15% of the total accommodation capacity of Europe. Together with related services, the sector generated more than 100 billion EUR in direct spending – mostly in the local economy.

The transformation of the European rural areas started decades ago, and it has further been accelerated by the integration of more countries into the European Union. Structural changes have had profound social and economic impacts. Rural tourism has allowed a diversification of components of rural economies, which otherwise would have been condemned to disappear. It has also allowed to maintain, protect and enhance the European cultural and natural heritage.

There is no unified experience of rural tourism in Europe; owing to the cultural, historical, natural and climatic diversity of Europe, the types of rural tourism differ greatly from country to country. Rural tourism across Lapland, the Black Forest, the Alps, the Hungarian great puszta plains or an olive farm in Tuscany has very different characteristics. In this sense, the Western Balkans are unique – there is more that connects than divides the area.

All over Europe, rural tourism is making a valuable contribution to rural economies, providing several benefits from job retention and creation, nature conservation, farm livelihood, landscape caretaking, revival of local arts and crafts, infrastructural and environmental improvements, to enhanced role of women.

Some of the common key needs and currently still problematic topics that prevent rural economic diversification through sustainable, rural tourism in SEE (Figure 1), are related to European “lessons learned” and examples in the following text.

Figure 1: Problems between strategies and realization, as discussed in the REAWG meeting in Pogradec, Albania, June 2019

17 Statista.com, 2 April 2020
18 Rang, D.: The Economy behind Rural Tourism, 2014
19 World Tourism Organization: Rural Tourism in Europe: Experiences, Development and Perspectives, 2004
Weak communication, cooperation, coordination

On the one hand, reliable, up-to-date, “one-stop-shop” information from the government to rural communities – rural families, small businesses and those who want to become one – is key. For the economic diversification goal, it is essential to link rural development issues and information with sustainable tourism development goals and tools in practice.

On the other hand, rural communities in the region must get closer together. They have started, by founding associations and networks. However, their scope of action is still rather narrow, focusing on promotion. Strong lobbying for common interests, continuous education opportunities, a wide scope of advisory services, youth work and joint projects should follow.

A best practice example is how the South Tyrolean association Südtiroler Bauernbund (SBB) is set up and works for its 21,000 members. The common brand Roter Hahn (Red Rooster) collects everything under one roof – rural tourism (farm holidays), culinary offers, local food products and handicrafts.

Figure 2: Umbrella branding of South Tyrol and the Red Rooster, with four main groups of rural offers

Obviously, a Law on Rural Tourism will not be the sole problem-solver, but it would help to define and regulate rural tourism – without additional red tape, but rather by common basics, definitions, standards, and support forms. These could be more flexibly defined in a rulebook or bylaw. This kind of regulation happens in South Tyrol with a law at the autonomous province level.

In the EU, tourism is not only subject to specific tourism regulations, but also to regulations primarily designed for other areas, responding to its transversal nature. Sectoral legislation that affects tourism is for example: environment, land use planning, health and food safety, preservation of cultural and historical heritage, labour and consumer protection.

In countries where tourism cannot be perceived as the strongest cornerstone of the economy, also rural tourism is often integrated in other laws and regulations. In Germany, tourism policy is treated as part of the general, but very important SME policy. It is also strongly supported: In 2013, the Ministry of Economy, in cooperation with the German Travel Association (DRV), published a comprehensive handbook “Tourism perspectives in rural areas – action recommendations to promote rural tourism”.

In Finland, regulations on tourism (such as guest registry, under the Act on Accommodation and Catering Services) treat farm tourism equally with other accommodation and catering business forms.

Missing destination management

This problem is directly related to another great and common one: lack of data; access to information and missing “institutional memory”, which leads

21 https://www.sbb.it/Home/News - for rural tourism and products: https://www.sbb.it/roter-hahn
26 https://tem.fi/majoitus-ja-ravitsemustoiminta
to reoccurring inconsistencies between strategies and their realization. Often when there are government changes (at any level), the formerly promoted policies are lost, forgotten or actively discontinued. Multiple returns “back to square one”, with new staff even at the simplest working levels, are the opposite of sustainability in development.

Destination management is the coordinated management and facilitation of all the elements and actors that make up a destination. This calls for the intrinsic will of many organizations working towards a joint purpose, common goals and interests, independent of the persons in charge at different times. By this definition, there are currently no functioning destination management organizations (DMO) in the studied area which would plan, protect and manage vital destination assets.

Most (local) tourism organizations understand their tasks in the narrow sense of marketing and administration. As a result, many areas with low ability to manage tourism growth already suffer under the “invisible burdens”. These are the hidden costs, which show in the short peak seasons as traffic jams, water and energy shortage and many environmental problems (e.g. unmanaged waste, forest fires). Ecosystems, cultural assets and community life get into an increasing risk of periodical “overtourism” (meaning undermanagement!), then cracking under its own weight, and “undertourism” troubles during the rest of the year.

Protected areas can be sustainable rural tourism cornerstones. Although their primary goal is biodiversity and ecosystem conservation, they typically leave a substantial economic and social footprint. Therefore, they must be included in the rural tourism development, management and service structures from the beginning.

Especially in rural areas, early and continued local community involvement in the planning and implementation of development projects is the only way to ensure not just acceptance but mental ownership and responsibility for maintenance (e.g. of infrastructure). When host communities set the tourism development agenda for themselves – instead of a purely national “top down” approach that many development strategies suggest – then the building of good destination management structures, rooted in reality, becomes possible.

One feasible, proven tool for putting “seed in the ground” of destination management could be to follow the European LEADER approach with Local Action Groups (LAG). It is “a local development method which has been used for 20 years to engage local actors in the design and delivery of strategies, decision-making and resource allocation for the development of their rural areas.” The LEADER concept is characterized by:

- A regional and cross-sector “bottom-up” approach
- A private-public community of responsibility, where at least 50% of the members of the LAG must consist of business and social partners
- The use of public means based on an area-specific integrated development strategy and a decision made by the LAG
- Regional management that gives the LAG full-time and professional support, giving priority to innovative and cross-territorial approaches

Responsibilities of a qualified management in a destination – that must possess a “critical mass” of potential from the visitors’ viewpoint, not by political borders – would be to:

- Cooperate with natural and legal entities to agree and implement tourism development policies and actions
- Enhance and promote authentic values of the destination
- Create conditions for mobilizing tourism resources across its territory
- Facilitate the activation of areas within the territory which are inadequately involved in tourism – these are mostly rural settlements and mountain pastures
- Collect, process and transfer information
- Transfer market knowledge, up-to-date methods, standards and guidelines to the stakeholders
- Bring together rural and tourism policies with global sustainable destination development standards

27 https://www.thetravelfoundation.org.uk/invisible-burden/

• Implement and manage policies for branding and quality
• Work with businesses and NGOs in travel and tourism
• Cooperate with other similar-level organizations in and outside the territory
• Coordinate, organize and promote events, i.e. enhance the tourism offer
• Initiate and organize protection, preservation and sustainability measures (environmental, cultural heritage, social inclusion, etc.)
• Support the registration and monitoring of tourism trade in the territory
• Cooperate with the municipalities / regional governance bodies, to pass and enforce local measures which improve tourism service and infrastructure (safety and security, with focus on prevention\textsuperscript{29}, national signage, local trails, public services, e.g. rest places and toilets)
• Co-organize funding and sponsoring
• Cooperate with new projects in the territory, in national networks and across borders
• Conduct surveys and other research to monitor tourism product quality in the territory
• Evaluate development for tourism about economic, social and environmental needs
• Prepare and provide performance reports; co-create local directions for the future, using tourism forecasting methods

Human resources

This weakness refers on one side to the staff in public institutions, especially at the local level. Where work positions are assigned for political reasons rather than to fulfil the necessary qualification profiles, the rural population is the first to be negatively affected. The non-understanding of laws and their use trickles down to the ones directly affected by those laws; the knowledge on how to apply to support programmes stays the expertise of few privileged ones.

On the other hand it refers to the weak opportunities for the rural population to gain knowledge and skills in topics which are important for healthy economic diversification. So far (occasional) project-related trainings might be the only source of this kind of knowledge and skills. The region needs coordinated, continuous and decentralized educational offers to the rural communities. An efficient system of support for beginners in rural tourism business is needed for:

• Information, education, consulting, favourable financing, joint marketing strategy and action planning
• Development of new managerial and entrepreneurial knowledge and skills – focus on generational change and gender equality

Experience speaks that ...when you work with beginners, you cannot expect that after you have provided infrastructure assistance and a couple of trainings that things will launch successfully. A lot of handholding is still necessary. Continuous mentoring means that you must stay in touch and help overcome unexpected obstacles. And, of course, you must know when to let go.\textsuperscript{30} Therefore, the role of communities in the process of tourism development should grow in parallel with their capabilities.

Internet has democratized learning opportunities not only in Europe, but globally. There is high quality free education available on nearly any topic. Massive open online courses (MOOC) are aimed at unlimited participation. Examples: the TU Delft offers courses much related to sustainable development in general, such as an Introduction to Circular Economy\textsuperscript{31}, on energy-saving architecture and more. In the tourism sector, for example, the UNWTO\textsuperscript{32}, Training Aid\textsuperscript{33} and Travel Massive\textsuperscript{34} deliver free web-based sessions and recorded education year-round. There are also databases of information in local lan-

\textsuperscript{29} Jelena Krivčević, Director of the Regional Development Agency for Bjelasica, Komovi and Prokletije, in: \url{https://www.adventuretravelnews.com/take-a-walk-on-the-wild-side-community-based-tourism-development-with-the-katuns-of-montenegro}

\textsuperscript{30} \url{https://online-learning.tudelft.nl/courses/circular-economy-design-and-technology/}

\textsuperscript{31} \url{https://www.unwto.org/sustainable-development/webinars-oneplanet-stp}

\textsuperscript{32} \url{https://www.trainingaid.org/courses?qt-course_formats=3#qt-course_formats}

\textsuperscript{33} \url{https://travelmassive.com/chapters/travel-massive-live}
guages, e.g. the Nature for People, supporting the replication of successful project examples in the context of protected areas, their rural people and products.  

**Business environment: Funding and accountability**

The diversification of rural areas is interdependent with sustainable development and tourism; the new Common Agricultural Policy (CAP) of the EU will focus on supporting small and medium-sized family farms and is committed to increasing the level of environmental and climate ambition.

From comparable best practice examples, the region could make use of the basic framework, tools and agreements of the Alpine Convention. For example, the Mountain Farming Protocol gives the eight member countries the obligation “…to differentiate agricultural policy measures at all levels, in accordance with the different local conditions, and to encourage mountain farming, taking account of the local natural handicaps. Support shall be given to farms ensuring a minimum of agricultural activity in extreme locations”.

In practice today, this means for example more favourable taxation of the South Tyrolean area described above: a flat-rate deduction of 75% applies to income tax and 50% to VAT.

Accountability and transparency of collection and use of funds is key. What comes from tourism must go back to tourism! Therefore, the private sector participation in steering and decision making is important. Overnight taxes should be administered in such a way, that they do NOT disappear in the general state budget. Ideally, a smaller portion goes directly to the national level marketing and the bigger portion to the local community (DMO). At destination level, guest contributions must be communicated transparently: what are visitors getting for the money (be it overnight taxes, entry fees, corporate social responsibility – CSR based on individual, voluntary contributions), and how do local communities benefit from tourism-induced public income?

Therefore, as the fourth pillar of sustainability, accountability must complement the social, economic and ecological dimensions. With no accountability, the other three dimensions are doomed to fail: where government officials and public servants lack accountability and integrity, people remain stuck in poverty. Natural public spaces are occupied and destroyed, the climate crisis is ignored, and the migration of young people continues.

In tourism context, according to the Accountability Lab a 1% reduction in corruption leads to a 2-7% increase in visitor inflows.

Lack of money is not the core problem at governmental and transnational levels. It’s all about decision making, implementing laws properly and steering financial flows correctly; the choice is always there, to support or hinder sustainable practices. When the public and private sectors work together in an organized way, sustainable funding becomes easier.

Millions of EU funds get wasted because of lack of long-term public-private ownership. There is too much “rain dance” of activities instead of proactive, well-managed projects with public (!) impact monitoring.

The following policy recommendations for rural areas to be successful come directly from a family-owned farm, experienced not only in EU projects, but also in local, diversified tourism product development, through good cooperation within the destination:

- Maintain or develop small-scale community services, such as village schools, meeting rooms, elderly care
- Develop communication: broadband, alternative public transport
- Think innovative: in the development of business in the countryside, towards new green services, e.g. in health and environment
- Healthy pricing: provides additional payment to rural services and raw materials at fair value, e.g. raw materials for food, health and sustainability services

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35  [https://natureforpeople.org/bcs/](https://natureforpeople.org/bcs/)
37  [https://www.alpconv.org/en/home/topics/mountain-agriculture](https://www.alpconv.org/en/home/topics/mountain-agriculture)
38  Südtiroler Bauernbund: Kurzinformation “Urlaub auf dem Bauernhof”, [https://www.sbb.it/docs/default-source/marketing/rechtliche-voraussetzungen-f%cc%8cr-urlaub-auf-dem-bauernhof_092019.pdf](https://www.sbb.it/docs/default-source/marketing/rechtliche-voraussetzungen-f%cc%8cr-urlaub-auf-dem-bauernhof_092019.pdf)
39  [http://www.accountabilitylab.org](http://www.accountabilitylab.org)
40  Interview with Anitha Barsätter, Fallängetorp, Fallängetorp, Sweden, [https://fallangetorp.se](https://fallangetorp.se), September 2019
In order to “make and measure what matters”, tourism needs to be measured not by visitor numbers alone, but its efficacy in creating prosperity, full-year employment, a healthy environment and benefits to the destination: the local communities.\footnote{Cillian Murphy, Loop Head Peninsula, Ireland, see: \url{https://tbexcon.com/2018-europe/sessions/sustainable-tourism-why-asking-how-do-we-get-more-tourists-is-the-wrong-question/}}

The following figure describes the interdependency of funding, local services, infrastructure and connectivity with human capital and skills.


\begin{center}
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\end{center}

\textbf{Branding and marketing}

Branding is the definition of the \textit{character} and \textit{values} of an area or a product; marketing is how these are communicated to potential customers. Some rural areas (often in the context of protected areas) of the studied region have managed to market themselves without putting too much effort into developing a market-resonant brand. In the cross-border context the so far best successes are mountain trails, such as Peaks of the Balkans\footnote{https://www.adventuretravelnews.com/peaks-of-the-balkans-is-declared-winner-of-the-prestigious-wttc-tourism-for-tomorrow-awards-2013} or Via Dinarica.\footnote{https://www.viadinarica.com/index.php/en/blog/280-national-geographic-traveler-via-dinarica-medu-najboljim-svetovnih-najpogostej-se-nahajajo-v-europe/}

On their own, many places and products have insufficient radiance on the global market. That is why a strong partnership with a strong brand is needed. The umbrella brand of South Tyrol is widely acknowledged as a branding best practice: it bundles together rural products and tourism, supporting mutual image transfer, i.e. a transfer of positive associations through the connection with South Tyrol. It accompanies places, businesses, and products from South Tyrol with a common vision and strategy and gives a clear geographic context. It answers the basic question: “What values do South Tyrol and its products represent?”\footnote{https://www.dachmarke-suedtirol.it}
A good example of villages with rural tourism development and marketing are the “Mountaineering Villages” – started in Austria, as exemplary, regional development cores with a relevant tradition in sustainable alpine tourism. They guarantee a high-quality tourism offer for mountaineers and hikers, provide an excellent landscape and environmental quality and are committed to preserving the local cultural and natural values.” Within the obligatory criteria, the Alpine Convention – implementation, application, guidelines – must be an integral part of the municipal policy.

**Monitoring and evaluation**

One question raised for the region is how monitoring and evaluation could be introduced. Monitoring and evaluation are complementary but different exercises:

- **Monitoring** is a continuous task of reviewing information and systematic stocktaking of budgetary inputs and financed activities. It generates *quantitative data* and gives feedback on the implementation of instruments and measures, facilitating corrections of deviations from *operational and specific objectives*. Monitoring thus contributes to making public spending accountable and provides valuable information on programme management.

- **Evaluation** involves a judgement of interventions according to the *results, impacts and needs* they aim to satisfy. It is a systematic tool which provides evidence for decision making and improves effectiveness, usefulness and efficiency. Evaluation contributes to *transparency, learning and accountability*. Therefore, it allows lessons to be drawn for the future about what works, in which circumstances and why, or why not.

In the EU policy cycles, evaluations results help improve the policy design, quality and implementation. Evidence on the performance, effectiveness, efficiency, results and impacts of policy interventions are collected, to justify the funds spent and to enhance the transparency and accountability of EU rural development measures for stakeholders and taxpayers. This validation of the policy achievements is important at European, national and regional levels.

*Figure 4: Evaluation roadmap of the EU rural development policy*[^48]

[^46]: https://eng.bergsteigerdoerfer.org/6-1-The-Philosophy-of-Mountaineering-Villages.html
At destination level, with the principle “change starts with results”, the bottom-line outcomes must be the guiding star of any worthwhile change and development programme. With limited resources (financial, human, time) focus must be on those initiatives that will produce the strongest impact on achieving the results within a defined timeframe.

Change must be made measurable. Instead of listing potentials, initiatives, programmes and activities, a well-articulated rural tourism development strategy talks about the outcomes that a country/territory or its rural destinations are planning to achieve. If the change is made quantifiable, the results should be the best legitimation for further funding.

Therefore, the logic of a “result chain” must be agreed on right at the beginning:

- “To satisfy our mission, stakeholders, clients and partners, what processes must we excel at?”
- “Why?”
- “To achieve our vision, what must our people learn, how should they communicate and work together?”
- “Why is it important?”
- “What’s in it for them?”
- “Which activities can make it or break it?”
- “How can we tell?”


Economic Diversification Policies & Institutions Supporting Rural Tourism of the SEE (the country/territorial perspective)

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B.1. ECONOMIC DIVERSIFICATION POLICIES AND INSTITUTIONS SUPPORTING RURAL TOURISM IN ALBANIA

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B.1.1. INTRODUCTION

B.1.1.1. Rural space of Albania

Albania is predominately a mountainous country with nearly two-thirds of its territory located in mountain areas. Albania has a total territory of 28,748 km² with rural land area of 26,687 km² in 2010 according to the World Bank collection of development indicators. Based on A New Urban – Rural Classification of Albania (INSTAT Publication 2014) the present availability of small-area data derived from the 2011 Population and Housing Census covering the entire territory of the country, has made possible an attempt to introduce also in Albania new definitions and classifications of urban and rural areas for statistical purposes. However, the Albanian legislation does not provide details on the criteria to define a city and/or an urban area. Due to the above, for the initial calculation of results of the census, a simplified definition of urban and rural areas has been used, considering the municipalities and communities with cities as entirely urban ones. Based on this approach, the urban population of Albania was calculated at 1,498,508 (53.5%), and the rural at 1,301,630 (46.5%) (INSTAT, 2012).

The new Law on Territorial Reform adopted by the Parliament in July 2014 divided Albania into 12 regions and 61 municipalities. Following the OECD’s (2011) definition, the country is classified into rural, intermediate and urban regions. Actually, Albania is divided into 12 administrative regions at NUTS3 level (prefectures). According to the OECD definition at NUTS3 level, there are nine predominantly rural regions, two intermediate and one predominantly urban region. In 2019, the predominantly rural regions (Berat Diber, Elbasan, Fier, Gjirokastër, Korçë, Kukes, Lezhë, and Shkodër) and the intermediate regions (Durres and Vlorë) accounted for 93.6% of the territory and 68.7% of the population of Albania, which is close to the European Union average (90.9% and 59% respectively). The predominantly urban region – Tirana – accounted for 6.4% of the territory and 37% of the population.

Rural areas of Albania and their socio-economic status

Albania has a total population of 2,862,427 inhabitants (105 people per square kilometre) of which 1,432,833 are women. Sex ratio is 102.1 men for every 100 women. When disaggregated by rural/urban location, the picture is different: in rural areas the sex ratio is 113 men per 100 women, while the sex ratio in urban areas is 94.7 men per 100 women (FAO 2016). Eight NUTS3 regions with a total population of about 1 million people are located entirely or predominantly in the mountainous areas.

51 https://tradingeconomics.com/albania/rural-land-area-sq-km-wb-data.html
52 Official Gazette, 2014
53 INSTAT 2019
54 Gender, agriculture and rural development in Albania, FAO 2016
Albanian Demographic Profile 2018 (population age structure) is the following:

- 0-14 years: 18.05% (male 290,572 / female 259,544)
- 15-24 years: 17.47% (male 275,969 / female 256,416)
- 25-54 years: 41.06% (male 597,421 / female 653,965)
- 55-64 years: 11.54% (male 73,105 / female 178,575)
- 65 years and over: 11.89% (male 169,681 / female 192,739) (2017 est.)

The rural population has been aging over the decades. The average age of the population increased from 30.6 years in 2001 to 35.3 in 2011. The old-age index, the proportion of the population of 65 years and older divided by total population, is higher than in any previous Albanian censuses. This value increased from 8.0 per cent in 2001 to 11.0 per cent in 2011. The substitution index, the proportion of the population under 15 years of age divided by the total population, was reduced from 29 percent in 2001 to 21 percent in 2011.

Agriculture is the main source of (self-)employment in the rural areas and one of the main sources of income for rural households. The sector generates about one-fifth of the Gross Domestic Product (GDP) and it has been also one of the main employing sectors. The number of the employed in agriculture sector (also including forestry, hunting and fishery) was 457,000 in 2017, which is slightly lower than in 2016. The share in total employment is 38.2%.

Rural employment and development prospects in Albania are burdened by many factors. Census of Population and Housing (developed in 2011) shows the gap in unemployment rate between rural women and men of 3 percentage points but to a much higher unemployment rate (29.1% for women versus 26.1% for men).

Issues of rural poverty and exclusion are particularly pressing for women workers, some 50% of whom are engaged in farm labour (mostly as contributing family workers, which often constitutes concealed unemployment or under-employment).

The transport infrastructure and connectivity are also inadequate – the April 2018 EU accession Progress Report notes that only 1% of the rural population has landline internet connections.

The land reform implemented in the early 1990s, in which state agricultural land was equally distributed to the rural population, resulted in small and fragmented farms that hampered the growth and competitiveness of agriculture. The agriculture sector is still dominated by small and family farms. Small size of the farm (average 1.2 ha) combined with fragmentation is one of the major challenges of the agriculture sector.

Mass migration (internal to cities and external to foreign countries) has caused demographic changes. In the last census (2011), for the first time the urban population exceeded the rural population (53.5 vs. 46.5%). During the intercensal period 2001-2011, the Albanian population declined by 269,000 people, or 8.8%. One of the main factors contributing to the decline of population was out-migration. Until the end of the 1980s, migration was virtually non-existent. Since then it has become a dominant socio-economic factor in the country.

Albania faces one of the world's highest emigration rates relative to its population; around 28% of all citizens settled outside the country in 2015. During the years 2003-2010, the proportion of rural inhabitants decreased by 13 %. Controls placed over internal migration have succeeded in restricting the growth of the urban population and have contributed to the slowdown of rural population decline.

The high migration from rural areas results in gradual depopulation of rural areas. In the intercensal period 2001-2011 the population of predominantly and significantly rural areas decreased by 20%.

In recent years, there has been an increasing flow

55. INSTAT CENSUS 2011
61. Rural Development Programme 2014-2020, under IPA, June 2018
of returning migrants, mainly from Greece and Italy. The census data show that in the period 2009-2011, 73,000 people returned to Albania, of which about 70% resided in rural areas.

Rural economy of Albania and the importance of diversification

In Albanian rural areas, per capita income is much lower compared to non-rural areas, employment rates of women are lower, and the service sector is less developed. Lack of opportunities, communication and training infrastructure are also a particular problem for remote rural areas and especially for women and young people. At the same time, rural areas offer real opportunities in terms of their potential for growth in new sectors. On-farm employment is the main source of employment in rural areas in all regions. However, also off-farm employment is important, but importance varies by region. For example, off-farm employment is insignificant in the region of Elbasan, while it is quite important in the region of Durres (due to the availability of alternative employment opportunities in nearby urban areas, in tourism activities etc.).

Several studies have been done on market and value chain analysis of selected sectors that have potentials for diversification of the rural economy. Medicinal and aromatic plants, mushroom production, aquaculture, on-farm processing of agricultural products, local handcrafts, as well as the production of renewable energy have been considered as the main sectors that have the potential to create new jobs and incomes in rural areas.

Rural areas in Albania offer also great possibilities for the development of rural tourism, ecotourism and nature-based activities, cultural tourism, etc. In this context, rural development policy offers a range of possibilities to support diversification which is necessary for growth, employment and sustainable development in rural areas. The objective is “to achieve a balanced territorial development of rural areas by fostering diversification of economic activities, job creation and social inclusion, and improving living conditions in rural areas.”

Rural tourism and its place in rural economy of Albania

RURAL TOURISM – ALBANIAN DEFINITIONS AND SCOPES

According to the Law 93/2015 on Tourism:

- “Tourism” means the totality of the activities of persons travelling and staying for less than 1 year in places outside their normal environment for business, leisure or other personal purposes that are not related to the practice of any paid activity at the place of visit.
- “Rural Tourism” is the tourism activity performed in a rural environment and is oriented towards the use of local tourism resources.
- “Agritourism” is the hosting activity performed in a farm or some other agricultural entity, with the aim of attracting visitors, often by enabling them to participate in agricultural activities or other aiding activities performed in that agricultural environment. Agritourism supports the sustainable development of rural areas through the protection of the environment, conservation of traditions and promotion of the most typical products of that area.

RURAL TOURISM IN THE RURAL ECONOMY OF ALBANIA

Based on the favourable conditions for tourism in general, including rural tourism, the Albanian government has started to advance rural tourism to manage nearby economies and to improve work

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62 Sector Analysis for the Diversification of the Rural Economy in Albania, FAO, 2014
63 Albania Rural Development Programme 2014-2020 under Instrument for Pre-Accession Assistance (IPA), May 2015
64 Ibid
65 Law on Tourism 93/2015, Official Gazette 164 of 21 September 2015
and development opportunities. Rural tourism is viewed as a new component of the Albanian supply of tourism, providing opportunities for little villages and rural regions of the country, such as mountains, hills, rivers, lakes, farms, etc.

In order to see the increasingly important role of rural tourism in Albania, some national statistics need to be shown, although statistics about rural tourism are not available. The tourism sector share in the economy has grown considerably in recent years. Direct contribution of the travel and tourism sector in GDP in 2016 stood at 8.4% (was forecasted to increase by 5.2% by 2017), while total contribution to GDP in the economy was at 26% (was expected to rise by 5.3% by 2017). In 2016, tourism supported directly 85,500 jobs or 7.7% of total employment and indirectly 267,000 jobs or 23.9%. Visitor exports generated 56.1% of total exports in 2016. 66

There has been a sharp increase in the number of foreign visitors over the last years. During the period of 2014-2018, the number of foreign visitors with the number of nights spent (including visitors that stay at least one night in a hotel or other accommodation, with relatives or in their own home, etc.) was around 21 million, increasing by 10.7% in 2018. While the number of daily visitors for the period 2014-2018 was around 1.7 million, it was doubled in 2018 compared to 2017. 67

In 2018, 1,326 accommodation facilities (hotels, motels, camps, guesthouses, mountain shelters and other structures for short-term stays) were functioning throughout the country with 17,000 rooms and 38,000 beds. Although statistics on rural or agritourism in Albania are not accurate, the proportion of small guesthouses in rural regions, and an increased number of agritourism activities is a relatively good indicator of the rising significance of rural tourism.

Studies have shown that looking at the numbers regarding the arrivals to the country and the data about the arrivals in hotels, “... only approximately 10% of the total arrivals stayed in hotels in 2015, while the rate in 2000 was nearly 50%. It means that alternative accommodations, e.g. rural accommodations have been getting more and more importance.” 68.

B.1.2 Institutional and legislative context for rural tourism in Albania

B.1.2.1 Legal framework for rural tourism in Albania

As mentioned before, the tourism industry has increased its contribution to the country’s economy both in monetary terms and in terms of employment, thus becoming a strategic sector for Albania. For this reason, it has attracted more and more attention from the government, donors and private sector companies.

Since 2015, there has been an increase in the dynamics of preparation of the necessary legal and regulatory framework, which is a prerequisite for any investment and development of sustainable tourism, including rural tourism. Political engagement for stronger support for tourism began to materialize through Sectoral Law and the Strategic Investment Law adopted in 2015, which aimed at bringing the sector under the focus of the new investment stream. Also, by-laws, Decisions of the Council of Ministers (DCMs), regulations, incentives, and financial support schemes were adopted from time to time to supplement the framework and address segments of the rural tourism chain with the aim of developing the sector and its potential contribution.

TOURISM SECTOR

The Law No. 93/2015 on Tourism provides a range of changes for the tourism sector, aiming to transform it into one of the most important economy sectors in the upcoming years. The purpose of the current Law is to promote Albania as a tourist desi-

67 Tourism in Figures ALBANIA 2019, INSTAT
tination, supporting sustainable tourism development and ensuring that tourism service providers meet the tourism demand in a healthy and safe environment. The Law defines clear rules of operation and national standards for all tourism activities in order to encourage and promote competitiveness in the sector, increase the quality of tourism services and protect consumers.

The National Tourism Agency is the public, legal and budgetary institution within the Ministry of Tourism, the aim of which is to promote Albania’s tourism offer in the country and abroad.

The current Law on Tourism gives the main definitions of tourism, rural tourism, agritourism, sustainable tourism, etc.

During the period 2016-2018 a number of by-laws pursuant to the Law on Tourism were adopted.

The DCM No. 22 of 12 January 2018 defines the criteria for certification of agritourism activities.

This by-law provides the general principles for agritourism as hosting activity, criteria for certification, as well as the establishment of the Evaluation Commission for certification of entities, composed by the members of both ministries responsible for tourism and agriculture.

The criteria for certification of agritourism entities are:

1. Agritourism, as an activity, could take place on farms that meet the following criteria: - The farm must have at least 1 ha of cultivated land or, at a minimum, 0.5 hectares of greenhouses; - The livestock farm must have, at a minimum, 10 heads of cattle or 100 heads of sheep/goats or 200 heads of poultry. Dairy farms are also classified as stables; - Fishing/aquaculture farms.

2. Agritourism can also take place in agricultural units, which are active in the processing of agricultural, livestock, fishery and aquaculture products (such as olive oil processing points, grape/fruit processing plants, milk processing, fish, aquaculture farms, etc.), which are suitable for the development of agritourism activities.

3. Entities conducting host activities classified as “agritourism” shall, as a minimum, provide one of the following services: a) Accommodation; b) Food and drink; c) Recreational activities, related to the farm or the surrounding environment.

4. Agritourism entities that provide accommodation must have a capacity of 6 to 30 rooms.

5. The structure in which the accommodation service is provided, according to the classification of the existing Law on Tourism, shall comply with the urban and other criteria in force for construction laid down in the general local plans. Where possible, buildings should respect local building traditions.

6. Accommodation may also be provided in the form of camping, with facilities for the placement of tents or camping machines. In these cases, the agritourism entity guarantees minimum hygienic and sanitary conditions (such as toilets, drinking water, waste collection points, electricity connection) for a maximum capacity of 15 camping machines.

7. Food and beverages shall be provided in suitable premises that meet the applicable norms for food and sanitary conditions. The host structure providing food and drink should have a minimum of 6 to 60, but no more, tables.

8. Food and beverages offered to the tourist must be of farm origin (produced or processed on the farm / agricultural unit), at a minimum of 30% of their quantity. From 30% to 70% of food/beverage products are allowed to be of local origin, manufactured or processed by local producers, operating in the municipality where the agritourism is based.

9. Agritourism units offer/enable visitors and tourists entertainment / recreational activities related to the farm (such as but not limited to planting/harvesting agricultural products, animal-related activities, craft fishing, tasting of products etc.) or off-farm (such as, but not limited to, horse riding, mountaineering, hiking, etc.).

The cost of application is 2,000 ALL (approximately 16 EUR) and the certificate is issued for a 5-year period.

On sectoral policies, the regulation on the organization and functioning of the National Tourism Agen-
ECONOMIC DIVERSIFICATION POLICIES AND RURAL TOURISM IN SOUTH EAST EUROPE

The legal framework regulating the programming of the agriculture policy is defined in the Law on Agriculture and Rural Development, No. 9817, adopted in 2007. This Law determines the objectives, the means and the programming of policies measures for agriculture and rural development, agriculture public services, research and professional training, as well as information database in the field of agriculture and rural development.

With specific regards to rural tourism and agritourism, since 2018, DCMs, regulations and subsidy schemes have been adopted, including on the financial support for guesthouses (bujtina) reconstruction, agritourism investments, as well as for other activities related to rural tourism like setting up production incubators, establishment of retailer networks for traditional products, etc. More detailed information is provided below (see B.1.3.3. Direct financial support).

B.1.2.2 Spatial plans and rural tourism in Albania

NATIONAL LEVEL

The General National Spatial Plan (GNSP) is the first national document in spatial planning for the period 2015 – 2030. GNSP “Shqipëria 2030” represents the harmonization of an integrated approach to urban development with other strategic sectors such as tourism, agriculture, energy, transport, housing and other aspects, which intertwine with the objective of long-term and sustainable development of the country. It also puts an end once and for all to the chaotic and spontaneous development, and the misuse of land and natural resources of Albania.

The plan does not provide for holding, housing capacities, tourist accommodation, etc. The plan defines appropriate spaces for the development of various sectors and sets out principles for the integrated development of these areas, thus ensuring compliance with their environmental and social capacities. The realization of specific objectives and the development of detailed analyses are subject to sectoral plans.

“Sectors such as energy, agriculture, tourism, and certain extracting and processing industries should not compete with each other for resources, but rather should be complementary, allow the ecosystem to provide them services in a sustainable manner and contribute to the enhancement of knowledge and innovation as an engine of the future.”

The map below illustrates the areas classified as areas of national importance due to the values that they have on planning and sustainable development of the territory. A significant number of these areas is regulated by the sectoral legislation in force, such as: protected natural areas; water resources and their buffer zones; mining areas; industrial areas; areas of historical and cultural heritage; cultural monuments; archaeological areas and parks; historical centres; coastal areas, etc. GNSP supports and reinforces the importance of these areas for the national interest not only by expanding the territories declared as protected areas, but also by proposing...
new areas that should be protected in accordance with the defined procedures in the sectoral legislation.

A list of GNSP areas of national importance, which have special significance for the touristic potential of the country, is detailed below.

- The coastal belt
- The Park of Alps
- The Park of Buna
- The Park of Vjosa
- All administrative units (within the borders of former communities and municipalities) which reach the sea
- River flows and their buffer zones
- Islands
- Tourist itineraries and their buffer zones

**Tourist itineraries**
- “Via Egnatia”
- “Via Skënderbeg”
- Alpine-lake route that connects across the border with the tourist itinerary of Dinaric Alps
- Sailing itinerary along the artificial lakes Koman-Fierza
- Agritourist culinary itinerary

**Panoramic roads and their buffer zones**
- Permet-Erseke axis
- Gjirokaster-Sarande axis
- Qafe-Krr Abe axis
- Elbasan-Librazhd axis

**Inland tourist areas**
- Terbu
- Mountain Dajti
- Lakes Lura
- Lakes Belshi
- Lake Shkodra
- Lakes Ohrid and Prespa
- Dardha
- Voskopoja
- Gjinari
- Mountain Lenies, nearby Rehova etc. as shown on the map

**Existing and proposed UNESCO sites**
- Gjirokastra
- Berati
- Butrinti
- Natural and cultural area of Ohrid
- Apollonia (proposed)
- Lower Selca cemeteries (proposed)
- Durres Amphitheatre (proposed)

Figure B1.1. Map of the areas of national importance, with special significance for tourism in Albania
Regional levels

Whilst the General National Plan (GNP) is the paramount instrument of territorial planning in Albania, which addresses planning issues in an integrated manner, considering the Albanian territory as a whole, secondary hierarchy plans will be detailed based on its principles, objectives and specifications. These secondary plans include the National Sectoral Plans (NSP), Regional Development Plans (RDP) and Sectoral Plans at Regional Level (SPRL), stemming from the development needs.

The Law on Tourism stipulates, inter alia, the principles of tourism development planning, which are drafted in accordance with the GNP, the procedure for prioritizing tourism development, the drafting and content of the national plan on tourism sector as well as the procedure for drafting the plan for priority areas for tourism development.

Several initiatives have been implemented regarding the completion of planning documents, such as the Integrated Coastal Plan for Albania and Integrated Cross Sectoral Plan for the area of Tirana-Durres. The National Sectoral Plan of Tourism – Albanian Alps Region is another important document, focused on the sustainable development of the region, prominent for various types of rural and mountain tourism and its transformation into an important tourism pole, preserving the stunning beauties and cultural richness.

Pursuant to Law No. 107/2014 on Territorial Planning and Development, as amended, and DCM No. 427, of 08 June 2016 on the Organization and Functioning of the National Territorial Planning Agency, the National Territorial Planning Agency (NTPA) is the authority responsible for:

1. Coordinating, in general, the process for the development of territorial planning documents, undertaken by the local and central planning authorities

2. Ensuring that the development of territorial planning documents, whether at central or local level, are in compliance with the legal provisions on territorial planning and development, by providing technical assistance to the authorities responsible for territorial planning

Local levels

There are also General Local Plans prepared and under preparation for all 61 local units, at municipality level.

With the financial support of the GoA, through the NTPA has led the technical process for the development and approval of the majority of local plans for municipalities. Right now, there are 44 developed GLTPs, 37 approved GLTPs, 7 GLTPs under approval and 16 GLTPs under development.

Five local plans have been developed with the financial support of USAID-PLGP, respectively, Berat, Kuçova, Fier, Lushnjë and Elbasan, and then approved by the NTC.

With the financial support of the Swiss Government, through DLDLP, the local plans for 5 municipalities, respectively, Tropojë, Malësi e Madhe, Mat, Vau i Dejës and Klos have been also developed and then approved by the NTC.

With the support of Polis University, the Municipality of Dropull has undertaken the initiative to start the process and is working on the development of the General Local Plan for its administrative territory.

Each of these processes is closely supervised by the coordinators of the NTPA, who assist the municipalities and working groups in many aspects of the process. NTPA is above all responsible for coordinating planning issues between actors at local and central levels, and acts as the authority that guarantees compliance with the planning and sectoral legislation related to the territory.
Apart from the legislation mentioned above, the legal and regulatory framework for sustainable development and management of rural tourism is strongly related to various sectors like the environment and waste management, protection and conservation of natural and cultural resources; infrastructure, education and facilitation of the involvement of private sector and local communities in tourism development activities.

Rural tourism development is considered as crucial for the conservation of nature and culture, the revival of rural areas, the valorization of traditional products, and the development of communities.

Some challenging issues that remain on the Government’s agenda in the tourism sector are clarification of land ownership, formalization and standardization of services, access to public services, waste management, improved infrastructure, low education, and human resources.

Even though continuously improving, the overall business climate, including access to finance, hampers small and medium-sized enterprises (SMEs) to keep pace with the increasing number of tourists and meet their requirements.

Despite recent development, Albania still needs to address concerns related to regulating rural tourism sector and introducing standards and reducing informality. In addition, previous Investment Climate Surveys (2015-2017) as well as consultations with businesses have identified informality as a serious concern of investors, especially in the tourism sector.

The Strategy of Tourism has been the subject of consultations, and it has recently been endorsed by the GoA. Additionally, although it acknowledges informality as one of the main threats in the tourism sector, the objective for formalization of accommodation structures is not addressed through any clear measure or action, it rather stands as a statement. Providing for concrete actions and methods that address formalization issues (identification and registration) could make the strategy objectives realistic.

Considering that informality in the sector remains systemic, the Albanian Investment Council has recommended that formalization strategies be tailored according to the kind of touristic structure: “…simple registration of small accommodation structures (which do not exercise purely economic activity) only for touristic purposes and not for fiscal ones (e.g. historical destinations such as Gjirokastra, Berat, Korça). However, this kind of ‘microbusiness’ should be the subject of local or national authority inspections regarding compliance with the hygiene and sanitary standards and the subject of assistance to gradually shape it into a sustainable business”.

Only 18 agritourism activities have been certified until now as per the provisions of DCM No. 22 of 12 January 2018 on the Approval of the Criteria for Certification of Agritourism Activities, and which by 2019 should be subject of the fiscal incentive of reduced 6% VAT. While Part II of the DCM No. 22 sets out the criteria for such certification, the Ministry of Finance and Economy (MFE) and the Ministry of Agriculture and Rural Development (MARD) have set out, through a regulation, additional criteria beyond what the above-mentioned DCM authorizes. Through this regulation the entrepreneurs should also submit the property document of the farm/land where the activity is implemented or the lease contract valid for 5 years. It is important to bring to attention that such types of activities are organized in rural areas where the land ownership is not yet fully registered for various reasons. Therefore, there is a high probability that while the incentives exist on paper, very few entrepreneurs might meet the eligibility criteria. For a larger impact of the fiscal incentive, the certification as ‘agritourism activity’ should preferably be linked to the activity rather than the ownership over the land.

Environment, natural and cultural heritage conservation

The rapid development and high concentration of tourism activities cause negative effects on the natural and cultural environment, and with local investments minimal or lacking, outcomes could
be especially unacceptable to the host community. Rural tourism that is badly planned and executed could degrade the natural environment. This fact points to the utmost need for remedial measures for mitigating the environmental harm because of rural tourism and for preserving the quality of the environment. Regarding the nature of environmental degradation arising from rural tourism, it is noted that poor waste management in tourist areas creates the highest amount of degradation and is followed by other major problems like pollution of rivers and landscape.

In addition to social and economic factors, as well as good governance, the long-term sustainability of tourism depends also on environmental sustainability. That is, the adverse effects of rural tourism on the environment should be controlled so as to prevent the degradation of the environment and thus ensure sustainability of rural tourism in the long run. In the area of culture, Albania has extraordinarily rich and varied resources, but many structures need conservation and better protection. The country’s natural heritage faces similar challenges, including Protected Areas, which have had weak institutional protection, which is especially unacceptable to the host communities.

The Law on Environmental Protection, as the basic law, establishes the framework on environmental protection, which aims at: (a) rational use of natural resources; (b) prevention of environmental damage and, when necessary, the rehabilitation and restoration of damaged environment; and (c) international cooperation in the field of environmental protection. Environmental protection is based on the following principles: (a) sustainable development; (b) precaution; (c) prevention; (d) polluter pays; (e) environmental damage.

In addition of the Law on Environmental Protection, there are also several other laws and by-laws regulating the environment, natural and cultural heritage conservation, like:

- Law on Energy Efficiency
- Law on Promoting the Use of Energy from Renewable Sources
- Law on Integrated Waste Management
- Law on Protected Areas
- Law on Biodiversity Conservation
- Law on Cultural Heritage and Museums

Any investment aiming at boosting rural tourism should respect environmental laws as well as cultural heritage conservation.

**Infrastructure**

The Law No. 107/2014 on Territorial Planning and Development and its amendments in 2015 and 2017 has reshaped the mechanisms, terms and procedures in the area of territorial planning and development.

This reform associated with the territorial and administrative reform brought a new synergy of coordination and cooperation between the central and local governments, with the objective of integrated urban and rural planning through the adoption of General Local Plans (GLPs) and the provision of qualitative services to citizens by centralizing application procedures for construction permits in a single procedure.

**Finances**

The Law on Agriculture and Rural Development determines the objectives, the means and the programming of policy measures for agriculture and rural development. The national financing schemes in agriculture and rural development in Albania are defined by:

- Law on Budget for each year
- DCM on the Definition of Basic Criteria of the Sectors to Be Supported and on the Financial Measures from the Agriculture and Rural Development Fund for each year

With specific regards to rural tourism and agritourism, since 2018, DCMs, regulations and subsidy schemes have been adopted, including financial support for guesthouses (bujtina) reconstruction, agritourism investments, as well as for other activities related to rural tourism like setting up production incubators, establishment retailer networks for traditional products, etc.

**Education**

The Albanian educational system operates based on the constitutional principles and legal framework. It is built on two levels: the public and private pre-university.
versity educational system and the public and private university system.

It is regulated by the Law on Secondary Education, the Law on Higher Education and the Law on Vocational Education and Training in the Republic of Albania.

Courses on tourism management are offered at the Universities in Tirana, Vlora, Shkodra and Korça. University of Vlora under the Faculty of Economics offers a 3-years course in tourism management. University of Durres offers courses with profiles related to tourism, such as Hotel and Restaurant Management, Archaeological Tourism and the Management of Cultural Tourism.

The only one focused on the rural tourism is the Department for Rural Tourism Management at the University of Agriculture in Tirana.

There are also several vocational schools offering hotel and tourism training in Albania like the Hotel and Tourism School Tirana, Tourism School Saranda and Hotel School Durres.

Food safety and quality standards

All food operators in rural tourism must strongly respect hygiene and food safety standards. The principal conditions for food safety are regulated by the Law on Food.

The Law on Food lays down rules governing food hygiene, business operators’ responsibilities, food quality standards, registration of geographical designations of origin, food labelling and marketing standards. The Law also defines the system of food inspection and sets up the National Food Authority. Final provisions deal with offences and penalties.

There is a full set of by-laws that regulates the obligations and responsibilities of food business operators, the rapid information and alert system, emergency measures and crisis management, hygiene and quality of food. Entities in food business at all stages of production, processing and trade, within the scope of their activity, are obliged to ensure that food meets all the requirements prescribed by this Law and the regulations adopted based on it.

The Law on Quality Schemes for Agricultural Products and Foodstuff has also been recently approved. This Law establishes quality schemes and responsible bodies for the recognition and protection of designations of origin (PDO), geographical indications (PGI) and traditional specialities guaranteed (TSG) for agricultural products and foodstuffs.

Health and risk management

This function is linked closely to the supply chain of the tourism sector such as food processing, transport, tours, etc. Safety precautions related to activities that might involve health or other risks, are still not very firm. This is partly due to low awareness and understanding of the needed safety measures and of how the image of being ‘unsafe’ damages income from tourism. But it is also due to a general lack of safety requirements and a lack of implementation of regulations and quality control mechanisms. One of the most serious risks in Albania is road safety, where missing infrastructure of many roads (signage, lighting, exits and entries) as well as a high disregard for traffic laws, have contributed to a high accident rate.

Albania is also prone to numerous natural hazards, including, but not limited to those of hydro-meteorological and geological origins, for example earthquakes, floods, droughts, forest fires, and landslides. Articles 170 and 174 of the Constitution of the Republic of Albania address the issues of emergency and disaster management as well as the legal acts that need to be adopted and measures taken in the event of a disaster. Apart from the Constitution, there is a specific law on disaster management in Albania, the Law on Civil Emergency Services, No. 8756/2001.

Recently, the Law on Civil Protection has been approved. It aims to reduce the risk of disasters and guarantee the protection of people’s lives, property, cultural heritage and the environment, through strengthening the system of civil protection. The central government is responsible for the overall policy, adoption of strategies, policies and programmes aiming at the prevention, mitigation, preparation and response to civil emergency situations.

The Law on Civil Protection was passed only in July 2019, and it appears that the National Agency for Civil Protection has not become fully operational.
Monitoring and control

Ministry of Tourism and Environment (MTE) and MARD are responsible for monitoring the implementation of the legal framework and policy measures related to the tourism sector as well as for undertaking specific measures prescribed in relevant laws and regulations.

National Inspectorate of Environment, Forestry, Water and Tourism performs the following tasks related to the tourism sector:

- Controls the implementation of the criteria and conditions of the subjects that carry out tourism activities, in accordance with the provisions of the respective law and by-laws in its implementation and other legal acts in force
- Controls and inspects the premises where tourism activities are carried out
- Cooperates and provides information to other state bodies, in the cases that are in their competence, regarding tourism activities
- Controls and takes measures for violations found by subjects that exercise tourism activities, in accordance with the provisions of this Law
- Collects and administers the complete relevant documentation, including electronic documents, which relate to the object of control
- Exercises control in the premises and in the documentation of tourist entities, which have the obligation to allow and make available to the inspectorate the information and documentation necessary for inspection
- Imposes fines and other administrative measures against natural or legal entities in accordance with the provisions of this Law

B.1.2.4 Institutional setup for managing/supporting rural tourism

Current legislation provides a clear picture of institutions responsible for the development of rural tourism at the national and local levels. While the competencies and the scope of activities seems to be well anticipated, we have noted that it more should be done in terms of coordination between national institutions, local agencies and municipalities in addressing tourism issues.

National level

The main ministries involved in setting the legal base, financial support, training, promotion and categorisation of rural tourism in Albania are:

- **Ministry of Agriculture and Rural Development** is responsible for developing and implementing rural development strategies, as well as for issues related to the quality and safety of food and beverages. MARD is responsible for economic development through diversification of economic activities in rural areas (improving the tourism potential of rural spaces, agritourism and rural tourism, investing to improve commercial services, investing for the production of traditional products and other economic and financial services)

- **Ministry of Tourism and Environment** is the authority responsible for the design, implementation and monitoring of the National Tourism Strategy, the overall legal framework for tourism development, the relevant planning and development process, support for regional administration and tourism organization at national, regional and local levels. MTE financially supports projects that help develop the field of tourism; it supports, protects and develops tourist resources and promotes tourism products in accordance with the principles of sustainable tourism development and in cooperation with interest groups; takes measures for the welfare, protection and promotion of employment in the tourism industry, giving priority to the employment of young people; promotes, supports and cooperates with public and private institutions in the collection, processing and administration of data in the field of tourism, etc.
It is also responsible for environmental policies and the sustainable management of natural resources, which will enable the development of tourism in protected areas, the sustainable use of resources and the assessment of the environmental impact of tourism.

- **Ministry of Infrastructure and Energy** is responsible for the improvement of public infrastructure and investment in new tourist routes, maritime development and civil aviation transport.

- **Ministry of Culture** is responsible for the design and implementation of policies on culture and heritage, as well as the management of national archaeological parks and museums.

- **Ministry of Finance and Economy** is the key ministry for tourism development, mainly related to budget allocation and fiscal policies.

- **Ministry of Education, Sport and Youth** is the institution that implements the government policy in the field of pre-university education, higher education and scientific research.

Other key institutions of significant importance for the rural tourism development are:

- **Agricultural and Rural Development Agency, ARDA** (established by DCM No. 1443 of 31 October 2008 for the establishment of the Agency for Rural Development), operates as a payment agency under the auspices of the MARD to manage the funds of the state budget for support scheme measures in agriculture and rural development. The primary objective of ARDA is to act as manager for government funds allocated to the development of rural areas, as well as to assist and support the financing of farmers to fuel up their investment needs.

- **Albanian National Tourism Agency (NTA)** is a public institution depending on the Ministry of Tourism and Environment. The main task of the agency is to promote Albania as a tourist destination in the regional market, Europe and worldwide.

- **National Coastal Agency (NCA)** is a public legal entity under the responsibility of the ministry responsible for tourism, which aims to protect and track the development of the Albanian coastal area. Competencies, manner of organizing and functioning of NCA are approved by a decision of the Council of Ministers, upon the proposal of the minister responsible for tourism.

- **Commission for Standardization of Tourism Activities** was established for the certification of tourism activities, i.e. the issuance and revocation of respective certificates, within the ministry responsible for tourism. The manner of organization, functioning and composition of the Commission for Standardization of Tourism Activities is determined by approved regulations, by order of the ministry responsible for tourism.

- **Private Sector Advisory Committee for Tourism** is established as an advisory body for the tourism sector. Its manner of organization and operation is defined in the regulation approved by the ministry responsible for tourism. It is chaired by the Minister responsible for tourism and includes representatives from national associations of enterprises operating in or related to tourism, representatives of higher education institutions, chambers of commerce, representatives of associations or NGOs operating in the field of tourism, as well as representatives of international institutions/donors.

- **Institute of Statistics (INSTAT)** is the main institution that produces official statistics and coordinates the national statistical system, aiming to provide reliable and comparable data, adapting methodologies and compiling a list of statistical indicators.

- **Albanian Development Fund (ADF)** is a development agency established in the beginning of 1993 and counts a 25-year experience in the development of infrastructure, urbanization, tourism and cross border cooperation. It will be the main institution implementing “The 100 Villages Programme” of the GoA.

- **Albanian Investment Development Agency (AIDA)** is focused on the promotion of Albania as an investment destination and on facilitating and supporting direct investment in Albania.

- **Institute of Monuments of Culture** is a governmental institution under the umbrella of the Ministry of Culture, established in 1965. Its task
is to enable and enforce legislation with regards to cultural heritage monuments and their impact.

- **Albanian Network for Rural Development (ANRD)** is a civil society initiative to promote and revive community-led rural development, established in December 2015.

- **Albanian Tourism Association (ATA)** was founded in 2008 as an organization of local private touristic enterprises operating in Albania, with the goal of promoting, regulating and improving the tourism industry. ATA was established with the technical and financial support of GTZ (today GIZ) in 2008 as an umbrella association of businesses in the private tourism sector including accommodation, restaurants, travel organizers, etc. ATA is structured based on sectors and with established regional branches which have their representative on the Board of Directors.

- **Union of Albanian Tourism Operators**, a union of travel businesses.

- **DMO Albania** is a Destination Management Organization, based in Tirana, with the mission to promote Albania by highlighting and marketing the rich diversity, history, landscape, and culture of each city and region in the country. There are also several international implementing agencies and organizations active in tourism, regional and local development such as Italian Agency for Development Cooperation (AICS), EBRD, GIZ, UNDP, USAID, Austrian Development Agency (ADA), SIDA, Swiss Agency for Development and Cooperation (SDC), etc.

### Regional levels

Four Agencies for Regional Development (ARD) were established by DCM No. 961 of 2 December 2015 in Tirana, Shkodra, Korça and Vlora. In 2018, the Council of Ministers decided to transfer the functions of the National Agency for Regional Development (AKZHR), the Regional Economic Development Agency (AZHER) and the Regional Development Agencies (RDAs) to the Albanian Development Fund (ADF).

The only Destination Management Organization (DMO) at regional level has been DMO Korça. DMO Korça was established in 2008 with support of UN-WTO, ST-EP Foundation and the Netherlands Development Organization (SNV) with the project aim of Marketing and Product Development Strategy for the Korça Region. A further DMO activity was also to run the Tourist Information Centre in Korça and to manage the website [http://www.visit-korca.com/](http://www.visit-korca.com/) and its tour operator offering of travel services. On the other hand, the DMO acted as an independent tourism consultant working throughout Albania on tourism projects. Initially the DMO was financed by the project (office management and leasing fee). Once the project ended, neither the Municipality of Korça nor the Council of Korça County took responsibility for financing the DMO, failing the model of project.

There are also some Albanian and foreign NGOs implementing different regional projects related to diversification of rural development with a focus on rural tourism, like the Rural Association Support Programme (RASP), ADAD-malore, Pro-Permet, CESVI, Voluntariato Internazionale per lo Sviluppo (VIS) Albania, etc.

### Local level

At the local level, Municipalities (municipal offices responsible for tourism) have the following tasks:

- To create inventory of the main tourist resources of the local government unit and inventory of tourist enterprises locally
- To provide support infrastructure for local tourist business activities, enabling standards to be respected by tourist enterprises
- To contribute to the development of various types of tourism locally, as well cultural tourism, agritourism etc., based on tourism sources, playing an active role in diversifying tourism products, in cooperation with all central and local institutions, as well as interest groups.

There are also territorial units for tourism created as administrative structure within the ministry responsible for tourism.

The territorial division of the tourism service coordinates field work for the implementation of tourism product development policies and tourism destination management; advises tourist enterprises to...
meet the standards and increase the quality of services and tourism products offered; encourages and empowers tourist enterprises and host communities for ongoing education; provides information on tourism enterprises regarding the legal framework and standards in the field of tourism, and disseminates classification/certification manuals for tourist undertakings; records any requests and complaints submitted by tourists, their representatives and consumer associations and conveys them to the inspectorate covering the field of tourism; cooperates with local authorities and interest groups to provide information in the field of tourism, according to the requirements and tasks given by the structures responsible for tourism; collects data and compiles periodic reports, in cooperation with the local government unit tourism officials, etc.

B.1.3. Rural Tourism Development and Policy in Albania

B.1.3.1. Brief overview of the status of rural tourism in Albania

According to the Tourism Strategy 2019-2023, Albanian tourism development will be focused on four main products: culture and heritage tourism, nature tourism, rural tourism and coastal tourism. It becomes more and more evident that tourism plays an important role in rural development because of its contribution as accelerator of social and economic relations in specific and defined spatial areas, as well as its role in supporting the development of rural areas as new tourist destinations contributing to a general socio-economic development of such areas. With its dynamics, tourism encourages the development of different activities in many local areas that relate to it. Albania will be promoted in international markets as a single destination country with a diverse combination of distinct tourism activities on a small geographical area.

Nature and rural tourism sector in Albania are growing rapidly. Some strategies for rural tourism development at regional or local level have been prepared with the support of different donors and assistance is provided for the implementation of integrated projects. There are successful projects implemented in Shkodra, Korça, Kukes, Gjirokastera, etc. supported by GIZ, AICS, USAID and other international donors combining the upgrading of accommodation, development of services with active promotion.

As mentioned above, rural areas in Albania offer possibilities for the development of ecotourism and nature-based activities (river rafting, paragliding, mountain biking, fishing, trekking, climbing, hiking, horseback riding, etc.).

Based on various studies, estimates show that about 60% of the NUTS 3 regions have sufficient natural resources and assets to develop nature, rural and cultural tourism. Several of them have already included tourism development as a strategic priority in their development plans.

Cultural, nature and rural tourism are in many cases combined. The districts of Permet and Gjirokastra have developed a range of rural tourism services, as additional offers for culture tourism in the surrounding of the most frequented tourist destinations of UNESCO World Heritage sites of Butrint, Gjirokastra and Berat.

Rural tourism destinations in Albania

Traditional, popular holiday destinations have many visitors, as well-known destinations, very rich in cultural and natural attractions. Most of them are located near traditional villages, with the highest concentration of tourist attractions. For example, the Korça region is known for the famous Sere-nades, dance and folklore with distinctive costumes. There are excellent handicrafts and local specialties like handmade carpets and blankets, knitting and embroidery of Pogradec and felt processing and traditional folk dancing costumes of Dardha, table clothes, as well as earthenware and carvings of Kolonja.


Albania has a rich traditional cuisine with some particular peculiarities at the regional and local levels such as unique fish dishes like the Koran trout from Ohrid Lake, fire-baked pies and Bacori (pie made of corn flour), mulberry and plum spirit drink, honey and different kinds of jam, etc.

Rich agricultural areas are seen as an immense potential for rural tourism, because of the consolidated tradition of living from agricultural land, easy access, most developed services, etc. Recently these areas have been more oriented towards agricultural cultivation, combined with rural tourism development and agritourism, using organic products in support of “slow food” chain. There has been an increased number of agritourism activities established recently in these areas.

Only in Tirana and Durres regions, one can find several successful examples of agritourism development, such as: Uka Farm, agritourism Huqi, Gjepali Farm, etc. Successful stories of agritourism are also the Sotira Farm in Korça region, Mrizi i Zanave in Lezha region that combines the farm with agro-processing units, creatively restored guest rooms and a pioneer slow-food restaurant.

In remote areas rural tourism or any other kind of tourism is limited due to lack of infrastructure and people. Yet, rural tourism has become an integral element of rural economies generating additional employment and income for farmers in small communities, particularly in marginal areas creating entrepreneurship opportunities for small local rural enterprises.

Mountain areas. The territory of Albania has several regions where mountain and rural tourism is well-developed. There is a considerable number of organized tours in mountain areas like in: Theth, Vermosh-Lepushë, Valbonë and Tropojë, Northern Alps, Dibër and Bulpiza, mountain area surrounding Tirana Elbasani and Librazhd, mountain area of Korça Tomorri mountain, Llogara and Karaburun as well mountain area of Gjirokastra and Përmeti.

Recently the combination of nature-based tourism and offering fresh and typical agriculture products and activities with local communities (cooking classes etc.) has become increasingly interesting to international visitors. Albanian Alps are considered as the main destination for mountain tourism in Albania. They are located in northern Albania and cover around 8% of the country’s territory. The cultural heritage and attractions in the Alps area include landscapes, characteristic houses and monuments, as well as dialects, traditional clothes, local customs, legends, traditions and the traditional way of living. The area has several cultural and historical resources, while the family life has always been very important – old traditions and festivities have survived over centuries.

The flow of tourists in the Albanian Alps area has been made possible owing to the initiatives of international donors and organizations making it possible to introduce the model of guesthouses by improving living conditions in the inner area of local traditional houses to host tourists, accompanied by marketing activities for the promotion of the area on the international market.

The initiative for the development of nature and rural tourism, realized with the support of GIZ and the involvement of Thethi village community, resulted in the setup of a guesthouses network and marking of hiking trails in the area, which led to a significant increase in the number of tourists. The brand Peaks of the Balkans, a cross-border trail with Albania, Kosovo* and Montenegro has become internationally acknowledged and is growing more and more popular.

Later on, VIS Albania supported Kelmendi village community to transform private houses into guesthouses, as well as other investments for the clearance of about 20 pathways and instalment of the necessary tourist signage. VIS Albania realized trainings for every aspect of community life, such as hygiene, environmental protection, first aid, trainings for tourist guides, as well as to explain how to organize meals, how to share and use ingredients, and how to create good quality natural food products at low prices. There are a lot of other interventions from the GoA and international donors supporting the development of tourism in mountain areas.

On the other hand, the region of Albanian Alps has come under pressure of high demand for its use and utilization of its resources. In certain parts of the Alps, tourist activities are damaging the fragile
balance of mountain ecosystems. If this pressure is not controlled and timely reversed, it risks producing unsustainable development and irreversibly destroying natural resources, the very specific ecosystems of the region, and presents a danger of continuous degradation of rural and natural landscapes.

**Protected Areas.** According to the National Strategy of Protected Areas, 2015 – 2020, the Protected Areas in Albania are transformed into territories for the conservation and protection of nature and biodiversity, promoting a multitude of other values (tourism/recreational, cultural, gastronomic, health, spiritual, etc.), by supporting sustainable development and positively affecting local communities.

In Albania there is a system of protected environmental zones, which cover over 460,000 ha and extend to over 16% of the country’s territory. There are 15 National Parks in Albania, representing unique national and international values, and in some parts of them, tourism and recreation are allowed.

Some of them like Butrinti National Park, Llogora National Park, Divjaka-Karavasta National Park and Thethi National Park are well known and frequented by tourists, but at the same time they are exposed to a high environmental risk.

There are also some nature reserves and protected landscapes, with the highest natural values and biodiversity in the country.

The Canyon of Gjipe, for example, is a bay and calcareous canyon located between Dhermi and Vuno carved by the Ionian Sea in Vlore County. The canyon extends over a length of 800 metres (2,600 ft) and a width that varies between 10 (33 ft) and 20 metres (66 ft). It represents a narrow strait, created by the activity of the brook flowing through its narrow pass. There are numerous rock formations along the canyon, including a number of caves.

These last years (after the creation of Environmental Protection Administrations), visitors (tourists), who are part of the visits and hikes in Albanian nature, have in most cases the proper information about being in the territories of protected environmental zones. Due to the creation of Regional Administrations of Protected Areas (RAPAs), the number of staff in various environmental institutions at the regional level are not sufficient.

Efforts to enhance the use of IT tools and methods in data collection and processing have been invested (e.g. an online PRTR reporting tool was established). Efforts have been invested also to enhance the equipment, although it remains insufficient, especially for environmental and forestry inspectors at regional level and for rangers in the RAPAs.

Training activities are taking place, but a comprehensive and systematic approach is lacking. The development of ecotourism is a must in National Parks.

Even though protected areas offer great potential for rural and ecotourism development, a better law enforcement is needed, controlling and stopping illegal activities, as well as better education and management.

Some regions represent good examples for successful tourism development, based on cooperation between local authorities and businesses in consolidating rural tourism development efforts, e.g. Prespa Lakes, with the creation of a transboundary National Park, and hiking system around the mountain villages of Voskopoja, Vithkuq and Dardha.

**Areas near the coast**

Rural areas near the seaside also have great potential for attracting tourists by providing on-farm tourism activities and facilities for leisure and recreation, e.g. in the region of Vlora, focused on integrating seaside tourism with agritourism, rural tourism and cultural tourism.

On the coastline, this service is mainly provided by the local population, making this tourism even more attractive, in times when the development of other economic sectors in rural areas has lower chances to be implemented. In economic terms, this kind of tourism is promising, because it achieves direct income distribution to the local population.

Local agricultural products, produced and processed in the surroundings of the coastline, are served for who stay not only at the seaside. The elements that

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72 https://www.giz.de/de/downloads/Alpet_Final_Eng.pdf
must be combined in rural tourism activities include traditional domestic foods, wineries, diverse marine products and attractions, and work on the farm. Surrounding areas also serve as points for the development of agricultural clusters and for the provision of services and accommodation units.

The Integrated Inter-Sectoral Plan for the Coastal Area aims to increase the accessibility of these territories, develop professional education in agriculture and agrotourism, provide incentives for developing the land, etc. The stakeholders participating in the monitoring process of the implementation of the Integrated Cross-sectoral Plan for the Coastal Area shall be the sectors involved in the constitution of objectives, policies and projects, local government units located within the territory covered by the coastline, as well as the National Territorial Planning Agency, as the coordinator of the process and the party responsible for the process in its entirety.

Rural areas with small historic towns

Rural areas with small historic towns with rich historical, cultural, ethnographic and architectural heritage values constitute a firm base for tourism development. The development of rural tourism in some areas is combined with cultural heritage based on the UNESCO World Heritage Sites, such as the Butrinti archaeological park, Berat, Gjirokastra, etc. Focusing on a number of pilot cultural heritage sites, and other local destination assets, aims at supporting target territories in using their potential to attract visitors and at raising the quality of the tourism offer.

Main factors for rural tourism development in Albania

Albania is estimated as a country with a relatively high potential (2.9 of 5) for rural tourism development. Its natural factor is marked 3.7, human resources 2.8 and capital 2.3.

Natural factors

Climate in Albania is very diverse due to its geographical position, altitude above sea level and mainly due to the hilly and mountainous relief. The entire territory is divided into four climatic zones, but the Mediterranean and subtropical climate are the main ones. The climate significantly affects the biodiversity of the country. It is worth mentioning that Albania enjoys over 300 days of sunshine throughout the year. During the summer and autumn seasons, the sun shines for over 11 hours a day, which makes it possible to develop nature and rural tourism the whole year round.

Albania is very rich in biodiversity, both fauna and flora conducive to ecotourism development. The wild Albanian nature is attractive to many foreigners. It features lowlands in the west, hills and mountains in the central part of the country, and high mountains covered by forests in the north, east and south, with a great potential for attracting tourism. Fresh foods of the wonderful Albanian nature have developed over the centuries a palate and love for good food among its people, who have perfected the local culinary traditions.

<table>
<thead>
<tr>
<th>Natural Factors</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>1. Climate</td>
<td>3.5</td>
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<tr>
<td>2. Agro-Biodiversity</td>
<td>4.5</td>
</tr>
<tr>
<td>3. Albanian Alps</td>
<td>4.5</td>
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<tr>
<td>4. The coastal belt</td>
<td>4.2</td>
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<tr>
<td>5. Butrinti National Park</td>
<td>4</td>
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<td>6. Thethi National Park</td>
<td>3.8</td>
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<tr>
<td>7. Dajti Mountain</td>
<td>3.5</td>
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<tr>
<td>8. Lura lakes</td>
<td>2.5</td>
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<tr>
<td>9. Belshi lakes</td>
<td>3.5</td>
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<tr>
<td>10. Ohrid-Prespa lakes</td>
<td>3.5</td>
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<tr>
<td>11. Shkodra lake</td>
<td>2.5</td>
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<tr>
<td>12. Gashi river valley</td>
<td>4</td>
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<tr>
<td>13. Valbona valley</td>
<td>4.2</td>
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<tr>
<td>14. Divjaka-Karavasta National Park</td>
<td>3.5</td>
</tr>
<tr>
<td>15. Osumi Canyons</td>
<td>4</td>
</tr>
<tr>
<td>16. Voskopojë, Vithkuqi and Dardha mountain</td>
<td>4.2</td>
</tr>
<tr>
<td>17. River flows and their buffer zones</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.7</strong></td>
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Albanian forests and remote areas of the mountains host some of the large mammals, such as the brown bear, the grey wolf and the lynx. The golden eagle and other birds of prey are still numerous: 338 species of animals and 308 species of plants are protected.

As mentioned above, Albania has 15 National Parks and there are also some nature reserves and protected landscapes, with the highest natural values and biodiversity in the country.

The Albanian Alps comprise a mosaic of ecosystems. In addition to high peaks and dense forests, natural caves (karst caves are a relatively unknown and unexplored part of the Alps), form a unique habitat in this area. Horizontal or vertical, big or small, caves are an opportunity for great adventure, if you follow the safety rules.

Albania has also enough resources for renewable energy production, solar, hydro and thermal. Albanian Government has been focusing on the diversification of its energy supply and the promotion of other renewable energy resources, such as biomass, solar energy and wind energy. According to the Renewable Sources (RES) Policy, as the feed-in tariff scheme, it will be expected that the share of energy from renewable sources grows towards the target set for 2020 (38%).

Total average assessment of the natural factors in the Albania is 3.7 showing a great potential for tourism and high attractiveness of natural factors.

Human resources

Albania’s Human Development Index (HDI) value for 2018 was 0.791 (above the average of 0.750 for countries in the high human development group and above the average of 0.779 for countries in Europe and Central Asia), which puts the country in the high human development category. The HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.

Albania still faces a low educational attainment rate, which markedly varies across regions and income groups. The dimension “knowledge”, which is one of the three dimensions of the UNDP HDI, and operationalized by the Education Index, shows regional differences despite overall continuous improvements since 2002. Tirana has the highest education index followed by the Coast Region, the Central Region and the Mountain Region.

The data for the assessment of the criteria of human resources is lacking specific information, other than unemployment rates, which are not specific enough to make a representative assessment of the criteria. The same applies to the availability of own financial resources. The population in rural areas is considered mostly self-employed.

Vocational education and training in Albania does not yet cover the entire country and is not provided in the same manner everywhere. Several interventions have been done by the academia, extension services and donor projects offering training and capacity building for the rural tourism sector, but still many areas, especially rural ones, are very far from outreaching and providing opportunities to the younger generation in specific sectors. Simultaneously, there is a large share of youth in rural areas, with strong motivation to improve the quality of life and income, and a strong sense of hospitality.

Despite the significant changes we have seen in recent years (return of emigrants with experience in rural activities and some financial resources, increased interest to invest in the quality of rural tourism, technical and financial support offered by the government and donors), there are still a lot of issues identified like the following:

- There is still need for qualified labour force in rural areas, especially in rural tourism
- Uncontrolled demographic movements and the phenomenon of human resources reduction in rural areas
- Vocational training system not reflecting market demands
- Low level of hygiene and food safety standards
- Lack of entrepreneurial skills for the development and management of tourism products/infrastructure
- Technology and equipment levels have been up-

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76 Renewable Energy, Albanian National Agency of Natural Resources
77 http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/ALB.pdf
graded over the past years, but they need further improvement (no country-wide access to the Internet).

- Salary levels remain low compared to other sectors.

Regarding cultural traditions there is a great diversity in rural areas, and Albanian hospitality is also considered as a strong element.

The final assessment of human resources in Albania is rated 2.8.

**Capital factors**

Despite the fact that the investments in rural areas are increasing rapidly, especially in agritourism, the financial factors are not at the proper level, because there is insufficient private capital, foreign investments are insignificant, there are difficulties in obtaining loans from banks and cooperation with all financial institutions (domestic and foreign) is low. There are some governmental and donor funds aimed for credit facilities in rural development, including rural tourism, but the majority of small enterprises are not informed about them or not capable to fulfil the conditions to obtain financial means from the funds.

The transport system has experienced significant changes and major growth and expansion in recent years. Improvements to the road infrastructure, urban transport and air travel have all led to a vast improvement in transportation. These upgrades have played a key role in supporting Albania’s tourism industry. The most important and only international airport of the country is the Tirana International. It is considered a very important factor for connecting the country with the rest of the world, as well the main ports in Durres and Vlora. GNP prioritizes the construction of a third international airport southward, other than the one of Tirana and Kukes. This airport would make the southern access gate of Albania more accessible and competitive in the region in terms of economic development in the field of tourism and beyond.

<table>
<thead>
<tr>
<th>Capital Factors</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>Financial access</td>
<td>2.5</td>
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<tr>
<td>Foreign investment</td>
<td>2</td>
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<tr>
<td>Air infrastructure</td>
<td>3</td>
</tr>
<tr>
<td>Road infrastructure</td>
<td>2.5</td>
</tr>
<tr>
<td>Rail infrastructure</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.3</strong></td>
</tr>
</tbody>
</table>

The railway system is quite old and degraded. Over the last several years the government has invested in national highways running East-West and North-South.

The GoA encourages cleaner and more efficient vehicles; promotes environmentally friendly transport; intelligent transport systems; roundabouts and the implementation of by-passes on national roads as well as in rural areas.

However, there are not enough of these investments and the quality of existing roads makes travel slow and difficult. A significant problem is the difficult accessibility of some rural areas with potential for tourism due to poor road infrastructure.

Based on the above analysis the final assessment of capital factors in Albania is 2.3.

<table>
<thead>
<tr>
<th>Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural</td>
<td>3.3</td>
</tr>
<tr>
<td>Man-made</td>
<td>3.3</td>
</tr>
<tr>
<td>Cultural</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total (weighted average)</strong></td>
<td><strong>3.3</strong></td>
</tr>
</tbody>
</table>

Main attractors of rural tourism

Based on the analysis of the tourism attractions (natural, man-made and cultural elements), the final assessment is 3.3 showing a great potential for development of the tourism sector.
### Natural attractors

<table>
<thead>
<tr>
<th>Natural Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fir of Hotova National Park</td>
<td>4.5</td>
</tr>
<tr>
<td>Tomorri mountain</td>
<td>4.2</td>
</tr>
<tr>
<td>Drini River valley</td>
<td>4</td>
</tr>
<tr>
<td>Karst caves in Alps</td>
<td>3.7</td>
</tr>
<tr>
<td>Shebenik-Jabllanice National Park</td>
<td>3.5</td>
</tr>
<tr>
<td>Canyons of Benja and Lengarica</td>
<td>3</td>
</tr>
<tr>
<td>Lura lakes</td>
<td>2.5</td>
</tr>
<tr>
<td>Grunas waterfall</td>
<td>2.5</td>
</tr>
<tr>
<td>Karaburun-Sazan National Marine Park</td>
<td>3</td>
</tr>
<tr>
<td>Prespa National Park</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.3</strong></td>
</tr>
</tbody>
</table>

Albania is included in the list of countries with great natural, historic and cultural heritage potential. There are 799 Albanian protected areas, which include 15 national parks, 5 protected landscape areas, 29 nature reserves, 4 protected resource areas and 750 nature monuments. The National Parks cover a surface area of 210,668 hectares or roughly 13.65% of the overall territory. The nation hosts also 8 archaeological parks covering a surface area of 1,120 hectares. The largest National Park in Albania is the Fir of Hotova National Park, covering a surface area of 34,361 hectares, and having the largest area of Bulgarian Fir in the Balkans. Other large National Parks include, Karaburun-Sazan National Marine Park, Divjaka-Karavasta National Park, Prespa National Park, Shebenik-Jabllanice National Park, and others, as a great potential for sustainable tourism development. Some of them are listed as natural attractors, as well as canyons, waterfalls, mountains, caves, etc. that have great potential for tourism development.

Diversity of inherited cultural, ethnographic, gastronomic wealth and landscaping represents potential and enables the development of rural tourism, ecotourism and cultural tourism. Also, it enables cross-border cooperation between units that are part of the Park through harmonization of tourism development plans and cross-border itineraries.

The assessment of natural attractors is 3.3.

### Man-made attractors

<table>
<thead>
<tr>
<th>Man-made Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional cuisine restaurants</td>
<td>4</td>
</tr>
<tr>
<td>Handcraft shops</td>
<td>2.5</td>
</tr>
<tr>
<td>Benja Thermal Baths in Permet</td>
<td>3</td>
</tr>
<tr>
<td>Rafting in Osumi and Vjosa river</td>
<td>3.5</td>
</tr>
<tr>
<td>Local production incubators</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.3</strong></td>
</tr>
</tbody>
</table>

Rural areas in Albania offer possibilities for the development of rural tourism, ecotourism and nature-based activities (river rafting, paragliding, mountain biking, fishing, trekking, climbing, hiking, horseback riding, etc.). These activities are well connected with other elements like restaurants, fairs of typical products and handicrafts and other agri-tourism facilities. The activities, and more engaging activities with guests, should be increased to make rural areas more attractive for tourists.

There are initiatives to develop recreational and leisure tourism in rural areas, which are near to urban centres as well, relying on the increasing interest of urban population in combined experience of nature, rural life and traditional food.

The Ministry of Agriculture has also provided support for setting up production incubators and the network of retailer of traditional products, related to the development of rural tourism.

The assessment of man-made attractors is 3.3.

### Cultural attractors

<table>
<thead>
<tr>
<th>Cultural Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollonia archaeological park</td>
<td>3.5</td>
</tr>
<tr>
<td>UNESCO WH Site Berat</td>
<td>4.3</td>
</tr>
<tr>
<td>UNESCO WH Site Gjirokastra</td>
<td>4.3</td>
</tr>
<tr>
<td>UNESCO WH Site Butrinti</td>
<td>4.3</td>
</tr>
<tr>
<td>The Miss Bjeshka festival in Vermosh</td>
<td>3</td>
</tr>
<tr>
<td>Folklore festival in Gjirokastra</td>
<td>3.5</td>
</tr>
<tr>
<td>Folk Festival Logu i Bjeshkeve</td>
<td>2.5</td>
</tr>
<tr>
<td>Bylis Archaeological Park</td>
<td>2.5</td>
</tr>
<tr>
<td>Rozafa Castle</td>
<td>3</td>
</tr>
<tr>
<td>Summer Day on 14 March (Elbasan town)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.4</strong></td>
</tr>
</tbody>
</table>
There are about 2,000 cultural monuments, of which three – Berat, Gjirokastra and Butrint – are part of the UNESCO World Heritage. Even archaeological parks like Apollonia, Bylis, Amantia, etc., represent a significant potential for tourism offer.

The cultural attractors are scored 3.4, showing that rural tourism with a strong link to cultural heritage and other related activities has good potential for development both for domestic and foreign markets.

Status of services

Hospitality

<table>
<thead>
<tr>
<th>Service</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>2.5</td>
</tr>
<tr>
<td>Restaurants</td>
<td>3.0</td>
</tr>
<tr>
<td>Total hospitality</td>
<td>2.7</td>
</tr>
</tbody>
</table>

According to some studies only approx. 10% of the total arrivals stayed in hotels in 2015, while the rate in 2000 was nearly 50%. It means that alternative accommodations, e.g. rural accommodations, as well as other type of accommodations are getting more and more importance.

In some regions, investments in accommodation facilities have been made, ranging from reconstruction of traditional houses with little improvements of sanitary conditions to newly built structures. Investments in traditional buildings have a strong advantage of preserving the heritage and improving the overall attractiveness of the area, as many old buildings are neglected or abandoned.

Rural areas are rich with bars and restaurants offering typical and organic foods, traditional dishes, but still the hygienic and food safety standards need to be improved. There are young people with foreign language skills, which makes communication for tourists much easier.

The overall rating for hospitality is 2.7.

Transport

Whilst the main transportation system though airports, ports and main ports has significantly improved, difficult access to some rural areas with potential for tourism due to poor road infrastructure remains a serious concern and the rating is 2.

Complementary services

Several tourist guides have been published by different donor projects and agencies, and tour guides have also been trained. There are also websites addressing tourism activities, but all this information is mainly located within the projects and specific local units, and it is not easy to find this kind of information.

There are several Albanian tour operators offering quality tours on exploring Albanian nature and other activities like diving, kayaking, climbing, canyoning, trekking, hiking, ski touring, cycling, as well as cultural tours.

<table>
<thead>
<tr>
<th>Complementary services</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information assistance (tourist guide, website, info centres)</td>
<td>2.0</td>
</tr>
<tr>
<td>Security and health</td>
<td>2.5</td>
</tr>
<tr>
<td>Organization of destinations</td>
<td>1.5</td>
</tr>
<tr>
<td>Total complementary services</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Supports

<table>
<thead>
<tr>
<th>Service</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitality</td>
<td>2.7</td>
</tr>
<tr>
<td>Transport</td>
<td>2</td>
</tr>
<tr>
<td>Complementary services</td>
<td>1.9</td>
</tr>
<tr>
<td>Total (average)</td>
<td>2.2</td>
</tr>
</tbody>
</table>

In general, Albania is considered a safe country for all visitors. Based on the Adventure Travel Development Index (ATDI) for 2018, Albania is ranked 99 out of 197 countries included, for the Security and Safety category (scoring 5.10 – min being 1.06 and max. 8.39). Healthcare is offered around the country, but still emergency medical services are very limited.

The average rating of Supports factors, including hospitality, transport and complementary services is 2.2.

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78 Adventure Travel development Index 2018
B.1.3.2. Strategic framework and programmes

National context

The main policy document of Albanian Government is the reviewed National Strategy for Development and Integration (NSDI II) 2015-2020. NSDI supports the sustainable socio-economic development of Albania and the EU integration process.

According to the content in the agriculture and rural development subchapter the challenges in this sector include: a) foster a viable, high quality food production by developing a competitive and innovative agro-food sector, b) sustainable management of natural resources and c) balanced territorial development of rural areas, promoting diversified economic activity, creation of jobs, social inclusion, and improved living conditions.

According to the content in the tourism subchapter the challenges in this sector include:

a) improve the image of tourism through enhanced promotion and marketing; b) perfect the certification system and standards in order to increase the quality, as well as human capacity building to improve tourism services; c) improve the climate business and encourage private investment; d) organize data collection and analysis at local, regional and national level according to international standards.

Other key strategic documents guiding the development agenda and integration processes are the National Programme for European Integration (NPEI) and the Action Plan for the alignment toward Agenda 2030 of Sustainable Development Goals (SDGs). The NPEI is primarily focused on setting forward the activities and measures that need to be taken in order to approximate and harmonize the national legal with the EU legislation, whereas the SDGs are the key goals for sustainable development set forward by UN and need to be met by 2030. Albania is making great efforts to adopt this Agenda its main reference for development policies and programmes at national level.

The Strategy of Tourism Development in Albania for 2019-2023, is recently approved.

According to the strategic direction of nature and rural tourism for 2019-2023, the main economic objectives are:

- Increase the contribution of nature and rural tourism in economic impact;
- Nature and rural tourism contribute to poverty reduction and revenue growth in different destinations of the country.

Regarding the abovementioned strategies, their aim is to sustain and develop sustainable agriculture and rural tourism, to develop necessary infrastructure as well as to widen the supply of tourism services.

The main policy document for agriculture and rural development is the Inter-sectoral Strategy for Agriculture and Rural Development (ISARD) for 2014-2020.

One of the priorities of the strategy is: balanced territorial development of rural areas promoting social inclusion, poverty reduction and balanced economic development in rural areas. The objective is to achieve a balanced territorial development of rural areas by fostering diversification of economic activities, job creation and social inclusion, and improving living conditions in rural areas.

The ISARD 2014-2020 is transposed in the National Plan for European Integration 2016-2020, which highlights the medium-term objectives for the development of agriculture and rural areas in Albania. The annual action plan, in-line with the ISARD 2014-2020, provides the legal basis for setting-up the national support schemes by highlighting specific measures available to the agricultural sector in a given year. The financial allocation for support schemes defined in the annual action plan is provided by the annual budgeting programme and is enforced by the decisions of the Council of Ministers. Regarding IPARD pre-accession Programme, the IPARD II Programme was adopted by the Government of Albania and approved by the European Commission (EC) in July 2015, and subsequently it was ratified by the Albanian Parliament in March 2016. IPARD Operating structure (Managing Authority) and the Agricultural and Rural Development Agency (ARDA; the Paying Agency) is recently accredited by the EU.

The Management Authority within the Ministry of Agriculture Rural Development is responsible for preparation of IPARD II programme.
The IPARD II is launched at the end of in 2018. The main scheme to support rural/farm tourism in Albania is the IPARD Programme 2014-2020 through the Measure 7, “Farm Diversification and Business Development”.

The general objective of the measure is to foster employment by creation of new and maintaining the existing jobs through the development of business activities, thus raising the economic activity level of rural areas, increasing directly the farming households’ income and reversing rural depopulation and contributing to a better territorial balance, both in economic and social terms.

The specific objectives of the measure are to encourage creation, diversification and development of rural activities through support for investments in farm diversification and development of non-agricultural activities in the following sectors:

- Production of Medicinal and Aromatic plants, mushrooms, honey, ornamental plants and snails
- On-farm processing and direct marketing of agricultural products
- Processing and marketing of wild or cultivated MAPs, mushrooms and honey
- Aquaculture
- Nature and rural tourism
- Services for rural population and business
- Handcrafts and manufacturing industry and
- Renewable energy production

More specifically for the Nature and Rural tourism the eligible investments are: Construction and/or reconstruction of houses and buildings in traditional style to be used for tourism-related activities and for serving as touristic attractions and related equipment; Construction and/or reconstruction of facilities and supply of equipment for sport and other recreational activities.

Requirements/criteria for investments within Measure 7 are: Must be located in rural areas, compliant with the relevant national standards, and compliant with the requirements of the management plans of nature or cultural heritage protected areas. investments in rural tourism—regarding the public health standards. A pre-assessment at application stage would be needed in case of constructions, to prevent issues in case there are specific requirements to be considered in the design which cannot be modified later on.

**For nature and rural tourism sector:**

Investments in accommodation facilities are limited to up to 40 beds in total. Investments in tourist accommodation are limited to construction and/or reconstruction of houses and buildings in a traditional style.

Investments in rural tourism accommodation facilities the national standards for public health will be confirmed by the relevant technical body, in case food is prepared and served in these facilities.

In November 2017, Government of Albania launched the “The 100 Villages Programme”, as an approach to advance tourism and rural development. In the Cross-cutting Strategy for Rural and Agricultural Development 2014-2020, the following additions are added (2018):

**Integrated Programme for Rural Development (IPRD) – “The 100 Villages Programme”**

For the management of the Integrated Programme for Rural Development – “The 100 Villages Programme”, an Inter-Ministerial Committee is established, and it is composed by the Minister of Agriculture and Rural Development, Minister of Tourism and Environment, Minister of Infrastructure and Energy and the Minister of Culture.

The Integrated Rural Development Programme will coordinate the interventions through integrated investments projects within the defined 100 villages’ area through three objectives:

- Improvement of public infrastructure- (Increase the support of the rural roads infrastructure, revitalize public/urban spaces, community and environmental infrastructure, rehabilitation of natural environment, establishment of multi-functional community centres, etc.).
- Economic Development through diversified economic activities- (Improvement and utiliza-
tion of touristic potentials, improve agrotourism business facilities, rural tourism, increase investments for the small-scale production infrastructure (incubators) of traditional products, support branding and marketing business activities, improve the financial and trade services supplies to the farmers, support local/rural fair and recreational activities, etc).

- Development of human and social capital—(Support for the development of rural networks, local action groups, civil society in rural areas, provide support for the preservation of cultural heritage, different vocational training for women and youth and promotion of rural lifestyle and traditions, etc.).

Three strategic projects have been identified:

- **Establishment of the Albanian agritourism network**
  The financial and fiscal support for the creation of an agritourism farms network that meet the appropriate standards. More employment opportunities in rural areas, the establishment of a destination and an exclusive “brand” of agrotourism in Albania, along with other touristic offers as well as the preservation of the cultural heritage and the traditional Albanian village.
  “The 100 Villages Programme” will also try to give support for approximately 27 agritourism farms and 150 guesthouses and will receive support for the improvement of farms and livestock houses which will lead to improved agritourism and rural tourism.

- **Incubator networks for traditional products**
  It will serve as ready-made infrastructure for the whole value chain, including storage facilities and production equipment, packaging and marketing networks, standardization and certification support and appropriate retail sale space.

- **Markets and retail store networks of Albanian traditional products**
  In relation to the last chain of the whole value chain (sales), the purpose of this programme is to create a network of brand shops that will become specialized particularly with the trade of Albanian products.

One hundred villages across the country have been selected, characterized by a strong identity and potential for local development, including tourism whether cultural, nature, wellness or agrotourism; expanding markets and local products; and supporting local development and employment opportunities.

Many local resources and features can be built upon, including, local and traditional agro-food and handicraft productions, cultural heritage and traditional festivities, proximity to important natural resources and reputation as rural tourism destinations. However, to fully capitalise on the potential of the 100 Villages, a revamped Tourism Master Plan and Action Plan will need to be developed with an aim of diversification and increasing competitiveness of these villages and surrounding areas. Understanding the competitive resources, added value and consolidating the brand to be offered is central to this process. To this end specific areas and zones will need to be defined around the 100 Villages which will be the foci around which sustainable rural and agricultural development will take place. This will strengthen the area and zone, as well as strengthen the brand being offered by each area or zone. Using the potential of these villages is intended as a pull factor for the development of neighbouring rural areas, having these villages as a nucleus and a pivot for wider integrated rural development initiatives.

**Regional context**

Several strategic plans, documents and practices on tourism development exist regarding nature/rural tourism at regional and local level, prepared by the local governmental units with the support of international implementing partners. Many of them are not updated and not functional.

But, as happens generally in Albanian administration, the institutional experience and memory is related to the physical presence of the employees there and the support of different projects. Usually, no trace of memory and archive is left once they leave the institution or the projects end. Some of them (at regional level) are listed below:
• Tourism Strategy for the Korça Region
• Strategy of Tourism for Berati Region
• Kukes Region Tourism Strategy and Action Plan
• Baseline Study and Strategic Plan Cross Border Region Prokletije Bëshkët e Nemuna.
• Baseline Study and Strategic Plan for development of Sharr Mountain Region
• Baseline Study and Strategic Plan for development of Prespa Region
• Regional Strategy for Sustainable Tourism Development with Special Accent on Ecotourism and its Development Opportunities in the Prespa Region – 2004; Resource Environmental Centre for Central and Eastern Europe
• Strategic Document for Ecotourism Development in the Albanian Alps

**Local context**

As mentioned above, there are also General Local Plans at the municipality level (some of them are still under preparation) including tourism sector a part of local development.

Some other municipalities have more specific strategies and action plans focused on tourism, like:

• Tourism Action Plan for Puke Area
• Strategy of Tourism Development in the Deshati Mountain Region
• Tourism Action Plans for Erseka area, Korça area, and Pogradec area.
• Strategy for Tourism development in Dropulli municipality, etc.

**B.1.3.3. Actions and measures**

**Direct financial support**

Over the last decade, there has been significant support for nature and rural tourism development. There are also several international implementing agencies and organizations active in tourism, regional and local development, as already mentioned above. The support has been oriented towards guesthouse renovation, instalment of the necessary tourist signage, etc.

To date, ARDA has implemented two large financing schemes:

- The national financing schemes, aiming at subsidizing the financing needs of farmers to boost production of agricultural products and/or invest in agricultural infrastructure. The scheme addresses the increase in competitiveness of agriproducts and the strengthening of the value chain by bringing farmers closer to the market. Only for 2018 the financing scheme amounted approximately to 13 million EUR.

- IPARD II, which is the EU financial support to the strategic development of agriculture in the pre-accession phase for candidate countries. For the period 2014-2020, IPARD-like and IPARD II funds amounted to 93 Million EUR.

Grants and subsidies through national and international funds are a welcome opportunity for companies that operate in rural tourism sector and farmers, who consider them as an opportunity to increase their capacities, update technology and mostly, to improve their products and food safety.

Albania has gained a lot of experience in granting funds for agriculture, in order to stimulate the competitiveness of farms, based on investments for upgrading technology and implementing environmental methods. Funds for agriculture managed by ARDA have increased dynamically in the last five years. Positive steps have also been taken in establishing management structures.

The funds that could be applied for were not too large; they varied between 200,000 and 1,500,000 ALL on average and covered several agricultural
sub-sectors: livestock, aquaculture, fruits and nuts growing, olives and vineyards, vegetable production in protected areas (green houses), production of organic products and their certification, establishment or reconstruction of facilities for rural tourism activities, etc.

The National Support Scheme included support to agritourism and rural tourism for the first time in 2018.

Table B1-1. Investments supported by state funds in 2018

<table>
<thead>
<tr>
<th>No</th>
<th>Supported measures</th>
<th>No. of applications</th>
<th>Allocated budget (disbursed) (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Support for the establishment or reconstruction of rural tourism</td>
<td>4</td>
<td>44,890</td>
</tr>
<tr>
<td>2</td>
<td>Support for investment in agritourism</td>
<td>13</td>
<td>602,662</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>17</td>
<td>647,555</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture and Rural development, Albania

The same scheme for 2019 also contained a small fund (20,000,000 ALL or approximately 160,000 EUR) to support investments in guesthouses (bujtona) and agritourism.

The main scheme to support rural/farm tourism in Albania is the IPARD Programme 2014-2020 through Measure 7, Farm Diversification and Business Development (nature and rural tourism sector).

Funds available for this measure are 14,666,667 EUR (75% EU contribution and 25% GoA contribution).

Under Measure 7, the total eligible expenditures for which a grant may be requested must fall between the following minimum and maximum amounts:

- minimum amount: EUR 10,000
- maximum amount: EUR 400,000

Aid intensity is up to 65% of the total eligible cost of the investment.

The eligible investments on Nature and Rural Tourism are:

- Construction and/or reconstruction of houses and buildings in traditional style to be used for tourism-related activities and for serving as touristic attractions and related equipment
- Construction and/or reconstruction of facilities and supply of equipment for sport and other recreational activities

There are some preliminary statistics on the number of beneficiaries, and the evaluation process for the applications is still in process. There are 64 applications (out of 317 in total) under Measure 7: Farm Diversification and Business Development, and among them 32 applications related to Nature and Rural Tourism with a total budget (requested) of 5,538,668 Euro. Right now there are eight contracts signed with a total allocated budget of approximately 2,36 million EUR.

**Direct technical support**

The support of international donors, institutions and organizations has been quite substantial during the years in regard to tourism development in rural areas. They have supported the preparation of tourism management strategies and action plans, as well as marketing and promotion.

Sponsoring of training, management, improvement of service quality (waiters, chefs, cleaners), traditional food/drink, trainings for tour guides, etc. has been also a continuous part of different donor projects.

Extension services have been quite weak in rural tourism development. The main problems faced by the public extension services are the limited number of extension specialists and their engagement with a lot of tasks outside their specific field; insufficient financial support in the form of investment in agricultural information centres; limited capacities in farm management, marketing and business planning, and in providing support and technical assistance to off-farm subsectors as well as the low/insufficient outreach, especially in mountainous/remote areas.
Indirect support

Several infrastructure interventions have been funded throughout the years on construction/rehabilitation of rural roads and irrigation schemes by a Mountain Area Development Agency (MADA), International Fund for Agriculture Development (IFAD) and GoA-funded programme, as well as the Albanian Development Fund.

Some small grant programmes have contributed to improvement of the environment and tourism infrastructure in the area like the cleaning project for a waste-free Thethi, solar panel lighting project, etc.

The national scheme for 2018 also provided support for setting up production incubators and a network of retailers of traditional products, related to the development of rural tourism.

Incentives for agritourism as a growing industry have been recently introduced into the Albanian legislation.79

1. VAT reduction for certified accommodation structures as ‘agribusiness subjects’ from 20% to 6%. The reduced VAT rate has been applied from 1 January 2019 for the provision of accommodation and restaurant services (except for beverages), in the structures certified according to the DCM criteria No. 22 of 12 January 2018. One of the main criteria for certifying an ‘agritourism subject’ is that they should have accommodation capacities between 6 and 30 rooms.

2. Profit tax will decrease from 15% to 5%. This amendment entered into force on 1 January 2019 for certified taxpayers as agritourism entities.

3. Exclusion from the impact tax on infrastructure for ‘agritourism subjects’ who will make investments for the purpose of their activity. This measure entered into force on 1 January 2019.80

Public opinion on available support for rural tourism

Rural tourism development is generally perceived as an important contribution to the creation of new jobs, keeping jobs for the population and increasing their interest to stay in that region and creating new business opportunities. Rural tourism also provides more opportunities for youth in rural areas and motivates them to stay rather than leave the area and make their living in urban areas or abroad.

The people investing in rural tourism recognize its pivotal role as a catalyst for the conservation of nature and culture, the revival of rural areas, the valorization of traditional products, and the development of communities. But on the other hand, entities that currently offer rural tourism services face many different problems. The poor road infrastructure in rural areas hampers the development of agriculture and rural tourism.

With regards to financial support by national schemes and the IPARD II Programme, small farmers (mainly located in mountainous and remote rural areas) consider the procedure to access state subsidies or grants complicated, the time it takes to receive these funds long, and existing bureaucratic procedures to be able to obtain them numerous.

Access to finance is very limited because of high interest rates, as well as other issues like land ownership, viable business plans and informality in declaring financial indicators (profit and cash flows) as the main constraints to accessing financial resources.

According to Albania Investment Council81 “although Albania has significant potential for tourism development across the country, it faces challenges associated with lack of coordination, planning and undisciplined development of rural tourism. The competitiveness of the sector is weakened by the lack of well-defined rules and regulations for tourism activities, the absence of any form of classification, licensing, certification or monitoring systems enabling higher standards and quality in the sector, and unfair competition due to high level of informality. Having competitive neighbours, high air transport prices, lack of accommodation facilities with large capacities and harmonized standards compared with countries in the region, puts more emphasis on the needs to systematically address sectoral competitiveness aspects.”

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79 Law No. 40/2018 of 09 July 2018 on amendments to the Law No. 92/2014 on VAT (amended
80 Law No. 41/2018 of 09 July 2018 on amendments to the Law No. 9632 of 30 October 2006 on Local Taxes System, amended Act 27)
There are often corrupt practices of doing business and informality, unregistered economic activities, within the sector.

According to interviews with some tourists in the area of Shkodra region, despite their overall satisfaction, they emphasize the importance of more quality-oriented services and diversity of traditional dishes in small restaurants. Travellers in pristine mountain areas are looking for specific products from the area and are even ready to pay high prices for them. Poor waste management is another issue disturbing them.

There are some NGOs operating in agriculture and rural development that have implemented small projects to meet rural tourism development objectives, such as the valorization of traditional products and rural diversity through tourism and the creation of links between organic product chains and tourism. All of them depend on external funds and projects, which, unfortunately, often remain fragmented and unstable. According to project leaders, initiatives are only successful as long as external experts manage them, and the community has difficulty in taking responsibility and accountability beyond the project lifetime.

This SWOT analysis is used for the assessment of strengths, weaknesses, opportunities and threats for rural tourism in Albania, based on service providers’ opinions, as well as other stakeholder groups like tourism organizations, NGOs, representative agencies and suppliers of food and services.

Table B1-2. SWOT analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Extraordinary landscape for rural tourism</td>
<td>- Low financial resources for investments lead to low quality of production/services</td>
</tr>
<tr>
<td>- The rich cultural and historical heritage (UNESCO protected heritage sites)</td>
<td>- Lack of environmental awareness</td>
</tr>
<tr>
<td>- Traditional rural hospitality</td>
<td>- Underdeveloped infrastructure</td>
</tr>
<tr>
<td>- Biodiversity</td>
<td>- Inadequate waste treatment</td>
</tr>
<tr>
<td>- Traditional products</td>
<td>- Migration of population from rural areas</td>
</tr>
<tr>
<td>- Strong private initiative in agritourism</td>
<td>- Low educational level and lack of qualified labour force</td>
</tr>
<tr>
<td>- Foreign language skills due to extensive experience of work abroad</td>
<td>- Lack of knowledge in standards</td>
</tr>
<tr>
<td>- Awareness of the need for joint development and cooperation on regional level</td>
<td>- Lack of public sector-driven professional tourism management on local level</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Continuous global growth of demand for undiscovered and emerging destinations</td>
<td>- Land title ownership not resolved</td>
</tr>
<tr>
<td>- Economic diversification</td>
<td>- Competition in the domestic and regional markets</td>
</tr>
<tr>
<td>- Organic and traditionally prepared food</td>
<td>- Informality</td>
</tr>
<tr>
<td>- Cross-border cooperation projects</td>
<td>- Inadequate use of natural resources/ environmental damage</td>
</tr>
<tr>
<td>- IPARD funds</td>
<td>- Low level of food safety and hygiene standards</td>
</tr>
<tr>
<td>- National schemes/financial support</td>
<td>- Insufficient availability of financial resources</td>
</tr>
<tr>
<td>- Upcoming credit facilitation schemes</td>
<td>- Low access to grant schemes for small farmers (mainly located in mountainous and remote rural areas) because of complicated procedures</td>
</tr>
<tr>
<td>- Increased national and international demand for rural tourism</td>
<td></td>
</tr>
<tr>
<td>- Presence of donor institutions operating on national and regional level and investing in tourism</td>
<td></td>
</tr>
<tr>
<td>- Existing foreign and national NGO initiatives ready to further invest in tourism and improving tourism experiences</td>
<td></td>
</tr>
</tbody>
</table>
B.1.4 CONCLUDING REMARKS ON RURAL TOURISM DEVELOPMENT STATUS IN ALBANIA

B.1.4.1. Rural tourism definition and typology in the practice of Albania

Today, rural tourism is being discussed widely by government and non-governmental organizations, tour operators, farmers living in potential rural tourism areas, as well as other service providers investing in rural areas.

The only definition of rural tourism in national current legislation is the one provided in the Law 93/2015 on Tourism: *Rural tourism is the tourism activity performed in a rural environment and is oriented towards the use of local tourism resources.*

This is in line with UNWTO definitions that identify Rural Tourism “as a type of tourism activity in which the visitor’s experience is related to a wide range of products generally linked to nature-based activities, agriculture, rural lifestyle/culture, angling and sightseeing”.

Rural tourism activities take place in non-urban (rural) areas with the following characteristics: i) low population density, ii) landscape and land-use dominated by agriculture and forestry and iii) traditional social structure and lifestyle.

B.1.4.2. Estimation of the level of rural tourism development achieved in Albania

The estimation of the level of rural tourism in Albania is done by considering the touristic valorization of rural areas, natural resources, cultural heritage, rural housing, local popular traditions and local products that reflect regional identities and cover the needs of consumers for accommodation, leisure activities and other services.

Rural tourism is viewed as the most important element of diversification of rural economy contributing to a general socio-economic development of rural areas. It is also a new component of the Albanian supply of tourism, providing opportunities for little villages and rural regions of the country.

Natural resources in Albania have been appreciated by many international operators and visitors for the landscape, nature, its beautiful appearance, which are also considered as the strong points for rural tourism development. Total average assessment of the natural factors for rural tourism in Albania is 3.7 reflecting a great potential to host tourists and high attractiveness of natural factors.

Albania’s Human Development Index (HDI) value for 2018 was 0.791 (above the average of 0.750 for countries in the high human development group and above the average of 0.779 for countries in Europe and Central Asia), which puts the country in the high human development category. Despite a strong sense of hospitality of the Albanian people and experience gained through training provided by donor projects, there is still need for qualified labour force in rural areas, especially in rural tourism, better oriented vocational training, higher level of hygiene and food safety standards and better entrepreneurial skills for the development and management of tourism products and infrastructure. The final assessment of human resources in Albania is 2.8.

The assessment of all attractors has been valued at 3.3 reflecting a high potential of the natural, cultural and man-made attractors. Cultural, nature and rural activities are in many cases very well combined. Popular celebrations, folklore and traditional crafts, local specialties and typical food offered are making the rural area more attractive for tourists.

The large number of cultural monuments, rural tourism with a strong link to cultural heritage and other related activities provide good potential for development both for domestic and foreign markets.

Recently, there has been a significant development of rural and mountain tourism, ecotourism, agri-tourism and outdoor activities (rafting, parachuting, cycling, fishing, trekking, mountaineering, hiking,

82  [https://www.unwto.org/rural-mountain-tourism](https://www.unwto.org/rural-mountain-tourism)
horseback riding, etc.)

An increased number of visitors has been noted in protected areas over the last years and demand for outdoor activities has been growing rapidly on the international market.

Whilst rural tourism has great potential, its combination with environmental resources and ecosystem services is still in an embryonic phase.

Even though rural areas provide good potential for on-farm tourist activities, combining rural life experience with traditional food, the development of rural tourism faces various constraints.

These constraints mainly derive from the underdevelopment of tourist attractions, inadequate accommodation units, low quality of facilities, low broadband penetration and unskilled human resources to deliver high-quality services to tourists.

Despite improvements in the transport system, the quality of existing roads makes travel slow and difficult. A significant problem is the difficult accessibility of some rural areas with potential for tourism due to poor road infrastructure.

As mentioned above, in order to prove the increasingly important role of rural tourism in Albania, some national statistics need to be shown, though statistics about rural tourism are not available. There are isolated data in specific areas or regions, but not official data at the national level.

The main focus of rural tourism development in Albania is directed towards the promotion of rural areas’ natural and cultural values for tourism purposes, the presentation of the villages and their rural lifestyle as tourist attractions and offering tourists to participate in rural lifestyle.

The Albanian Alps are already promoted as a tourist destination in this region and are a model for developing rural tourism activities.

### B.1.4.3. Main legal, institutional & policy gaps and obstacles for development of rural tourism in Albania

#### Legal framework

Although Albania’s basic legal framework is in compliance with EU regulations, and there are many policy documents, it faces challenges associated with lack of coordination, planning and undisciplined development of the rural tourism. The competitiveness of the sector is weakened by the lack of well-defined rules and regulations of rural tourism activities, the lack of adequate standardization, certification and monitoring systems enabling higher standards and quality in the sector, and unfair competition due to high level of informality.

Envisaging concrete actions and methods that address formalization issues (identification and registration) could make the strategy objective realistic.

#### Support policies framework

The financial support from the Government (state funds and IPARD II Programme) and international donors, fiscal policies and credit facilities schemes have had a significant impact in the development of rural tourism across the country.

“The 100 Villages Programme” will have measurable results, which will initiate the developmental process of rural areas, through centralized (coordinated and integrated) public investments, and also by attracting private investors and donors, within a well-defined area of 100 villages.

This programme does not plan solely to change the selected 100 villages, but to create 100 development “gravity points” serving as a catalyst for development of agritourism and ecotourism in the country. The end result would positively affect socio-economic development, environmental and natural assets, agritourism potential and traditional and cultural heritage.

The programme, however, lacks detailed planning in terms of investment activities and funding for these selected villages. While municipalities are strongly involved, their financial capacities in these villages
are badly affected by internal and external migration and remain limited.

One major concern is also the gap between the requirements imposed by legislation (often introduced in the context of EU approximation process) and real-world situation especially in the case of standards. Various standards are not and cannot be fully implemented by most farmers, especially by the smallest – having negative consequences such as, most notably, (in)eligibility for IPARD II schemes, which assume compliance with national standards.

**Institutional framework**

Even though public institutions recognize the importance of the economic impact of tourism, this sector suffers from a lack of a coordination mechanism, which would develop a dialogue between stakeholders in different ministries, departments, agencies, academic institutions, the private sector, civil society organizations, and the donor community. As listed above, numerous ministries and other governmental bodies are mandated with different powers regarding tourism. However, these governmental bodies remain uncoordinated due to a lack of an operational national coordination body. Current legislation is not fully implemented and, even if it were, it does not incorporate the best international practices regarding interagency coordination and coordination with other stakeholders such as the private sector, civil society and academia.

Private sector has started developing its own tourism offer despite of the lack of public sector leadership, while the public sector is still more focused on administrative work, letting tourism happen and not managing it. Increasingly, tourism in Albania has become of interest for different donor and financial institutions that focus on product improvement, marketing, DMO and branding with no coordination.

According to the National Tourism Strategy (2019-2023) the Development of a Destination Management Model is considered to be a strategic direction towards which the tourism industry in the country will be driven.

**B.1.4.4. Opportunities for rural tourism development**

**Institutions perspective**

Closer cooperation between the Ministry of Agriculture and Rural Development and the Ministry of Tourism and Environment, as well as other related institutions in the formulation of laws and by-laws will contribute positively to the development of rural tourism in Albania.

Increasing the financial support to stakeholders in rural tourism, as well as providing favourable loans, would significantly contribute to increasing the offer and quality in rural tourism in all segments: organization, accommodation, food and beverage production and serving, etc.

A large number of supporting measures in the national scheme make it difficult to manage, meanwhile the funds made available for each measure remain small. Similarly, frequent changes of supporting measures cause confusion and previous planning of the investments becomes difficult.

**Service providers view**

The efforts to promote some value chains such as traditional food production, for most of the interviewed actors should focus by and large on areas where it is possible to develop sustainable tourism products based on local identities and traditions.

It requires a solid sense of community and a widely accepted and coherent image of a territory (or of a tourist route through that territory), thus making it possible to improve access to markets and, on occasion, to create a territorial brand.

Nevertheless, the binomial approach – promoting traditional, local products in areas with a developing rural tourism sector or even vice versa – appears to be a more cost-effective way to succeed in developing successful business models since it requires less resources and mitigates risks.

83 Market and value chain analysis of selected sectors for diversification of the rural economy and women’s economic empowerment. FAO 2018
Regional cross-border initiatives

Cross-border areas in our region are rich in various natural resources which represent an important asset for economic and tourism development. These areas are becoming more and more attractive for foreign investors, whose direct investments are playing an important role in the economic development of the border area.

Cross-border cooperation is a key element of the EU policy towards its neighbours. It supports sustainable development along the EU’s external borders, helps reducing differences in living standards and addressing common challenges across these borders.

In cooperation with local governments, small businesses and associations, the EU has helped renovate tourism infrastructure and map and promote tourism products and activities across this region, often in cross-border initiatives.

The Via Dinarica, the mountain corridor of the Dinaric Alps, lies at the heart of the Western Balkans and connects seven countries/territories in South East Europe: Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Albania, Kosovo* and North Macedonia, each offering a vast range of activities, from adventure to relaxation, on both land and water.

In 2016, the Via Dinarica mega trail was declared a must-see by both Wanderlust magazine and The Guardian, and it was one of the National Geographic Travellers’ Best of the World destinations for 2017.

B.1.5. Perspectives and recommendations for rural tourism development in Albania

B.1.5.1 Utilizing rural tourism as an effective rural economy diversification tool – strengthening, shortening and greening agriculture-tourism value chains

In order to utilize the full potential of rural tourism and to create a sustainable, competitive tourism product of rural tourism, it is necessary to conduct market surveys, as well as surveys of needs, motives and preferences of consumers (tourists). Based on such information and taking into account available resources, rural tourism can be developed appropriately.

Identifying different categories of potential visitors (e.g. families, youth, active tourists, tourists with special interests, etc.) plays a key role in the formation of an adequate offer. Each of these categories of visitors have different preferences, interests and requirements, so it is necessary to form different offers and services for each of these segments in rural tourism.

Interventions to improve and connect the existing individual offers of services (accommodation, restaurants, leisure) and local products (typical and organic food products) in order to offer more options to potential tourists can have a significant and synergetic impact on all private actors and communities in general.

Access infrastructure is beginning to be developed and the time is right to put in place cluster / value chain and destination management initiatives which will facilitate tourism product development and diversification, sustainable growth, job creation and a greater sense of pride in heritage amongst Albanian citizens.

The adoption of the destination management approach can significantly contribute to the development of tourism in Albania which, despite its extraordinary wealth of resources, is not developed
systematically following an efficient programming. Additionally, applying a territorial marketing approach that can support: (1) the cohesion and networking of local stakeholders; (2) attracting consumers (primarily tourists) into the territory; and (3) projection, that is, the sales of local goods and services in a target market, can be translated into increased sales and diversification.

The development of ecotourism is a must in National Parks.

Even though protected areas offer a great potential for rural tourism development, better enforcement of laws is needed, controlling and ending illegal activities, as well as a better education and management.

B.1.5.2 Upgrading policy and legislation

It is necessary to review carefully the Strategy for Rural Development and Agriculture, as well the legislation related to agriculture and rural development, including rural tourism components, and ensure that realistic transitory periods are in place, while on the other hand, step up effort to raise awareness, provide funding and technical assistance for compliance with regulations.

Local strategies and plans need to be updated to conform to the new Strategy for Tourism and the Strategy for Rural Development and Agriculture (after reviewing), as well as in accordance with other legal framework affecting rural tourism.

Complementary to the national level, regional organizations, such as destination management organizations and local action groups, should integrate general provisions into regional legislation, standards for tourists’ security and safety, management, marketing, and the branding of rural tourism in close cooperation with local entrepreneurs, farmers, regional municipalities, and NGOs.

Establishing a rural tourism unit in the Ministry of Agriculture and Rural Development would facilitate a better coordination of all policies and practices related to rural tourism, as well as support the initiatives that encourage the development of any form of rural tourism in Albania.

It is also indispensable to introduce the statistical monitoring of the basic tourist parameters (accommodation capacities, number of arrivals, number of overnight stays, local and regional socio-economic impacts etc.) annually and according to the main categories of rural tourism defined by legislation, strategies and national programmes.

It is crucial to perfect the certification system and standards in order to increase the quality, as well as build human capacities to improve tourism services; improve the climate business and encourage private investment. Increasing the support of sustainable agriculture and diversification could motivate farmers to expand their activities and link the agricultural production with rural tourism.

Increased interest in different activities related to rural tourism (hiking, biking, paragliding, climbing, cave exploring, etc.) demands the introduction of a functioning rescue and risk management system.

B.1.5.3. Improving institutional capacities

INSTAT and other statistical units should organize data collection and analysis on rural tourism, at local, regional and national levels, according to international standards. The Agriculture Statistics Department at MARD should improve data collection and processing capacities with focus on evidence-based policy programming and decision making.

Establishing a rural tourism unit in the Ministry of Agriculture and Rural Development would facilitate a better coordination of all policies and practices related to rural tourism, as well as elaborate comprehensive and reliable statistical data for evidence-based rural tourism policy making.
B.1.5.4. Improving public awareness and participation

The extension service and relevant institutions should be more active, in terms of providing information related to rural tourism and training. This would bring an awareness of farmers and the rural population about the economic importance and opportunities that come from the rural tourism development.

B.1.5.5. Improving regional (cross-border) cooperation

In border areas, cooperation has special relevance in order to access and use efficiently and with maximum impact cross-border IPA funds for the Balkan region. National road infrastructure corridors and cross-border national parks such as the park of the Alps and Buna, Prespa and Ohrid lakes etc., are territorial connecting elements that promote large-scale cooperation. Proposals for various areas of cooperation in these areas have been brought forward and implemented for a long time in order to create economic advantages for rural areas within these regions, but still with small-scale social and economic impact for the inhabitants.

There are opportunities to extend cross-border cooperation (CBC) in the framework of the Instrument of Pre-Accession Assistance, IPA 2014-2020. More consultations have to be done to identify strategic project ideas that depend on whether CBC beneficiaries could prove to have a genuine interest in addressing common strategic objectives and entailing a clear cross-border impact.
B.2. ECONOMIC DIVERSIFICATION POLICIES AND INSTITUTIONS SUPPORTING RURAL TOURISM IN BOSNIA AND HERZEGOVINA

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B.2.1. INTRODUCTION

B.2.1.1. Rural space of Bosnia and Herzegovina

Bosnia and Herzegovina (B&H) has a surface of 51,209.2 km², out of which 51.197 km² on land, and 12.2 km² by the sea. It has two entities (Federation of B&H – FB&H, and Republika Srpska – RS) and Brčko District (BD). On the southern endpoint, B&H comes out to the sea, in the length of 20 km in the Neum municipality. B&H borders are mostly natural ones, marked by the rivers Drina, Sava and Una, and mountains such as Dinara in the south west. The longest river is Sava (945 km), the biggest lake is Buško lake (artificial lake with a surface of 56.7 km²).

84 The Agency for Statistics of Bosnia and Herzegovina
There are 6,141 inhabited places (6,020 are rural) that are parts of 142 municipalities. In FB&H, there are 79 municipalities grouped in 10 cantons, while in RS there are 62 municipalities and Brčko District is 1 municipality. The administrative structure established for support of this frame represents a highly decentralized, complex and demanding administrative framework.

The mountain regions that are the main characteristic of B&H make up 66% of the total surface. The relief is mostly highland, but at the same time much divided by river valleys. This region covers the area from north west towards south east and forms the central part of B&H. In the northern part, there is a plain that covers 5% of the territory and 29% of it is defined as karst located in the southern part of the country, mostly in Herzegovina. With an average altitude of 625 m, Bosnia and Herzegovina is in the group of hypsometrically higher countries in Europe, and only 8% of the territory is under the altitude of 150m.

Bosnia and Herzegovina consists of two geographical and historical units: the bigger Bosnian part in the north (approximately 40,000 km²) and the smaller Herzegovinian in the south. Bosnia is mostly mountainous, as well as Herzegovina, with a difference in landscape characters. Rural areas in B&H are defined by implementation of the definition of rural areas used by OECD, i.e. rural areas have less than 150 inhabitants/km². The average population density in rural areas is 40.7 inhabitants/km², while in urban areas it is 991.5 inhabitants/km².

B.2.1.2. Rural areas of Bosnia and Herzegovina and their socio-economic status

Speaking about the population structure, great attention is given due to political reasons to the ethnic composition, where three constitutive nations are dominated: Bosniaks (50,1%), Serbs (30,8%) and Croats (15,4%). In the case of B&H, it is now possible to make classifications of urban and rural areas depending on the number of inhabitants living in certain municipalities (cities), but not at the lower level of smaller settlements (villages). In addition, a milder classification is used, according to which areas with <50 inhabitants/km² are considered predominantly rural, with 59 municipalities in B&H belonging to this group. Areas with 50-100 inhabitants/km² are considered semi-urban, with 39 municipalities belonging to this group. The last group are municipalities with >100 inhabitants/km², mainly urban. In this group, 18 municipalities have 100-150 inhabitants/km² and 25 municipalities have >150 inhabitants/km².

Republika Srpska has been characterized by negative demographic trends over the last ten years, and the Federation of B&H since 2013. Available data (number of births, deaths, natural increase, migration balance, etc.) are not processed separately for urban and rural areas, for which no classification methodology has been adopted either at the B&H or entity level.

Figure B2-3. Rural municipalities in B&H (access by area)

Source: UNDP: Rural Development in Bosnia And Herzegovina: Myth and Reality, 2013

In B&H, there is no significant difference in the rate of net migration between urban and rural areas, but the difference between large cities (Sarajevo and other large cities) and very rural municipalities is very significant. There seems to be a real shift in population, with Sarajevo and other big cities growing and most rural municipalities diminishing.


86 Strategic plan for rural development of B&H (2018-2021) – framework document
However, the pace of migration is relatively slow as urban areas grow at a rate of 0.2% annually, while rural areas diminish at a rate of about 0.15% a year. At two extremes, Sarajevo is growing 0.4% annually, while most rural municipalities are diminishing at a rate of 0.3% annually. Unemployment rates vary considerably in B&H municipalities, but neither population density nor distance explains this. Part of the explanation may be historical: Over time, people gravitated toward major sources of employment, such as mines, factories and other state and socially owned enterprises; with the general economic collapse that followed the breakup of Yugoslavia, many of these former employers closed down but the people remained, creating pockets of unemployment in densely populated areas. Although the GDP per capita of rural areas is about 43% lower than the GDP per capita of urban areas, since 55% of the total population lives in rural areas, they still contribute 41% to government GDP.

In comparison with 1991, the population of B&H is 5 years older, so the average age of men in 2013 was 38.2 years and the average age of women was 40.7 years. This aging trend is even more pronounced in rural areas. When comparing population participation by age and gender, it is also fairly common for the population to grow older. The age group 0-14 years decreased from 23.5% in 1991 to 14.7% in 2013, while the age groups 15-64 increased from 67.7% to 70.4%. The strongest increase was in the age group of 65+, from 6.5% to 14.2%. The Vital Index (number of births and deaths) ranges from 78 to 86 in the last 5 years, and the total number of inhabitants is decreasing. The average population density is less than 69 inhabitants per km², which puts B&H into the middle group of countries. 114 municipalities are classified as rural ones. They have approximately 2.3 million inhabitants, i.e. 61% of the entire population in B&H can be classified as population living in rural areas.

According to unofficial data from the Census carried out in B&H in 2013, the total number of households engaged in agricultural activities in B&H was 363,394, out of which only 56,609 or 16% were market-oriented. In total 104,635 households were registered in the Registry of Agricultural Holdings, out of which 3,589 as legal entities, and the rest as family households. According to UNDP 2013 report, half of all households in rural areas are slightly or not at all engaged in agriculture; 36% households are “small households” that cover the largest part of their own needs and sell a part of their surpluses on the local market, while less than 1% of the households can be classified as a “commercial households”. The small average size of households as well as high number of land parcels per household hamper higher quality and more competitive production, which also contributes to these percentages.

B&H is one of the countries with the highest unemployment rates in Europe. Unemployment has been decreasing in recent years, partly due to new jobs, but also due to people moving to other countries. If we take 2016 as baseline year (2016 = 100) and compare October 2018 with the same month of 2017, we will notice that the number of unemployed decreased by 7.9 index points, or in absolute terms the number of people registered as unemployed decreased by 40,408. The share of female population in registered unemployed amounted to 55.9% or in absolute terms 244,522 females.

In last five years GDP per capita has been constantly growing, from 14,439 EUR to 16,514 EUR. The same situation is with average salaries, which grew from 422 EUR to 435 EUR. At the same time, sector A. Agriculture, Forestry and Fishing decreased from 6.84% to 5.61% in total GDP, while the sector I. Accommodation and Gastronomy Services grew from 1.99% to 2.08%. The share of agricultural production in the total gross income of B&H is at the level of Serbia and North Macedonia, while it is lower than Albania. Similar differences exist in the EU, where the share of agriculture is lower in developed countries (Germany) compared to less developed countries where this share is higher (Romania).

When rural households were surveyed in B&H in 2012, broken down into six typical groups, it was unexpected that only 6% of rural households in B&H derive their income mainly from agriculture, and as much as 52.1% from other employment and 35.9% from various types of support (the remaining 2.5%...
from casual services; 1.3% from property income; 1.3% from mixed sources and 1% from self-employment). 35% of rural households surveyed did not engage in agriculture at all, 16% had only a plot of land (<0.1 ha), 37% had small holdings (0.1-3 ha), and only 13% could be considered commercial agricultural holdings (>3 ha). Although the situation presented above may not be a completely accurate reflection of the real situation (because it is based on a survey), it does indicate the complexity of the situation in rural areas within B&H, where for a significant part of the population, agriculture is not the main activity and the primary source of income.92

B.2.1.3. Rural economy of Bosnia and Herzegovina and the importance of diversification

On one hand, the characteristics of rural areas in B&H are under-development, depopulation, population ageing, low employment level and poor socio-economic conditions that make these areas passive and less favourable for living. On the other, rural areas have natural resources, a lot of cultural heritage and other advantages that are considered as basis for rural development. Agriculture is the basic, but not the only available and possible activity for inhabitants in rural areas. Diversification of the rural economy, harmonized with a new approach of intensifying agricultural production in B&H is the only way for the recovery of villages, especially in the mountainous parts of B&H. About 49% of B&H’s GDP and wage income are generated in rural municipalities, so nearly half of direct costs of rural development measures will be borne by the rural communities themselves, through additional taxes they pay to help finance rural development programmes.93

Unfortunately, agricultural production itself is not at an enviable level, and it is even smaller compared to the pre-war status. This is especially evident in extremely rural mountainous areas where there are plenty of uncultivated areas and pastures. One of the reasons is the abandonment of the inhabitants of these areas, followed by decline in production levels. Forestry is one of the main activities in many rural municipalities, but it is primarily characterized by basic wood processing without a high level of processing and finalization. In recent years, the collection and use of non-forest products (mushrooms, berries, herbs) has increased. They end up primarily in exports. However, other types of offerings are developing, consumed by tourists in ethno-restaurants, taverns and rural households. Some service providers organize excursions to pick and collect, as well as hands-on training on how to process and cook these products.

Fertile land makes 13.6% of B&H surface, and only 2.96% of the land is used for agriculture, while 83.44% of it is mostly unused in agronomical sense. Almost 50% of the country is covered with forests. The biggest forestry areas are in the central, eastern and western parts of Bosnia. Natural resources of B&H are coal, iron, copper, zinc, clay, wood and significant volumes of water (rivers, lakes). They were the basis for the development of rural economy in the past, with various mines, small processing companies (smithies, ironworks, sawmills, etc.) as well as traditional crafts such as blacksmiths, wood carvers, stone cutters, and rafters on Drina. This is all the more recognizable in the rural architecture: the southern part is dominated by houses and supporting structures made of stone. In the central mountainous part houses are traditionally made of wood, while in the northern plains clay bricks are the dominant material.

Natural resources favourable for tourism development are mountains, lakes, forests and waterfalls. Even though many resources exist, the supply is still not well designed, so the touristic potential of such areas is decreasing. The mountainous areas are ideal for summer and winter sports activities. Mountains such as Bjelašnica, Vlašić and Jahorina are positioned as winter destinations and get increasing numbers of visitors every year. Winter sports such as skiing and sledding are developing, and summer activities such as cycling, walking, rock climbing, paragliding etc. are also being carried out. Furthermore, there is adventure tourism on the rivers (Una, Neretva, Vrbas, Drina, Trebižat) such as rafting and canoeing. B&H is naturally very interesting and has a high diversity of plant and animal species: there are

92 Strategic plan for rural development of B&H (2018-2021) – framework document
93 Collection of indirect tax revenue E. Arnautalić, 2015
10,550 different animal species, mostly fish, birds and mammals, as well as 7,450 plant species. Culture and historical heritage is of great importance and value for the development and distinctiveness of B&H destinations. It is a rich heritage that, due to specific characteristics, is rare in the broadest regional market. The territory of B&H has always been an area where various historical events and movements of nations intersected, so B&H has a cultural and historical heritage from the prehistoric to the present times. The most significant trace was left by the Roman and Ottoman empires, but also there are legacies of Illyria, Bogumil and Austro-Hungary. Most strategic and legislative documents on different levels of government recognize tourism as one of the very important opportunities, with a huge potential for rural economic diversification and balanced regional development, to become a source of additional income in agricultural holdings. Rural tourism can increase income of the rural population and have positive effects on the preservation and sustainable use of natural resources. Non-agriculture diversification in rural areas can help rural population build new economic activities within and outside the agricultural production process, to create new products, employment possibilities and income, especially for women and the young population. Developing and strengthening the links between current agricultural production and tourism is not yet fully understood and implemented as an opportunity to add value to agricultural products, create new markets and shorten value chains. Although this is going on at a rather slow pace, support is increasing year by year for those rural households that have recognized this as a solution for their own sustainability. 

B.2.1.4 Rural tourism and its place in the rural economy of Bosnia and Herzegovina

RURAL TOURISM – BOSNIA AND HERZEGOVINA DEFINITIONS AND SCOPES

In B&H, i.e. at the state level, there is neither a law on tourism and tourist services nor a tourism development strategy. B&H Rural Development Strategic Plan 2018-2021 mentions rural tourism as one of the activities through which potentials (rich natural, cultural and historical heritage, diversity of the gastronomic offer and pronounced biodiversity) can be better utilized to diversify rural production. The Law on Agriculture, Food and Rural Development of B&H94 contains measures to diversify activities in rural areas and measures to improve the quality of life in rural areas: including support for supplementary activities and non-agricultural services, measures to improve rural areas and preserve the natural and cultural heritage in rural areas and related measures. Rural tourism is recognized in tourism development strategies in RS and FB&H, but as one of the specific types of tourism in the same range as other types (rural, spa, adventure, ethnic, etc). The Law on Tourism and the Law on Catering Services exist in both entities, but there is no mention of the term rural at all, but mention is made of touristic activities carried out in villages or rural areas. The RS Government uses the Law on Tourism95 to regulate the forms of tourism planning and development in the territory of Republika Srpska, rights and obligations of tourism entities, conditions for performing tourism activities, services in tourism, promotion and promotion of tourism, incentives in tourism, records in tourism, administrative control and other issues of importance for tourism development and promotion. It is also responsible for the adoption of the following tourism planning documents: Republika Srpska Tourism Development Strategy, Republika Srpska Tourism Promotion Plan, 

94 Law on Agriculture, Food and Rural Development of B&H (Official Gazette B&H, No. 50/2008)

95 Law on Tourism (Official Gazette RS, No. 45/2017)

Pursuant to the Law on Tourism of FB&H⁹⁶, the Ministry of Tourism is the institution that regulates the performance of the tourist activity, the types of services within that activity, the conditions and manner of conducting business, the entities that can engage in that activity and the conditions for performing the tourist activity.

RURAL TOURISM IN THE RURAL ECONOMY OF BOSNIA AND HERZEGOVINA

At the outset, it is necessary to warn and point out that there is no systematic or qualified monitoring of tourism indicators in B&H, so there is no data on the economic meaning of rural tourism in the economy of B&H or in specific rural areas.

Based on the World Economic Forum annual index reports on tourism and tourism sector competitiveness, Bosnia and Herzegovina ranks 92 out of 141 countries, which is significantly behind the countries/territories in the region.⁹⁷ The index measures relevant factors that make the country’s potential for tourism sector development (tourist infrastructure, staffing, quality of services, security, presentation of tourism offerings etc.) and not tourist attractions and attractions of individual destinations. Apart from the general civilization values, tourism is increasingly becoming the leading branch of the economy. As tourism is export at home, it is very important for further development of B&H. Particularly great opportunities exist in the rural tourism sector, which changes the image of people and space, improves the quality of life and accelerates the development of particular areas. This is of great importance in B&H and its rural areas as the income multiplier in tourism is 2.5, and employment is 1.65.⁹⁸ Because of this, B&H, like other countries/territories in the region, has included tourism in its development priorities, treating it as an export and public activity. What cannot be sold in any other way, can be sold through tourism (nature, historical monuments, culture, domestic cuisine, entertainment, etc.).

The results of the European Price and GDP Comparison Results show that GDP per capita in B&H, expressed with Purchasing Power Standard (PPS) for 2017, was 32% of the EU-28 average, while the Actual Individual Consumption (AIC) per capita in the PPS in the same year was 41% of the EU-28 average. The analysis was conducted in 37 countries, in addition to the EU members, including the three EFTA member states, five candidate countries, and B&H as potential candidate, where B&H occupies the penultimate position of only Albania behind it.⁹⁹

Table B2-1. Tourist overnight stays by accommodation classification¹⁰⁰

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels and similar</td>
<td>95.00</td>
<td>95.20</td>
<td>93.20</td>
<td>92.40</td>
<td>92.20</td>
</tr>
<tr>
<td>accommodation</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Resorts and similar</td>
<td>1.80</td>
<td>2.80</td>
<td>3.50</td>
<td>3.50</td>
<td>3.80</td>
</tr>
<tr>
<td>facilities for short</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>breaks</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Camps and camping sites</td>
<td>0.90</td>
<td>0.10</td>
<td>0.70</td>
<td>0.90</td>
<td>0.80</td>
</tr>
<tr>
<td>Other accommodation</td>
<td>5.30</td>
<td>1.90</td>
<td>2.60</td>
<td>3.20</td>
<td>3.20</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

⁹⁶ Law on Tourist Activities (Official Gazette FB&H, No. 32/2009)
⁹⁷ World Economic Forum: The Global Competitiveness Report 2018
⁹⁸ Measuring Employment in the Tourism Industries, World Tourism Organization (UNWTO) and the International Labour Organization (ILO) 2014
⁹⁹ Eurostat: GDP per capita, consumption per capita and price level indices 2018
¹⁰⁰ The Agency for statistics of Bosnia and Herzegovina
The number of tourists has been steadily increasing over the last 5 years. The number of foreign tourists grew from 315,619 in 2013 to 384,269 in 2018 – an increase of 21%, while the number of domestic tourists grew over the same period from 528,579 to 923,050 – an increase of over 70%. Also, the number of overnights has increased by 47%, but the length of stay is just about 2 nights. It is assumed that these indicators are even higher due to many unregistered accommodation facilities. Unfortunately, there is no official information on how many of these guests stayed in the rural areas of B&H. Only on the basis of tourist overnights according to accommodation types it is possible to conclude that the growth is also happening in smaller accommodation units, because of the increase in “other accommodation” facilities compared to hotels (Table B2-1).

B.2.2. Institutional and legislative context for rural tourism in Bosnia and Herzegovina

Almost all strategic and legislative documents at all levels of government in B&H recognize tourism as a great potential for development. Tourism is also seen as the possibility of diversifying rural economies, because it may have positive effects on increasing the rural population’s income, as well as on the conservation of natural resources, i.e. their sustainable use. Economic diversification in rural areas can help rural people build new economic activities within and outside the agricultural production process, create new income and employment opportunities. The development of sector-specific value chains can establish a productive partnership between key players (primary agricultural producers, food and beverage providers, guides, carriers, travel agencies, local self-government, sports clubs, cultural institutions, protected areas) and with support organizations (entity and cantonal authorities, educational institutions, international organizations and donors, civil society organizations, etc).

B.2.2.1. Legal framework for rural tourism in Bosnia and Herzegovina

Tourism sector

State level
Law on Tourism does not exist in B&H at the state level, but there are laws at entity level, as well as in three cantons in FB&H. At the state level, within the Ministry of Foreign Affairs and Economic Relations, the Sector for Water Resources, Tourism and Environmental Protection, there is a Tourism Department. Ministry of Foreign Affairs and Economic relations does not have a budget to support the tourism sector.

Entity level – Republika Srpska
The Law on Tourism in RS\textsuperscript{101} regulates the rights and obligations, the conditions for carrying out tourism activities for service providers (tourist agencies, tourist guides, tourism organizations), while Section 6 Tourism Services, Article 51 mentions the types of tourist services: tourism services in spa tourism, village tourism services, tourism services in hunting and fishing tourism, tourism services on the water, tourism services that include sporting and recreational activities, tourism services that can be provided in cultural, congress, youth, mountain and religious tourism, as well as other forms of tourism and other tourism services. There are no subsidies, grants or incentives for entities (legal or natural) engaged in tourism and their activity on the territory of the municipalities that are in the category of underdeveloped or severely underdeveloped municipalities. In FB&H the Law of Tourism mentions the types of services in Chapter C – Tourism Services in Nautical, Village and Other Forms of Tourism (Article 46: tourism services in village tourism are: horseback riding, huts, riding schools, hunting and fishing, organizing picking fruit and mushrooms, harvesting fruits and vegetables, harvesting crops, photo safaris and other services provided by a rural household).

And in Chapter D – Other Tourist Services (Article 51: hire of paddle boats, boats, kayaks and their

\textsuperscript{101} Law on Spa, Official Gazette RS, No. 20/2018
storage and safekeeping, sailboats, windsurf boards, water bikes, scooters, etc.). Pursuant to Article 50, Paragraph 4 and Article 42, Paragraph 2 of the Law on Catering\textsuperscript{102}, the Regulation on the implementation, minimum conditions and category of accommodation facilities in village households and the Regulation on improvement, minimum conditions and categorization of facilities in which the supplier services are provided in village households were adopted. RS is similarly regulated in this sector.

Activities of this sector are defined by the other laws and rulebooks, as follows:

- Law on Spa (Official Gazette RS, No. 20/2018)
- Law on Hospitality Industry (Official Gazette RS, No. 45/2017)
- Law on Public Ski Centre (Official Gazette RS, No. 15/2010, 33/2016)
- Rulebook on conditions for providing apartment, holiday home and rental room services (Official Gazette RS, No. 62/2018)
- Rulebook on conditions for the provision of services in rural households (Official Gazette RS, No. 77/2010)

**Entity level – Federation of B&H**

The Law on Tourism Activities\textsuperscript{103} in FB&H regulates the performance of the tourism activity, the types of services within that activity, the conditions and manner of conducting business, the entities that can engage in that activity and the conditions for performing the tourism activity, as well as tourism organizations for the promotion of tourism, tourist agencies, services in tourism. Village tourism, within the meaning of this Law, is the stay and accommodation of tourists in a household, which is organized as a tourist farm (rural household) for rest and recreation. Article 46 defines types of tourism services in village tourism: horseback riding, sledding, riding school, hunting and fishing, organizing picking of fruits and mushrooms, harvesting fruits and vegetables, harvesting crops, photo safaris and other services of a rural household. Also, tourism services can be provided by the owner of the farm with his family members if he fulfils the conditions prescribed by this Law and other regulations.

The Law on Catering\textsuperscript{104} regulates the conditions for performing the catering activity, establishment and termination of operation of a catering shop, business premises, classification and categorization of catering establishments, as well as catering services in households and rural households. Catering facilities, depending on the type of catering services they provide, are:

1. Accommodation facilities – establishments providing accommodation, food, drinks, beverages and sweets (hotels, camps and other types of accommodation)
2. Catering facilities – establishments providing food, drink and dessert services (restaurants, bars)
3. Catering facilities – facilities where meals, desserts and beverages are prepared for consumption elsewhere with or without serving (meal preps, desserts, drinks and/or beverages, cantines).

A rural household can:

1. Rent guest rooms, apartments and holiday houses, with a maximum of 10 rooms or 20 beds
2. Organize a camp on their land for up to 20 accommodation units, i.e. 60 guests at a time.

A household may provide breakfast, half-board or full board services only to guests who rent rooms, suites, and in the camp. A farm can prepare and serve hot and cold meals, drinks and beverages from mostly own production for up to 50 people (excursionists). A rural household can also offer wine or brandy tasting, and serve home-made cuts from their own production, in a regulated part of a residential or commercial building, indoors, covered or outdoors, for up to 50 people (excursionists). Also folk crafts as well as activities presenting the heritage, lifestyle and traditional culture of rural areas can be organized.

\textsuperscript{102} Law on Catering, Official Gazette FB&H, No. 32/2009
\textsuperscript{103} Law on Tourism Activities, Official Gazette FB&H, No. 32/2009
\textsuperscript{104} Law on Catering, Official Gazette FB&H, No. 32/2009
Activities of this sector are further defined by the following laws and rulebooks:

- Law on Tourism Associations and Promotion of Tourism in FB&H repealed by the Decision of the Constitutional Court since it is not harmonized with the FB&H Constitution.
- Rulebook on the provision of catering in rural households (Official Gazette FB&H, No. 35/2010)
- Rulebook on the classification and categorization of facilities providing catering in a household (Official Gazette FB&H, No. 32/2010)

Rulebook on the classification, minimal conditions and categorization of facilities providing catering facilities in rural households¹⁰⁵ (based on provisions defined in Article 50, Paragraph 4 of the Law on Catering) defines five types of establishments in rural households: 1. wine shop/tasting room (capacity up to 50 guests), 2. excursion site (up to 50 visitors), 3. room (up to 10 rooms i.e. 20 beds), 4. apartment (up to 10 rooms, i.e. 20 beds), 5. camp (up to 60 guests). Facilities are categorized in 3 categories (2, 3 or 4 stars).

Cantonal level in FB&H

Out of 10 cantons in FB&H, three (Herzegovina-Neretva, Tuzla and Posavina) have a Ministry of Tourism, while others have specific departments or sectors within their ministries of economy or trade. Only two cantons have strategies for tourism development. In several cantons, the activities of this sector are regulated with laws on tourism and/or catering.¹⁰⁶ In these cases, the ministries are also co-financing some promotional activities through tourism organizations or service providers.

Municipalities in FB&H

Same as in municipalities in RS, most of the municipalities in FB&H have adopted integral development strategies (in accordance with Methodology for Integrated Local Development Planning – MiPRO – developed by UNDP), in most of which tourism development at local level has a great importance. Just some cities/municipalities have additional strategies for tourism, rural development or agriculture. In municipalities with more developed tourism, cantonal tourism associations have their branch offices (i.e. in Herzegovina-Neretva Canton with 9 municipalities, branch offices are in Konjic, Mostar, Čitluk, Čapljina and Neum).

Agriculture and rural development sectors

Rural tourism is a driver of broad economic cooperation in the joint provision of tourist services (transport, accommodation, food, other services). Other ministries are important actors for the current situation in rural areas and the development of tourism, both at the state level and at the levels of entities and cantons. Of course, as in the tourism sector, here too the competences are divided on the same principle. This is primarily the case for the ministries of agriculture, water management and waste management, which are responsible for rural development, and rural tourism is one of the sectors of importance for the diversification of the rural economy.

State level

Ministry of Agriculture and Rural Development does not exist in B&H at the state level, but there are ministries at entity level, as well as in seven cantons in FB&H. At the state level, within the Ministry of Foreign Affairs and Economic Relations there is a Sector for Water Resources, Tourism and Environmental Protection, which includes a Tourism Department.

The Law on Agriculture, Food and Rural Development of Bosnia and Herzegovina¹⁰⁷ defines in a comprehensive way the agricultural sector and the activities to be undertaken in order to establish a single agricultural policy at the B&H level. Section 7 of the Law on Agriculture, Food and Rural Development of Bosnia and Herzegovina is bound by the Ministry of Foreign Trade and Economic Relations (MOFTER, in cooperation with entity ministries and Brčko District) for development policy, effective alignment and coordination of strategies in B&H and action plans for agriculture, food and rural sector development.

¹⁰⁵ Rulebook on the classification and categorization of facilities providing catering facilities in the household, Official Gazette FB&H, No. 32/2010
¹⁰⁷ Law on Agriculture, Food and Rural Development of Bosnia and Herzegovina, Official Gazette of B&H, No. 50/2008
**Entity level**

Article 24 of the Law on Agriculture of FB&H\(^{108}\) states “Support for supplementary activities on agricultural holdings is aimed at encouraging traditional rural production, developing rural tourism and eco-rural tourism, converting primary agricultural products into higher value products, as well as direct sale of agricultural products and other activities that can achieve greater and greater additional income on the farm”.

The Law on Financial Support in Agriculture and Rural Development in FB&H\(^{109}\) prescribes financial support measures in agriculture and rural development, models of financial support, sources, selection of priorities and amount of funds, beneficiaries, method of realization, etc. Payments under structural policy measures are made through 4 models: income support, capital investment, rural development, and a model of other types of support. The model of rural development is primarily focused on increased competitiveness, protection of the rural environment and diversification of rural activities while other types of support include support for agritourism, education, etc. Each year, a new Rulebook on the conditions and manner of receiving financial support\(^{110}\) is enacted including “other types of support”.

The Law on Waters of the Federation of Bosnia and Herzegovina\(^{111}\) in Chapter V, Use of Water, defines the use of water resources, which includes the needs for irrigation, energy production, fishing, boating, swimming, etc.

Other laws also have some influence on future development for rural tourism, especially for agritourism:

- Law on Wine (Official Gazette FB&H, No. 55/2012)
- Law on Agricultural Organic Production (Official Gazette FB&H, No. 72/2016)

**Cantonal level**

Within the cantonal governments, there are either ministries of agriculture or a department that regulates this sector within the ministry of economy.

**B.2.2.2 Spatial plans and rural tourism in Bosnia and Herzegovina**

**National level**

Considering the complex administrative and political organization of Bosnia and Herzegovina, spatial planning is reduced to the entity level. The Spatial Planning Laws of the Federation of Bosnia and Herzegovina and Republika Srpska are defined as lower-level spatial plans and their implementers (cantsons, municipalities). Spatial planning in Republika Srpska is regulated by the Law on Planning of Space and Construction, and in the Federation of Bosnia and Herzegovina, the Law on Spatial Planning and Land Use, the National Monument Act and the Housing Relations Act as the highest legal acts and a series of guidelines and regulations.
The Spatial Plan for FB&H\textsuperscript{112} has not been adopted yet in the House of Peoples, even though the Draft Plan was adopted in the House of Representatives of FB&H. The fact that this plan has not been adopted has many negative consequences that affect the preparation and implementation of all capital infrastructural projects as well as general development. The surface of Protected Areas in FB&H is now only 3.24%. An additional problem is the fact that the Spatial Plan for FB&H has not been harmonized with the adopted Spatial Plan of RS.

Table B2-2. Competences in the framework of spatial planning in Bosnia and Herzegovina

<table>
<thead>
<tr>
<th></th>
<th>Bosnia and Herzegovina</th>
<th>Republika Srpska</th>
<th>District Brčko</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cantonal level: Each of the 10 cantons has its own law on spatial planning</td>
<td>Municipal level: decision on spatial planning specific to each municipality</td>
<td>Municipal level: decision on spatial planning specific to each municipality</td>
<td></td>
</tr>
</tbody>
</table>

The Spatial Plan of RS\textsuperscript{113} until 2025 gives a much more important role to rural tourism than before. It foresees development by regions, depending on the region, lists of potential resources for tourism development, primarily reviews of individual natural beauties, cultural heritage and events. Republika Srpska has 23 protected natural resources. Altogether, they occupy about 1.3% of the entity. Protected Areas consist of two strict Nature Reserves, three National Parks, 12 Nature Monuments, one Protected Habitat, two Nature Parks and three Resource Management Areas. In the Spatial Plan for the period 2015-2025 it is proposed that 15 to 20% of the territory of Republika Srpska be protected, equivalent to about 310 Protected Areas. Existing and planned Protected Areas (National Parks, Parks of Nature, Protected Areas, Memorial Parks and Monuments), cultural heritage (archaeological sites, architectural heritage), the rivers Drina, Vrbas, Una, Ugar, Vranja, Pliva, Janj, Sava and geothermal wells, the mountains Jahorina, Rumunjska, Javor, Oren, Zelengora, Sjemeć, Borja, Manjača, Vitorog, Kozara and infrastructural corridors are basis for tourism development such as: rural and ecotourism, spa, winter and mountain tourism, nautical, transit and cultural heritage tourism. In order to improve competitiveness of tourism products, RS Government has formed a Commission to map tourism destinations and products. Having in mind recommendations of the Strategy of RS Tourism Development until 2020 and RS Spatial Plan until 2025, the Commission has identified tourism products in RS destinations and in wider tourism region, as well as the entire supply of RS. In the analysis, the supply of city, mountain, spa, adventure, religious, youth tourism, cultural and historical, student and scientific and educational tourism, as well as rural tourism stands out.

Each entity, without any coordination, plans and performs the most significant spatial interventions. The lack of any form of administrative spatial management and the lack of a national spatial planning strategy can jeopardize the realization of a proper regional development and polycentric development system, and cities would remain centres of the region that as generators of total development and the importance of rural areas would be ignored.

\textsuperscript{112} Spatial Plan of FB&H \url{http://www.vladatk.kim.ba/Vlada/Dokumenti/ppfB&H/PP%20F%20B&H%2016_08_2012.pdf}

\textsuperscript{113} Spatial Plan of RS \url{http://www.vladars.net/sr-SP-Cyril/Vlada/Ministarstva/mag/Documents/Nacrt%20draft%2025%2011%202013.pdf}
Regional levels

In the FB&H, the Law on Spatial Planning and Land Use (Official Gazette FB&H, No. 06/2002) and amendments were adopted in 2007, 2008, and three changes in 2010, and in Republika Srpska, the Law on Spatial Planning and Construction (Official Gazette RS, No. 55/2010). Contrary to RS, in FB&H there are obligatory laws on spatial planning at cantonal level. Municipalities in FB&H operate on the basis of municipal spatial planning decisions that are in line with cantonal and federal law and detail certain rules regarding municipal land.

The Ministry of Spatial Planning of the Federation of Bosnia and Herzegovina is tasked with planning space and drafting planning documents, and with their implementation. Spatial planning and arrangement of cantonal level in FB&H is also carried out in accordance with the Federal Law on Spatial Planning and Land Use in the Federation of Bosnia and Herzegovina, as well as by cantonal laws issued by the respective Canton Assemblies. Cantonal laws have been developed in accordance with the needs and possibilities of development and the specificities of each canton individually, but their basic precepts and recommendations are entirely based on the above-mentioned umbrella Law of the Federation.

An example is the Spatial Plan for the River Una Catchment Area with Special Characteristics and Importance for FB&H 2007-2027, which confirmed the validity of strategic decisions for tourism development, production of healthy food, and other activities based on the principles of sustainable development within the National Park, compared to the concept of the energy sector, which was treated more as an additional development component that demands some compromise, rather than as an alternative. Rural tourism was mentioned only as a possibility for economic diversification and as one of the measures to decrease depopulation. There were no defined areas or micro localities except for the area of the National Park Una itself, where 3 zones of usage were defined:

- **Nucleus zone – zone of basic natural values.** This category of protection is to be applied in areas with unchanged or/and slightly changed nature where only minimal management activities are performed, with the aim of protection and preservation of biological and landscape diversity. Total area of the nucleus zone is 10.03% of the entire area of the National Park.

- **Buffer zone – zone of active or directed protection.** Within this zone, there are parts with environmentally friendly and traditional agriculture production, ecotourism, agritourism and rural tourism with the purpose of sustainable development. It covers 88.58% of the National Park Una.

- **Transitional zones – zones of directed development.** Here are allowed the development of settlements, economic capacities and visitor infrastructure, in accordance with environmental standards and principles of sustainable development, to perform scientific research, monitoring, supervision, education, organized individual visits and recreation within boundaries that are defined with the capacities, protection and preservation of cultural heritage. Total surface of this zone is 486.3 ha or 1.39%.

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Table B2-3. Review of cantonal spatial planning laws

<table>
<thead>
<tr>
<th>Canton</th>
<th>Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Una-Sana Canton</td>
<td>Law on Spatial Planning and Construction (Official Gazette USC, No. 10/11)</td>
</tr>
<tr>
<td>Posavina Canton</td>
<td>Law on Spatial Planning (Official Gazette PC, No. 5/99)</td>
</tr>
<tr>
<td>Tuzla Canton</td>
<td>Law on Spatial Planning and Construction (Official Gazette TC, No. 11/06)</td>
</tr>
<tr>
<td>Zenica-Doboj Canton</td>
<td>Law on Spatial Planning (Official Gazette ZDC, No. 2/04)</td>
</tr>
<tr>
<td>Bosna Podrinje Canton</td>
<td>Law on Spatial Planning (Official Gazette BPC, No. 15/09)</td>
</tr>
<tr>
<td>Central Bosnia Canton</td>
<td>Law on Spatial Planning (Official Gazette CBC, No. 11/05)</td>
</tr>
<tr>
<td>Hercegovina-Neretva Canton</td>
<td>Law on Spatial Planning (Official Gazette HNC, No. 4/04)</td>
</tr>
<tr>
<td>West Herzegovina Canton</td>
<td>Law on Spatial Planning (Official Gazette WHC, No. 4/99)</td>
</tr>
<tr>
<td>Sarajevo Canton</td>
<td>Law on Spatial Planning (Official Gazette SC, No. 7/05)</td>
</tr>
<tr>
<td>Canton 10 (Herzeg-Bosnian Canton)</td>
<td>Law on Spatial Planning (Official Gazette HBC, No. 14/98)</td>
</tr>
</tbody>
</table>

RS defines the organization, purpose and manner of use and management of space as well as the criteria and guidelines for the regulation and protection of the space of this B&H entity.

Local levels

In the Federation of Bosnia and Herzegovina, the municipality spatial plan as a long-term plan is adopted by the municipal council for the period stipulated by the law on spatial planning of the canton to which it belongs. In parallel to the implementation of cantonal laws, municipalities in FB&H implement municipal decisions on spatial planning that must be aligned with the highest law and more precisely define the rules related to municipal land.

Municipal Spatial Plans in Republika Srpska, as well as Urban Plans, Plans for the Areas of Special Purpose and Implementation Physical Planning Documents are adopted by the municipal assembly. The common spatial plan for several local self-government units is adopted by the decision of the Assembly of each municipality, stipulating that such a plan replaces their individual spatial plans.

In almost all municipalities of Bosnia and Herzegovina, there is the issue of whether the geodetic or cadastral databases are up to date. The law stipulates the preparation of planning documentation both analogue and digital forms, but most municipalities did not digitize these databases, mainly due to a lack of staff, equipment and software, which require large funds. Also, in the area of Land Registry Records, in both entities there are still double entries (old and new surveys) that are not mutually reconciled, which is an additional problem in planning.

B.2.2.3. Cross-cutting issues and other legislation of relevance for rural tourism

Environment, natural and cultural heritage conservation

Jurisdiction in the field of nature protection in Bosnia and Herzegovina is regulated at the entity level (Republika Srpska and Federation of Bosnia and Herzegovina) and for the Brčko District. The basic legal acts on which nature protection is based, including the categories of Protected Areas, protection procedure, etc., are the Law on Nature Conservation of the Federation of Bosnia and Herzegovina\textsuperscript{116} for FB&H, Law for Nature Protection of Republika Srpska-

\textsuperscript{116} Law on Nature Conservation of the Federation of Bosnia and Herzegovina, Official Gazette FB&H, No. 66/2013
ka for Republika Srpska and the Law on Nature Protection of Brčko District of B&H for Brčko District. Some of the competences in the field of nature protection are regulated at the state level and relate to the implementation of international obligations of Bosnia and Herzegovina (monitoring and coordination of preparations for the conclusion and implementation of international agreements, coordination of projects in cooperation with international organizations, programmes and funds, coordination of cooperation with institutional structures in B&H, the Entities and the Brčko District). State-level competences mainly belong to the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina and, to a lesser extent, to the Ministry of Civil Affairs (e.g. UNESCO Convention). A more detailed account of competences in the field of nature protection can be seen on the official website of competent institutions in Bosnia and Herzegovina. Environmental issues that require a joint approach by the Entities are addressed by the Inter-Entity Environmental Body. This applies, inter alia, to issues of international agreements and programmes, participation in cooperation with international organizations, coordination of implementation and adoption of legal acts, etc.

All Protected Areas in Bosnia and Herzegovina have been separated on the basis of the categorization of the International Union for the Conservation of Nature (IUCN), which forms the basis for entity laws (or in the process of harmonization). According to these cumulative data, there are 29 Protected Areas in Bosnia and Herzegovina – 2 Strict Nature Reserves (category Ia), 4 National Parks (category II), 16 Nature Monuments (category III), 5 Nature Parks – Protected Landscapes (category V) and 2 Resource Management Areas – Forest Parks (Category VI) covering a total area of 104,888.21 hectares. Some of these areas are protected under international conventions and regulations signed by Bosnia and Herzegovina.

The first and second categories of Protected Areas are within the competences of federal authorities, while the third and fourth are within the jurisdiction of the cantons in which they are located.

The Emerald Networks project in B&H is in its final phase, identifying Areas of Special Conservation Interest (ASCI), which make up 4.04% of the territory of the state of B&H. The State Strategy on Biological and Landscape Diversity has also been drafted with an action plan that is in the final stages of adoption.

Thus, the total number of proposed Natura 2000 sites rose to 101. As twenty (20) of these 101 proposed sites are located in more than one entity, and their designation and management would not be possible, due to different administrative procedures, these sites are split along administrative borders.

Out of the entire surface of B&H, only 5.54% falls under the group of Protected Areas, which is among the last in the Europe. There is slight progress with respect to the number of Protected Areas, but still not enough. The reason for this is that the management of Protected Areas is not in accordance with scientific and environmental principles. Protected Areas are National Parks, Nature Parks, Strict Nature Reserves, Special Nature Reserves, Natural Monuments, Natural Reserves with Governing and Reserves of Natural Sites.

Some of the most important problems in nature are strong deforestation, pollution from industrial facilities and general contamination of space due to lack of culture and environmental awareness.

According to the FB&H Constitution, the FB&H Government and the Cantonal Governments share the responsibility for environmental protection. The FB&H Constitution empowers the FB&H Government to draft policies and implement laws in the area of environment. The FB&H Parliament has the power to legislate to fulfil the responsibilities assigned to the FB&H Government. Several cantons have adopted environmental regulations.

The FB&H obliges the cantons and the FB&H Government to consult one another on these responsibilities and to respect the responsibilities of the cantons, different conditions in the cantons and the need for flexibility in the implementation of laws and regulations applicable throughout the Federation.

117 Law for Nature Protection of Republika Srpska, Official Gazette RS, No. 20/2014
119 https://www.coe.int/en/web/bern-convention/emerald-network
The RS Government proposes laws and other legislative acts for the purpose of implementing and enforcing laws and other legislative acts, adopting orders, decisions and other executive powers necessary for the implementation of the laws. Based on the Law on Territorial Organization of RS, territorial organization was established, according to which there are 64 municipalities in RS. The Constitution does not mention the distribution of authority in environmental matters between RS and its municipalities. Municipalities in RS are mandated within their powers and in accordance with the law, to ensure, inter alia, that citizens’ environmental needs are met.

Amendments to the Constitution of B&H define BD B&H as a local self-government unit (LSGU) that has its own institutions, laws, regulations, authorities and statutes. BD B&H has jurisdiction over all environmental issues that do not fall under the jurisdiction of B&H authorities.

Infrastructure

Based on the Travel and Tourism Competitiveness Report 2019, Bosnia and Herzegovina (105th) is the subregion’s least-competitive Travel and Tourism economy, despite an increase in its overall score. The country has the subregion’s worst business environment (134th) and overall infrastructure (97th). Table 7 below shows the points for 14 indicators.

Table B2-4. Travel and Tourism Competitiveness Report 2019 scores

<table>
<thead>
<tr>
<th>B&amp;H</th>
<th>ENABLING ENVIRONMENT</th>
<th>TRAVEL &amp; TOURISM POLICY &amp; ENABLING CONDITIONS</th>
<th>INFRASTRUCTURE</th>
<th>NATURAL &amp; CULTURAL RESOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Prioritization of T&amp;I</td>
<td>Internat. Openness</td>
<td>Price Competit.</td>
</tr>
<tr>
<td>105</td>
<td>3.4</td>
<td>5.6</td>
<td>5.4</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Source: World Economic Forum, 2019

According to the report for 2018, Bosnia and Herzegovina ranked 92 out of 148 countries, down one position from the previous year (2017), looking at 84 indicators for infrastructure.

The main disadvantages in the transport sector are the poor state of traffic infrastructure and the missing transport policy and strategy at the state level, as well as challenges in the harmonization of legislation and its implementation with the Acquis. The basic laws governing infrastructure in both entities are the Laws on

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120 Law on Territorial Organization of RS ("RS Official Gazette", Nos. 69/09 and 70/12)
Spatial Planning. They regulate the system of spatial planning, preparation and adoption of spatial planning documents, location conditions, construction land development, issuance of building permits, types and contents of technical documents, construction of structures and mutual relations among the participants in construction, use and removal of facilities, legalization of facilities, supervision over the implementation of the law, competences and operation of the Chamber of Engineers, and other issues of importance for landscaping, construction land and construction of facilities.

- Law on Spatial Planning and Land Use of FB&H (Official Gazette FB&H, No. 06/02)
- Law on Spatial Planning and Construction (Official Gazette RS, No. 55/19)

In both entities and in FB&H cantons, there are additional laws that regulate certain segments of infrastructure (roads, railways, navigation, air transport, postal services, IT services, water supply and wastewater, etc.).

### Finances

The financing of tourism activities is defined by the above-mentioned entity Laws on Tourism and the accompanying regulations that are adopted every year. They define who can apply, what types of activities are supported, maximum and minimum amounts of assistance, etc. Although tourism is one of the branches with the best perspectives in B&H, financial resources are low, particularly for investments in rural tourism. Both entity Ministries of Tourism give support for co-financing of some companies/projects, but total amounts are relatively low and not intended for financing of big, capital projects.

The Law of Agriculture and Rural Development in FB&H and the Law of Agriculture in Republika Srpska represent the legal basis for detailed definition of the types of incentives. Rulebooks detail the incentives, including their classification, the way of use, users, conditions for exercising the right to incentives, as well as the minimum/maximum amounts by type of incentive. Commercial banks also offer possibilities for financing, but there are no special lines for rural tourism development. Lending conditions are even stronger than in development banks, because commercial banks consider that as very risky investments due to a lack of possibilities to ensure property mortgages. Rural properties and rural real estate have low market prices, because they are very often not covered with cadastre documents, construction and usage permits. Even if they are, their market values are not high enough to be a valuable guarantee.

A further possibility for rural tourism financing is through different short-term projects (international organizations, Instruments for Pre-Accession Assistance – IPA, etc.). Those are primarily projects that develop the infrastructure for rural tourism (cycling routes, tours, signalization, education, raising of standards, creation of new products). A small number of projects offer the possibilities of sub-granting start-ups, entrepreneurs or service providers, the amount is relatively low and usually, co-funding is requested from the applicant or from other donors.

In recent years, there have been more initiatives from urban areas for the launch of services in rural tourism, where individuals invest their own funds in the reconstruction of abandoned households. Also, in Herzegovina, diaspora has been investing in holiday homes that they use for a short period during the year and rent out the rest of the time through agencies.

### Education

The education system in Bosnia and Herzegovina is fragmented: there are 14 Ministries at the state, entity and cantonal levels. The list of laws of the competent ministries in the field of education at all levels has a total of 36 laws regulating primary, secondary, higher education and additional 9 laws pertaining to adult education.

The Ministry of Civil Affairs of Bosnia and Herzegovina coordinates this area at state level. Education is within the competence of cantons in the Federation of Bosnia and Herzegovina, Republika Srpska and under the jurisdiction of the Brčko District of B&H. In FB&H, each of its 10 cantons has laws regulating pre-school, primary, secondary and tertiary education.

education. In RS, also, all levels of education are regulated by entity legislation. Brčko District of B&H, as a special organizational unit in B&H, has its laws regulating each of the four levels of education. This fragmented system impedes access to education policies, intensifying differences in human resource development in different parts of Bosnia and Herzegovina and generates numerous problems in the hierarchy of jurisdiction, responsibility and coordination.

Education in B&H is mostly funded by public funds of entities, cantons, Brčko District and municipal budgets. Practically, in the sense of allocations, this means that there are 13 separate budgets for education in B&H: two entity budgets, one in the Brčko District and ten cantonal budgets. It is estimated that Republika Srpska uses about 4% and the Federation Bosnia and Herzegovina 6% of the GDP on education. The budget of the Brčko Education Department amounts to 11.2% of its total budget. Out of total budget funds for education, 88% is allocated for gross salary and staff fees, about 8% for material expenditures and 4% for capital investments.

The issue of education is complicated in all spheres of tourism, therefore in rural tourism as well. Education is necessary to be able to present services properly to potential guests, communicate well and to provide services as expected.

Out of 190 high schools in B&H, only 4 provide education in tourism and catering (Sarajevo, Banja Luka, Mostar and Zenica), while other mixed schools open programmes for tourism or catering (i.e. in HNC: Konjic, Jablanica, Čapljina, Čitluk etc.). Unfortunately, and based on information from employers, the level of education is low, particularly regarding practical aspects of knowledge and skills, due to the very limited number of practical classes. Regardless of the quality of high school studies, the demand for those professions is very high. This is because on one hand the tourism sector keeps growing and on the other hand, current employees keep leaving abroad to serve elsewhere as seasonal or permanent staff.

Students can get education in tourism, catering with different courses at 9 universities and 2 high schools in B&H, including management, communications, gastronomy and environment protection.

Also, a unique, systematic and adequate policy is missing for informal or vocational education of adults. In different parts of the country, there are different options through employment bureaus, the private sector, including NGOs and chambers of commerce. Usually, these are trainings that last from two days to two months, for missing professions in tourism and hospitality, such waiters, caterers, pastry cooks, sommeliers, etc.

Within the project LANDS, Next destination Balkans: agritourism landscapes development123, financed by ERASMUS+, trainings for existing and new service providers in agritourism in B&H and Serbia are planned. There are 30 modules divided in two groups in preparation within the project 30:

- Training for creation of programme for household management
- Training for creation of programme for guests

Trainings are planned from late 2019 until autumn 2020 and will be carried out by partners in B&H, including agriculture universities (Banja Luka, Sarajevo and Mostar) and two development agencies (REDAH and SERDA).

### Food safety and quality standards

The Food Safety Agency of Bosnia and Herzegovina124 performs its activities and tasks in accordance with the provisions of the Law on Food125 (Official Gazette B&H, No. 50/04), the Law on Genetically Modified Organisms126 (Official Gazette of B&H, No. 23/09), by-laws and regulations governing the food safety system (more than 50 rulebooks), as well as the legislation and by-laws governing the functioning of state administration bodies. The Agency is responsible for risk analysis, initiation, preparation and proposal of food regulations, it is mandated to collect and analyze data in order to enable the characterization and monitoring of risks that have direct or indirect impacts on food and feed safety, all affairs related to genetically modified food and animal

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123 LANDS: Next destination Balkans: agritourism landscapes development [https://www.landsproject.net/](https://www.landsproject.net/)
124 The Food Safety Agency of Bosnia and Herzegovina [https://fsa.gov.ba/hr/](https://fsa.gov.ba/hr/)
125 The Law of Food (Official Gazette of B&H, No. 50/04)
126 The Law on GMOs (Official Gazette of B&H, 23/09)
feed as well as for performing other tasks within its scope of work. To fulfil its tasks, the Agency works in close cooperation with the competent authorities of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, Republika Srpska and the Brčko District of Bosnia and Herzegovina.

The Law on Food (Official Gazette B&H, No. 50/04) sets out the basis for ensuring a high level of protection of human health and consumer interests in relation to food, taking into account the particular diversity of food supply including traditional products, while ensuring the efficient functioning of the internal market. It establishes unique principles and competencies, prerequisites to achieve a stronger scientific base, an effective organizational structure and procedures that will be the grounds for deciding on the issues of health safety and quality of food and animal feed.

The Law on GMOs (Official Gazette B&H, No. 23/09) deals with the treatment of genetically modified organisms (GMOs), transboundary movements of GMOs and products containing and originating from GMOs, limitation of use, introduction into the environment, placing on the market, handling, transportation and packaging. General terms used in relation to the issue of genetically modified organisms are defined, and include the basic terminology aligned with international regulations. The law determines the manner of enforcement to perform professional, administrative and inspection work related to GMOs and products containing or originating from genetically modified organisms.

The Law on Veterinary Medicine in B&H127 (Official Gazette B&H, No. 34/02) establishes the competences of the state institutions, the Entities and BD in planning, implementation, monitoring, control, updating through this Law and by-laws, infectious diseases, veterinary prevention, minimum scope of animal health protection, fees and expenses for animal health, veterinary activities and their performance, public authority of the veterinary chamber, issuing concessions, veterinary training, registers, databases and information systems, competences of state bodies, inspection control, as well as the rights and duties of legal entities and natural persons under this Law. Most of the executive functions under this Law are under the jurisdiction of the Entities and the BD.

The existing food safety system in B&H has not managed to fulfil all the criteria set to obtain export permits for the EU market, even though competent institutions have worked on preparing and aligning domestic legislation with European regulations. Namely, the management chain and official feed and food control systems for animals are not harmonized with European standards to enable exports of goods with animal origin to the EU market. Similarly, there was no export of agricultural products like milk and other dairy products, meat and meat processing, and potatoes to the European market. The situation has been improving and some items can now be exported to the EU.

The veterinary sector has become significant in implementing regulations on the issues of control, prevention and eradication of certain transmissible animal diseases. Also, in the phytosanitary sector, progress has been made in the adoption of amendments to the Law on the Protection of New Plant Varieties in B&H and in the approval of the General Operational Emergency Action Plan Against Harmful Phenomena to Plants and Herbal Products. In addition, the registration of manufacturers, processors, importers and distributors of plants and herbal products, and official control have been initiated. The priority tasks of competent institutions in the food network are primarily to ensure an effective food safety system, to realize conditions for exports of agricultural products of animal origin, to prepare proposals to amend regulations, and to align the roles and responsibilities of the institutions in the food network.

Health and risks management

Framework Law on the Protection and Rescue of Persons and Material Property from Natural and Other Disasters in Bosnia and Herzegovina128, which regulates the protection and rescue of people and material goods from natural or other disasters in Bosnia and Herzegovina, through the realization of international obligations, competences of institutions and

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127 The Law on Veterinary Medicine in B&H (Official Gazette B&H, No. 34/02)

128 Framework Law on the Protection and Rescue of Persons and Material Property from Natural and Other Disasters in Bosnia and Herzegovina (Official Gazette B&H, No. 50/08)
The health system in B&H faces many functional challenges: administrative fragmentation and insufficient cooperation with other sectors lead to inefficiency in providing healthcare services and unequal access to them. Harmonization of health laws, standards and procedures with the **Acquis** is ad hoc, although in 2003, the Council of Ministers adopted the Decision on the Harmonization of Procedures in B&H legislation with the **Acquis** (Official Gazette B&H, No. 44/03), which became binding with the Stabilisation and Association Agreement (entered into force on 1st June 2015). Lack of reliable data on costs of healthcare services makes it more difficult to develop the efficiency of the system. According to the European Health Consumer Index (EHCI) for 2014, B&H comes last due to the stunning lack of data on healthcare. B&H scored 420 out of a total of 1,000 points, which is less than Albania, Serbia and Montenegro.

In early 2018, the general state of travel safety and security to Bosnia and Herzegovina was applied to describe conditions for rural tourism development related to travel alerts provided by the competent state institutions of the countries from which many tourists travel to Bosnia – USA, UK, Canada, Ireland and Germany. Various other sources are used to fill gaps.

In 2020, Travel Risk Map of the world based on medical care, road safety and overall travel security, and the International SOS and Control Risks, the two world-renowned security assessment companies ranked Bosnia and Herzegovina the same as the majority of European countries, as a destination with low risk of travel.

Many countries warn their citizens traveling to Bosnia and Herzegovina about mine risks. There are mines in Bosnia and Herzegovina, but that does not mean that arrival to B&H is unsafe. Until now, it has not been noted that any visitor was involved in a mine accident in B&H.

The B&H police system consists of top down state-level organizations at Entity levels (the Federal Ministry of Internal Affairs of B&H and Republika Srpska Ministry of Interior), at Brčko District level, as well as the cantonal Ministries of Internal Affairs in the Federation of Bosnia and Herzegovina. The task of the Entity Civil Protection Directorate is to carry out professional and other occupational affairs in the area of protection and rescue as an independent administration. The functioning of the protection and rescue system is carried out through: self-protection of citizens, state administration bodies, staffs, units and civil protection commissioners, companies and other legal entities involved in protection and rescue within the scope of their activities, public service of fire protection and rescue, veterinary, agriculture, utility and other activities operating within the protection and rescue system, associations of citizens registered for the implementation of protection and rescue measures. The entire territory of Bosnia and Herzegovina is well covered by the Alliance of Mountain Rescue Services in B&H (GSS) network units.

Rare earthquakes and floodings are the only serious natural danger.

**Monitoring and control**

In addition to the poor compliance with the **Acquis**, there is no systematic monitoring of the environment in B&H, nor a reporting system due to the complex division of responsibilities and obligations between the state, entities, cantons and municipalities. A special challenge is the lack of a large number of data and indicators, as well as the lack of

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129 [https://www.travelriskmap.com](https://www.travelriskmap.com)
130 "...a range of health risks and mitigating factors, including but not limited to: infectious disease burden, environmental factors, medical evacuation data, road trauma data, standard of emergency medical services, outpatient and inpatient medical care, access to quality pharmaceutical supplies, and cultural, language or administrative barriers.” [https://www.internationalsos.com/risk-outlook/risk-ratings-definitions](https://www.internationalsos.com/risk-outlook/risk-ratings-definitions)
131 Alliance of Mountain Rescue Services in Bosnia and Herzegovina (GSS), [https://gss.ba/](https://gss.ba/)
data collection capacity to enable a comprehensive overview of the environment in B&H. The system of management, monitoring and control of public policies, implementation of strategies and measures of support is at a very low level, primarily due to the lack of a quality and functional system. There are insufficient financial resources for improvements, but also due to the inadequate capacities of those institutions.

Jurisdiction in tourism inspection is at the entity level, based on the following laws:

*Law on Inspections in Republika Srpska*\(^{132}\) regulates the following: carrying out inspections within the inspection system, the competence of inspection bodies, inspection titles and labour status of inspectors, powers and obligations of inspectors, rights and obligations of the subjects of inspection, manner and procedure of performing inspection, deciding on appeals filed against the decision of an inspector, execution of the inspector’s decision, special procedures within inspection and other significant issues for carrying out inspection in accordance with the regulations in force in Republika Srpska. The inspection system of Republika Srpska, within the meaning of this Law, consists of the Administration for Inspection Affairs and special organizational units for performing inspection tasks in the administrative services of LSG units. There is no Special Tourism Inspector in this entity, but the following inspectors monitor the situation in this sector:

- Food Inspector
- Market Inspector
- Agricultural Inspector
- Forest Inspector
- Veterinary Inspector
- Water Inspector
- Traffic Inspector
- Urban Planning Inspector
- Environmental Inspector
- Labour Inspector

*Law on Inspections of the Federation of B&H*\(^{133}\) regulating the performance of inspection supervision under the jurisdiction of the federal administration bodies, inspection activities of federal inspections and their scope, a single inspection procedure in the Federation of B&H to ensure enforcement of the law and other regulations, the organization of the Federal Administration for Inspection and Management, the rights, obligations and responsibilities of inspectors, the rights and obligations of the entities subject to control, the relations between the Federal Administration and the cantonal inspection bodies, the preventive action of inspectors in conducting inspection control and other issues relevant to the functioning of the inspection system. There are 40 inspectors in the Federal Administration for individual areas. The following federal inspectors are responsible for specific segments of rural tourism:

- Market, Tourism and Catering Inspector
- Sanitary Inspector to control the prevention and control of infectious diseases
- Food Inspector
- Health Inspector
- Labour Inspector for labour relations
- Labour Inspector for occupational safety
- Urban Planning Inspector
- Building Inspector
- Environmental Inspector
- Nature Protection Inspector
- Agricultural Inspector for crop production and plant protection
- Agricultural Inspector for animal husbandry
- Agricultural Inspector for food safety and processing of food
- Forest inspector
- Fisheries inspector
- Water inspector
- Veterinary inspector
- Veterinary food inspector

\(^{132}\) Law on Inspections in Republika Srpska (Official Gazette RS, No. 74/10)

\(^{133}\) Law on Inspections of the Federation of B&H (Official Gazette of FB&H, No. 73/14)
B.2.2.4. Institutional set-up for managing/supporting rural tourism

National level

- **The Ministry of Foreign Affairs and Economic Relations** is responsible for activities and duties within B&H competences related to coordination of activities and harmonization of plans between entity bodies and institutions on international level in the sector of rural development, agriculture and tourism. In accordance with the Constitution and competences, laws and by-laws are to be adopted at the levels of B&H, entities, Brčko District and cantons (in FB&H), as well as municipalities. Over the past 20 years, dozens of laws and amendments have been adopted at the entities’ level. Apart from laws, also hundreds of by-laws, rulebooks, instructions, decisions, orders and programmes have been adopted. Such a legal system where different laws are implemented at different administrative levels in B&H requires their harmonization, particularly in the context of European integration. A certain number of these documents, particularly laws, has been adopted with special attention to the EU Acquis Communautaire, particularly after B&H submitted the application for EU membership on 15 February 2016.

- A **Ministry of Agriculture and Rural Development** does not exist in B&H at the state level, but they exist at entity level, as well as in seven cantons of FB&H.

- A **Ministry of Tourism** does not exist in B&H at the state level, but they exist at entity level, as well as in three cantons of FB&H. At the state level, within the Ministry of Foreign Affairs and Economic Relations, the Sector for Water Resources, Tourism and Environmental Protection has a Tourism Department.

- **The Ministry of Foreign Trade and Economic Relations of B&H**, acting in its role as coordinator in the tourism sector, due to the fact that there is no legislative or institutional frame for the sector at state level, has established a Working Group for the coordination of activities, conclusion making and preparation of decisions in the tourism sector of B&H (Order no. 06-01-50-12837-3/06 of 19 April 2007). The Working Group for Tourism consists of representatives of the Ministry of Foreign Affairs and Economic Relations, representatives of entity ministries responsible for the tourism sector, a representative of BD and a representative of the Foreign Trade Chamber of B&H.

The Ministry of Foreign Affairs and Economic Relations does not have a budget to support the tourism sector. The Ministry is responsible for performing duties and tasks within the competences of B&H related to policy and definition of basic principles, harmonization of activities and plans of entity authorities and institutions on the international level in the following areas: agriculture and rural development and energy, environmental protection, development and usage of natural resources.

In accordance with the decision of the Council of Ministers, the Office for Harmonization and Coordination of the Payment System in Agriculture, Food and Rural Development was established in 2009 as an administrative unit within the Ministry of Foreign Affairs and Economic Relations.

- **The Ministry of Spatial Planning of the Federation of Bosnia and Herzegovina** is tasked with spatial planning, drafting of planning documents and their implementation.

- **The B&H Foreign Trade Chamber** has a Group for Tourism and Catering, with sections for hotel management, tourism agencies, spa tourism and sports and recreational tourism. All legal entities and natural persons registered for export-import activities in the tourism sector in B&H are members. The main task is to represent interests of economic subjects involved with tourism and catering activities. Its tasks as an interest association of subjects connected to tourism and catering, include representation and articulation of interests of its members towards the respective ministry and relevant in-

stitutions concerning lawful decisions and solutions, observing legislation related to tourism, launch of initiatives, proposals and opinions on changes and amendments of existing ones, i.e. adoption of new laws in the tourism sector. Also, it performs monitoring of UNWTO and EU regulations, clarification of special practices in the area of catering, provides professional information to its members, public authorities, etc.  

- **The Association of Tourism Agencies (UTAB&BH)** is a professional voluntarily association of tourism agencies, dealing with the following issues: initiation of systematic and other requirements for the creation of conditions for the successful and efficient functioning of tourism intermediaries; realization of communication with international bodies and associations with the aim of establishing interlinks between the members and their inclusion into international tourism flows, internal cooperation between members of UTAB&BH; participation in the preparation of legal regulations, coordination and education.  

- **The Association of Hotel Managers and Restaurant Managers of B&H (UHiRB&BH)** is a professional voluntary association for the protection of interests of its members and improvement of hotel and restaurant management in B&H, as well as participation in the preparation of legal regulations, coordination and education.  

- **The B&H Tourism Association** – the Ministry of Trade and Tourism RS, the Tourism Association of FB&H, the Tourism Organization Banja Luka and the entity Chambers of Commerce have participated in the set-up of this association. The task of the Association is to place tourism products on foreign markets and jointly present entities at international tourism fairs. Funding modes and responsibilities make it impossible to work continuously, so the Association is currently inactive.  

- **The Alliance of Mountain Rescue Services in Bosnia and Herzegovina (GSS in B&H)** – The mission of GSS is to create conditions for quality development of all categories of rescue in inaccessible areas and to raise the level of security of all citizens of Bosnia and Herzegovina.  

- **The Rural Development Network in B&H** enhances cooperation, dialogue and overall activity of organizations and institutions of different profiles working in the rural development sector, with the aim of representing the interests of rural heritage, exchange of information, knowledge, experiences and opinions that will contribute to the development of this sector. The Network wants to improve the conditions for the development of rural areas of Bosnia and Herzegovina, contribute to improving the quality of life and sustainable utilization of existing resources for rural development in B&H and to foster rural economy development.  

### Regional levels  

The Agricultural Support Policy in B&H is at entity level and BD B&H, and these policies differ by amount, purpose and distribution criteria. Supporting funds allocated to agriculture in B&H, on average about 80 million Euro, are the lowest among the countries/territories in the region.  

#### Entity level  

- **The Ministry of Agriculture, Forestry and Water Management of Republika Srpska** performs administrative and other professional duties regarding: protection and utilization of agricultural land; protection of agriculture, education of agricultural producers; production and progress, raising and selection of livestock breeding; food industry; veterinary activities; veterinary-sanitary control; improvement of forestry production; growing, protection, development and improvement of forests; hunting and hunting economy; complete management of environmental waters; inspection in the agricultural, veterinary, forestry, hunting and waterpower engineering sectors; other duties according to the law and other regulations of Republika Srpska and Bosnia and Herzegovina. The Ministry is divided into five departments:  

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136 [https://gss.ba/](https://gss.ba/)

137 [https://www.ruralnamreza.ba/](https://www.ruralnamreza.ba/)

138 Ministry of Agriculture, Forestry and Water Management of Republika Srpska, [http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mps/Pages/default.aspx](http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mps/Pages/default.aspx)
- Department of Agriculture, Food Industry and Rural Development
- Veterinary Department
- Forestry and Hunting Department
- Department of Water Management
- Department for the Provision of Professional Services in Agriculture

The Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina performs similar duties as the Ministry in RS and is organized in 14 sectors, but seven of them are more important for their functionality

- Agriculture and Food Sector
- Rural Development and Extension Sector
- Sector for Payments in Agriculture
- Veterinary Sector
- Water Sector
- Forestry and Hunting Sector
- Project Management Sector

At the cantonal level, there is a Ministry of Agriculture, Forestry and Agriculture in seven cantons, while in other three cantons Departments for Agriculture are within the Ministry of Economy. The organizational structure is different from Ministry to Ministry, and most of the Ministries have basic strategic documents for the development of agriculture, forestry and water management.

The Ministry of Trade and Tourism of RS is an independent administrative body that carries out administrative and other duties in the sectors of trade, tourism and catering and it reports directly to RS Government. Within its legal and normative powers, the Ministry prepares, drafts and proposes laws and by-laws, as well as other documents that are in the interest of RS and that arise from its powers. The Sector of Tourism and Catering carries out administrative tasks related to the following: proposing of policy and strategy of tourism and catering development; monitoring and proposing system measures of current economic policy for the realization of tasks defined by plans and other acts; proposing of laws and other rules that regulate issues in tourism and catering; monitoring of implementation; organization of research activities for the purpose of managing tourism policy; proposing directions for planning and programming tourism development and cooperation on these issues with the relevant national bodies and organizations. The Sector of Tourism and Catering consists of three departments:

1) Department for Tourism and Catering
2) Department for Investments and Promotion of Tourism Economy
3) Department for Normative and Legal Affairs and Administrative Supervision

The Tourism Organization of RS (TORS) is a public institution, established by RS Government with the aim of promotion of RS tourism destinations at domestic and international tourism fairs, tourism stock markets, events, printed promotional material, web presentation, direct contact with media, cooperation with Local Tourism Organizations, and many other activities. The general development goal of the TORS is to create an image of RS as destination that is safe for tourism and investments, and using promotional activities, to position RS as a quality destination. Within it, 39 city and municipal Tourism Organizations are active. On their website, visitors can find information about the offer related to rural tourism (adventure, ecotourism, natural beauties, cultural heritage), as well as accommodation in rural areas and some traditional events.

Within the Chamber of Commerce of RS, the Association of Trade and Tourism has 51 members, whose activities are directed to assist its members and provide them with better quality and faster services. The main goals of the Association are presentation and promotion of united interests of the profession towards the state and other bodies, development and improvement of trade, tourism and catering activities.
• **The RS Crafts and Entrepreneurial Chamber** is part of the chamber system in RS, with the aim to improve and upgrade crafts and entrepreneurial activities. It is organized as regional offices/chambers in five regions in RS (Banja Luka, Bijeljina, Doboj, Istočno Sarajevo and Trebinje).

• **The Federal Ministry of Environment and Tourism** carries out administrative, professional and other duties within FB&H competences related to the following: air, water and soil protection; preparation of strategy and policy for environmental protection; standards in the quality of air, water and soil; environmental monitoring and control of air, water and soil; preparation of strategy and policy for the development of tourism and catering; monitoring of tourism flows at domestic and foreign markets; directing long-term tourism development within the overall economic system, and other duties prescribed by law.

• **The Tourism Association** acts within the Chamber of Commerce FB&H, whose main goal is the representation and promotion of common interests of all members. The Chamber of Commerce FB&H has two offices, in Sarajevo and Mostar, and the chamber network consists of 10 cantonal chambers.

• **The Chamber of Crafts FB&H** represents craftsmen and persons dealing with similar activities towards the federal and other bodies in the country and abroad. According to the Law, craftsmen and persons dealing with similar activities at the territory of FB&H are members of the Chamber through cantonal Chambers of Crafts.

• **The Tourism Association of FB&H** aims to promote FB&H tourism and economic interests of legal entities and natural persons in the sectors of tourism and catering and directly related activities. The scope of work of this institution is the unification of the overall supply in FB&H, market research, preparation of programme and promotion plans, implementation and monitoring of promotion, establishing of tourism information system in FB&H, tourism information activities, coordination of the work of all tourism associations, launching of tourism branch offices abroad and monitoring of their work, cooperation with national tourism organizations of other countries, multinational and regional promotion, monitoring and analyzing the work of cantonal tourism associations.

**Cantonal level FB&H**

Out of 10 cantons in FB&H, three (Herzegovina-Neretva, Tuzla and Posavina) have a Ministry of Tourism, while the others have specific departments or sectors within Ministries of Economy or Trade.

In each canton, as part of FB&H chamber network, there are:

• **Cantonal Chambers of Commerce and Cantonal Chambers of Crafts** that endeavour to create a friendly environment for the development and growth of entrepreneurship and crafts in their territories.

• **Cantonal Tourism Associations** exist in almost all cantons (the Tourism Association in West Herzegovina canton is closed down) with branch offices in certain municipalities within cantons. One of the better examples is the Tourist Board Herzegovina-Neretva Canton, which − apart from activities prescribed by laws − participates directly in the development and promotion of tourism, with focus on the development of rural tourism. Over the past years, the Board has participated as partner in a several cross-border and interregional projects (e.g. **Vinska cesta Hercegovine** – Wine Route Herzegovina, **ADRIS-TORICAL LANDS**, **RiTour**, **Centar za obuku i prekvalifikaciju konobara i kuhara** – Centre for Education and Retraining of Waiters and Cooks).

One of the more important projects is the Development of Rural Tourism in Herzegovina where mapping of service providers in agrotourism in the area of 9 municipalities (resulting in a brochure with presentation and map of 14 service providers) as well as traditional products from Herzegovina (smoked ham, sack cheese, cheese škripavac, honey, pomegranate, borecole, bean Poljak) was done. Also, a Marketing Plan for Rural Tourism and a Guide for Organization and Business of Rural Tourism Household were produced. All this information can be found on the Tourist Board Herzegovina-Neretva Canton (HNC) website.
In addition to these organizations, there are also others more focused on the development of rural tourism or certain outdoor or adventure activities. Those are primarily CSOs, RDAs and tourism clusters. The most important are the following:

- **Alterural Sarajevo**, association for the promotion and professionalization of rural tourism in B&H. The area of activities is the region around Sarajevo (Kreševo, Fojnica, Trnovo, Vares, etc.).

- **REDAH Mostar** is a regional development agency for Herzegovina, non-governmental, non-profit and independent agency established by subjects of economic development with the aim of promotion, coordination, planning, and implementation of development activities in the region. Some examples of the activities on the development of rural tourism through implementation of projects are: Tourism Corridors in Herzegovina; Terebižat – Heart of Herzegovina; Ćiro – cycling trough history; Women and Sustainable Development; Bike Friendly Standard, and other projects.

- **The Tourist Cluster Una Sana** in Bihać has 21 members (family households, ethno-restaurants, hotels, women’s associations, etc.). The goals are to create a more business-friendly environment, to strengthen product quality and services, to increase the number of accommodation and catering capacities, branding of products and to strengthen promotional activities in this part of B&H.

- **The Tourism Cluster of Herzegovina** with headquarters in Mostar has 32 members from the region of Herzegovina. Members are hotels, restaurants, wineries, tourist agencies, transport companies, etc. The goal is to promote and brand Herzegovina as a tourist region, with all its values (tradition, culture, rural development, etc.) and to continuously improve the diversity of supply and the level of quality.

- **Terra Dinarica** in Sarajevo is an organization with activities on the cross-border platform Via Dinarica in B&H, and its activities directly encourage the development of rural tourism through mountain hiking, cycle routes, as well as cultural and natural heritage in this region.

### Local level

At the local level, the most important actors are tourism organizations in certain municipalities and cities with the aim to promote their tourism supply. Out of 62 cities and municipalities in Republika Srpska, 36 have municipal tourism organizations. Also, specialized associations are of great importance at the local level. Some of them, from the organizational and efficiency perspective, focus on the rural environment, special social groups in such conditions, the promotion and presentation of some special (or group) products. Such organizations have special importance in the promotion of rural tourism, and with people involved in these types of activities. These are, for example, associations of agricultural producers, beekeepers, hunters and fishermen, associations for rural development and traditions, associations of mountaineers, environmentalists, women and youth. There is a special group of associations focusing on a sports activity, such as associations of cyclists, rafting, water sports, etc.

A good example is the City of Trebinje, where two public institutions work closely with the private sector. The Agrarian Fund of the City of Trebinje founded the Herzegovina House, which is a boutique of local Herzegovinian products produced in the traditional way on farms. On the shelves you can find products of the distinctive gastronomic offer of Herzegovina; various types of wine, cheeses, honey, teas, prosciutto, sweet preserves and pickled foods and more. All products have been health-tested and certified and are approved for use by the Institute of Public Health of Republika Srpska. The Tourism organization of the City of Trebinje, which performs the overall promotion of the tourism offer (accommodation, restaurants, traditional products, outdoor activities, etc.), plays a significant role in all this.

**Slow Food Convivium in B&H.** Slow Food is an initiative focused on promoting local and sustainable food and agriculture. In B&H, Slow Food Convivium has been active in promoting local produce, supporting traditional farming practices, and fostering a sense of community around shared food values. Their efforts aim to preserve cultural heritage and promote environmentally friendly practices.

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147 [http://alterural.ba/](http://alterural.ba/)
149 [https://www.unasana.ba/](https://www.unasana.ba/)
150 [http://www.tkh.ba/](http://www.tkh.ba/)
ternational organization founded to prevent the disappearance of local food cultures and traditions, counteract the rise of fast life and combat people’s waning interest in the food they eat, where it comes from and how our food choices affect the world around us. Their approach is based on a concept of food that is defined by three interconnected principles: GOOD, CLEAN and FAIR. Every Slow Food member around the world is part of a Convivium – a local chapter – that brings the Slow Food philosophy to life through the events and activities they organize in their communities. They range from simple shared meals and tastings, to visits to local producers and farms, conferences and discussions, film screenings/festivals and much more. There are 3 Conviviiums in B&H, in Goražde, Potkozarje and Trebinje, which have protected 17 products in B&H and 2 of them are even more, they are Presidiums (cheese in a sack and Požegača plum sweet preserve). 152

The Association Visit Blidinje is a result of mutual cooperation and a common idea to bring together all actors from the field of tourism with local producers, around a single platform that primarily focuses on the promotion and marketing of Blidinje Nature Park and also offers all contents and activities in this unique area. The basic objective was based on the fact that the Blidinje Nature Park was administratively divided between three cantons and five municipalities and there was the will to cooperate with other actors to improve their tourism offer, and also to protect the area. 153

Smaller agencies play a big role in development of this sector, spreading of supply and raising service levels. With their activities they create new products offered to domestic and foreign markets.

Rurality of B&H is also in direct connection with its climate, relief and geographical attributes. Living conditions are linked to natural conditions. In B&H, there are more developed areas in plains and valleys, with bigger settlements and cities, and less developed areas in the mountain part of B&H, forming 4/5 of its territory. The policy goal of rural development in B&H should be balanced territorial development, i.e. reducing differences between those with more favourable living conditions and those with less favourable ones. Rural development policies in B&H should recognize the heterogeneity of conditions for economy and life.

B.2.3. RURAL TOURISM DEVELOPMENT AND POLICY

B.2.3.1. Brief overview of the status of rural tourism in Bosnia and Herzegovina

B&H as destination for rural tourism has diverse rural areas that are a precondition for more serious development of this type of tourism. In the last few years, the number of domestic and foreign tourists has significantly increased in recognizable destinations such as Mostar, Sarajevo, Medugorje and Neum. That increase, along with the guest demand, has created the need to expand and develop the supply in rural areas of B&H. Some destinations and activities have already become recognized in the world market (river rafting, gastronomy, hiking and cycling in the mountains).

Rural tourism destinations in Bosnia and Herzegovina

Rural tourism destinations in B&H are numerous and different, however they could be classified according to rural centres and based on their characteristics.

Traditional, popular holiday destinations are locations that already have their defined supply and satisfying infrastructure. In the first line, those are ski centres at the Olympic mountains Jahorina, Igman and Bjelašnica, and those less famous, Vlašić, Kupres and Blidinje. Utilization of these destinations is increasing outside the skiing season, during spring and autumn for congress tourism, and as destinations for trainings and preparation of athletes. There are also more guests spending their summer holidays in such destinations. The other important type is spa tourism in places like Banja Vrućica in Teslić, Reumal in Fojnica, Ilidža in Sarajevo and Dvo-
rovi in Bijeljina. The only important tourism location for summer holidays is Neum, which uses its capacities for congress tourism in other seasons. In these destinations there is a wider and richer supply of smaller service providers in different segments of rural tourism.

Rich agricultural areas are in the northern parts of B&H. However, currently the supply is not satisfactory, except for the gastronomy for travellers in transit. An exception is the Semberija area, where the offer of rural households around Bijeljina has increased. The “incubating” reason is the ethno-village Stanišići which attracts a great number of domestic and foreign tourists. There is also the port Brdsko, where river cruisers on the Danube have started to arrive.

Remote areas cover a large part of Bosnia and Herzegovina, covered by mountainous limestone terrain, creating the world’s largest karst area. In that part of B&H, 12 mountains are above 2,000 m. Expanding from Bosnia and Herzegovina’s western border with Croatia, the Dinaric chain cuts through the heart of central Herzegovina with Prenj, Čabulja, Čvrsnica and Velež Mountains – all above the 2,000-meter mark. This mountain range is the natural boundary between the Mediterranean and continental Alpine climates. The White Trail of Via Dinarica continues east towards Viskočica, Bjelašnica and Treskavica Mountains. Moving even farther east, bordering Montenegro, are Bosnia and Herzegovina’s highest peaks. Protected in Sutjeska National Park, Maglić mountain (2,386 m) towers above the surrounding natural fortresses of Zelengora, Volujak, Lejlija and Lebršnik mountains. The Sutjeska National Park hosts one of the two remaining primeval forests in Europe – Perućica. Deep canyons of the rivers Neretva, Rakitnica, Sutjeska, Tara, Piva and Drina are characteristic for this area and many highland settlements can be found dating back to medieval times.

Mountain or forest locations cover the area north of high mountains, where mountains are mostly between 1,000 and 2,000 m, including Grmeč, Klekovača, Vitorog, Čemernica, Vlašić, Raduša, Vranica, Jahorina, Konjih, and Javor. This area is intersected by fertile fields and river valleys of the rivers, Una, Vrbas and Bosna. There are many protected areas there, from National Park Una to protected landscapes. There are many hunting grounds, rivers and lakes and in the area, and the White Trail of Via Dinarica with hiking and cycling paths and smaller ski slopes.

Protected Areas are National Parks, Parks of Nature, Strict Natural Reserves, Special Natural Reserves, Natural Monuments, Natural Reserves with Management and Reserves of Natural Sites. There are 4 national parks (Una, Kozara, Sutjeska and Drina), 2 Parks of Nature (Blidinje and Hutovo Blato), 16 Strict Natural Reserves, 9 Natural Reserves with Management, 8 Special Natural Reserves, 11 Natural Reserves and 110 Natural Monuments.

Areas near the sea include the regions of Herzegovina, from Trebinje to Livno with a great number of one-day tourists coming from the Adriatic Sea regularly. This area is rich in both natural beauties (Vjetrenica cave, Kravice waterfalls) and historical heritage from the earliest period to new times (prehistory, antique city Daorson from Illyrian times, Roman villa Mogorjelo, medieval tombstone grave-yard stećci under UNESCO protection, castles in Trebinje, Stolac, Blagaj, Ljubuški, Tito’s bunker in Konjic). There are the rivers Trebišnjica, Trebizat and Neretva, with developed services of water sports, recognizable gastronomy (smoked ham, cheeses, fruits and vegetables), wine roads. Recently the cycling route Ćiro and other outdoor and adventure activities (zipline, paragliding) have gained importance. For sure, one should mention the rich cultural heritage in Herzegovina (museums, galleries, traditional events).

Rural areas with small historic towns are only partially developed in B&H, in towns such as Konjic, Bihać, Visoko, Jajce, Trebinje, Višegrad, where small cities used and connected with their rural areas and supply that is offered. There a number of cities in B&H with the same potential (Kreševo, Stolac, Gradačac, Maglaj, Foča, Han Pijesak, Sipovo, etc.)

One cannot generalize B&H at the level of its entire territory, because it is complex in the administrative sense as well. There are small areas that are socially, anthropologically and culturally homogeneous areas – micro localities, and which are, on the other hand, very different from all others.
Main factors for rural tourism development in Bosnia and Herzegovina

Practically in almost every municipality in B&H there are potential factors that could, through better future planning, investment and more responsible management, become a tourism factor this municipality would be recognizable for. That means primarily natural and cultural heritage, which could be valorized and new products created in combination with gastronomy and modern demands of tourists to experience the destination in a special way (cycling, walking, horseback riding).

Natural factors

One of the examples are stećci – ancient bogumil burial stones that are on UNESCO World Heritage List as unique heritage in this part of Europe since 2016. In Croatia, B&H, Serbia and Montenegro, there are approximately 3,300 locations with 72,000 stones, and 80% of them are in B&H. There are 28 locations on the UNESCO list, out of which 22 necropolises are placed in 21 municipalities in B&H.\(^{154}\) Nominated necropolises with stećci are national monuments of B&H and have the highest level of legal protection, assured by the decisions proclaiming them national monuments. The majority of necropolises are in bad shape and they are located in rural, remote areas in rural municipalities. According to the number of stones, municipalities Konjic and Nevesinje take the first place with 3,000 to 4,000 items. In order to protect stećci and use them for future development, one should make a plan/strategy for their valorization. Currently, the necropolis Radimlja in Stolac is an example of a necropolis that is conserved, fenced with supporting objects (parking, sanitary facilities and a tourist info centre). The necropolis is currently managed by Public Institution Radimlja and the advantage is that is located by the main road Mostar – Trebinje.

Most of the other necropolises are in much more remote areas, so it is necessary to prepare special plans for their protection and management. Currently there are activities ongoing on the project U kamenu uklesano (Carved in Stone), where teams from five municipalities (Posušje, Trebinje, Stolac, Foča, Travnik) are working on registration, research, mapping, protection and promotion of the necropolises in their municipalities. Anyway, stećci are an important factor in many municipalities in B&H that could contribute to the development of new tourism products, by combination of visit (walking, cycling paths) and educational activities (different field workshops) with accommodation in the rural environment and tasting of local domestic food. But first, one should present to and co-create products / service ideas with those values, possibilities and options with local people and the way in which it can contribute to improve their lives in rural areas and to secure funds for implementation.

Apart from example of stećci, there are other locations throughout B&H with architectural and archaeological heritage, including prehistoric sites (Paleolithic and Mesolithic, Neolithic and Eneolithic – Copper Age, Iron Age, Bronze Age), heritage of Illyrian and Roman periods, medieval fortresses and towers, numerous churches, monasteries, monuments from the modern history (II World War). According to the data presented in the Study of the Long-term Development of Tourism in Bosnia and Herzegovina, in addition to the mentioned sites from the Palaeolithic and the Neolithic, there are several sites of prehistoric archaeological finds (94), sites of ancient Greece (13), Roman sites (78) and a locality from the Bronze Age (1). There are also sites from recent history, such as World War II monuments (at Kozara, Sutjeska, Jablanica, etc.), as well as stories and objects from Tito’s age (Anti-Fascist Council for the National Liberation of Yugoslavia – AVNOJ’s session in Jajce, Tito’s cook, Tito’s bunker in Konjic, etc.).

The situation is similar to the one regarding natural beauties, as just a few destinations from the list of 158 protected natural areas have used that factor and launched the development of rural tourism. Surely, one should also plan sustainable use in order to protect the overload of those areas with visitors. B&H is naturally very interesting and has a high diversity of plant and animal species: there are 10,550 different animal species, mostly fish, birds and mammals, as well as 7,450 plant species, with especially interesting varieties of fungi and herbs. All this brings opportunities to develop new products such
as educational tours, bird and other wildlife watching, and photo safaris that would stimulate other services in rural areas (transport, accommodation, food, souvenirs, etc.).

There are also many artificial lakes that are very well connected by roads. Most of them are located by main roads but their utilization in the tourism sense is very low. For example, there are four artificial lakes by the Neretva river (Jablaničko, Grabovičko, Salakovac and Mostar) accessible on the main road M17 and only Jablaničko lake is partially used for tourism purposes. Apart from the mentioned ones, there are lakes on Trebišnjica (Bilečko and Trebinjsko), lakes on Vrbas and Drina, and Buško lake.

Human resources

The great diversity of cultural traditions (hospitality, old crafts, folklore, folk customs, gastronomy) is typical for the rural areas throughout B&H. The level of technical skills is generally high due to educated middle-aged and especially younger people who speak foreign languages and use modern information and communication technologies (ICT). However, there are vast contrasts between rural and urban areas. There is a constant need for quality and educated staff in the tourism sector, but due to the youth’s lack of interest in this type of work, as well as the high numbers of these professionals and young people going to Montenegro, Croatia and EU countries. The level of salaries and employment conditions in rural areas remain low compared to urban areas and other economic sectors. The level of the use of technology and equipment has upgraded over the past decade, but it needs further improvement.

Traditional customs and old crafts are one of additional factors that can improve supply in rural tourism. The example is the project Made in B&H, which aims to promote cultural heritage though businesses of young people inspired with wealth of joint cultural heritage (traditional techniques, traditional materials, heritage as inspiration). The results of the project were published in the Made in B&H Directory, where all 56 ideas were listed, and the best 10 were presented in detail. The ideas were mostly related to the production of souvenirs, clothes, jewellery, home products, toys, books and colouring books, and are sold in four concept and online shops.

Quality, innovative, targeted and timely promotion of tourism is one of the main problems. The slogan of B&H promotion as tourism destination is “The heart-shaped land” and it is supposed to provoke a primarily emotional response. It incorporates the symbol of a heart that is always associated with kindness and positive emotions, and the aim is to provoke positive feelings and get closer to potential tourists.

Capital factors

Rural areas have very limited access to financing and low availability of favourable loans, which has reduced the level of own investments. Reasons include difficult procedures for loan approval, unfavourable credit conditions (especially inability to provide guarantees) and lack of information on how to obtain financial means at better conditions. One of the more frequent cases is that investors are native to rural areas, but they live and work in other countries and cities, and now start their own businesses using the resources they have inherited.

The development of entrepreneurship is much smaller in the rural areas, especially in the less-favoured (hilly and mountainous areas). The long-standing unregulated status of agricultural holdings in B&H contributes greatly to this. The lack of entrepreneurship is the result of insufficient knowledge and skills. SMEs, trade and services are better developed in the river valleys and lowlands in northern B&H.

The main characteristics of the current situation in the system of transport and communication in B&H are described below.

Railway transport: B&H has 1,031 km of railroads plus industrial tracks towards every significant production capacity. Recently, this system has not been sufficiently technically and organizationally reconstructed. Road traffic: B&H has approximately 22,600 km of classified roads, but only with foundations for modern highways, which requires accelerated work on policy defining without any delays, programming of development and finding potential partners (concessionaires) for financing and con-
struction of this network. Almost 90% of the transport of people and goods in B&H is carried out by roads. Road infrastructure and facilities that were seriously damaged during the war have been mostly reconstructed, which enabled transport inside B&H and towards neighbouring countries. River and sea transport is currently carried out through the harbour Ploče, and by the Sava river and is not significant for the transportation of passengers. In recent years, the number of arrivals has increased at airports, mostly via the airport in Sarajevo, but also the airports in Tuzla, Banja Luka and Mostar. The total number of passengers carried in 2018 was 1,696,098, with 838,589 arriving and 857,509 departing. Sarajevo International Airport served 1,046,635 passengers or 61.71% of the total. A total of 28,673 passengers or 1.69% passed through the airport in Mostar, and 584,610 passengers or 34.47% through the airport in Tuzla. In 2018, Banja Luka Airport served 36,180 passengers or 2.13%.

The largest number of passengers in B&H are transported by roads (about 93%). Railways accounted only for about 3% of passengers. The consequence has been a considerable burden on the road travel infrastructure and growth of the ever-increasing greenhouse gas emissions.

Table B2-5. The Global Competitiveness Report 2019 – Country profile Bosnia and Herzegovina

<table>
<thead>
<tr>
<th>Index</th>
<th>Value</th>
<th>Score</th>
<th>Rank/141</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road connectivity 0–100 (best)</td>
<td>66.8</td>
<td>66.8</td>
<td>92</td>
</tr>
<tr>
<td>Quality of road infrastructure 1–7 (best)</td>
<td>2.8</td>
<td>30.8</td>
<td>121</td>
</tr>
<tr>
<td>Railroad density km/1,000 km²</td>
<td>19.9</td>
<td>49.7</td>
<td>41</td>
</tr>
<tr>
<td>Efficiency of train services 1–7 (best)</td>
<td>2.2</td>
<td>19.5</td>
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</tr>
<tr>
<td>Airport connectivity score</td>
<td>8,944.1</td>
<td>30.9</td>
<td>98</td>
</tr>
<tr>
<td>Efficiency of air transport services 1–7 (best)</td>
<td>3.5</td>
<td>41.2</td>
<td>121</td>
</tr>
<tr>
<td>Efficiency of seaport services 1–7 (best)</td>
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<td>Electricity access % of population</td>
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<tr>
<td>Electricity supply quality % of output</td>
<td>9.7</td>
<td>94.1</td>
<td>58</td>
</tr>
<tr>
<td>Exposure to unsafe drinking water % of population</td>
<td>7.2</td>
<td>94.7</td>
<td>49</td>
</tr>
<tr>
<td>Reliability of water supply 1–7 (best)</td>
<td>4.4</td>
<td>56.1</td>
<td>94</td>
</tr>
<tr>
<td>Mobile-cellular telephone subscriptions per 100 pop.</td>
<td>104.1</td>
<td>86.8</td>
<td>92</td>
</tr>
<tr>
<td>Fixed-broadband Internet subscriptions per 100 pop.</td>
<td>20.9</td>
<td>41.7</td>
<td>50</td>
</tr>
<tr>
<td>Internet users % of adult population</td>
<td>70.1</td>
<td>70.1</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: World Economic Forum, 2019

Village infrastructure is very important for tourism development and in many areas a limiting factor. The best situation is in terms of electricity supply and mobile and internet coverage. The situation is much worse when it comes to water supply, and very few villages have sewage systems (mainly in river valleys and lowland parts of B&H). A significant problem are also waste collection and transport links with urban/municipal areas. Many villages have been abandoned and the original traditional architecture has been lost or destroyed by the construction of new, modern and larger houses. Most villages do not have pedestrian footpaths and the village roads are poorly maintained. Here too, the situation is better in villages in the river valleys, where the houses are grouped, while the bigger problem is in the mountainous scattered type of villages. In these villages, healthcare and social care are also poorly organized and there is a lack of cultural and sporting events due to the lack of adequate facilities.
Main attractors of rural tourism

<table>
<thead>
<tr>
<th>Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural</td>
<td>3.3</td>
</tr>
<tr>
<td>Man-made</td>
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</tr>
<tr>
<td>Cultural</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total (weighted average)</strong></td>
<td><strong>3.3</strong></td>
</tr>
</tbody>
</table>

The main attractions in B&H that attract majority of tourists are in the cities, some recognized ones are in rural areas.

**Natural attractors**

Regarding natural beauties, first come protected natural beauties and rivers and mountains that attract more and more guests with their content and services. There are four National Parks (Una, Kozara, Sutjeska and Drina) and Parks of Nature (Blidinje and Hutovo Blato). The Olympic mountains Jahorina, Igman and Bjelašnica are famous for winter tourism and snow sports. On the rivers Neretva, Drina, Vrbas, Trebižat and Una, different water sports and nature-based adventure offers (rafting, abseiling, diving, canyoning) have been developed. Owing to the cross-border project Via Dinarica, other natural beauties have gained significant importance in the last few years. The White Trail with walking and cycling routes over the highest mountains in B&H has greatly contributed to this. Somewhat less frequented is the Green Trail that leads through northern B&H, while the Blue Trail leads through a smaller part of Herzegovina near the border with Croatia. Examples of places where the number of tourists has been increasing each year and at the same time the supply around those destinations has been growing constantly are Kravice waterfalls in Ljubuška, Pliva in Jajce and Skakavac in Sarajevo, caves Vjetrenica in Ravno and Bijanbare in Sarajevo. Livestock breeds are part of the historic identity of B&H, especially the Gatačko and Buša cattle, Pramenka sheep with its lines Vlašićka, Kupreška and Hercegovačka/Humska/Stolačka, Bosnian horse, Bosnian donkey, Balkan goat, Živičarka chicken.

**Man-made attractors**

Traditional agricultural products (smoked ham, cheeses, brandy), food (čevapi, sarma, japrak, roasted lamb, sač) and events related to them attract support and recognition in B&H, along with the hospitality of its citizens. There are numerous ethno-restaurants with various ethno-foods and drinks in a traditional setting. This group includes also already recognized facilities such as Tito’s shelter ARK (Army War Command) in Konjic and the cycle route Čiro, which follows the old narrow-gauge railway route from Mostar to Konavle. A further attraction, but so far more for domestic guests are the spa/recreational centres used for health and spa tourism (Vrućica, Reumal, Ilidža).

**Cultural attractors**

The most recognizable in this segment is the cultural and historical heritage, which is again mostly found in major cities in B&H but offered also in rural areas around them. There are primarily the Old Bridge in Mostar and the Sokolovica Bridge in Višegrad, which are under UNESCO protection. Because of their historical core, some smaller towns are also among the more attractive destinations (Trebinje, Jajce, Počitelj). Religious sites play a significant role in the development of rural tourism, with Međugorje, Tekija in Blagaj, Tvrdos Monastery near Trebinje, monasteries in Fojnica and the royal confluence among the most important ones. Cultural events of greater importance to local and ex-YU guests are the Nevesinje Olympics, Kočić Choir, Kučres Mowing Days as well as some of international importance, e.g. Sarajevo Film Festival.

**Status of services**

The state of touristic services (accommodation and hospitality service providers, transportation, guides, tour agencies, handicrafts, food and beverage producers, cooks, transport services, etc.) varies from destination to destination. Taking in consideration the entire B&H, it is still not at satisfactory level even though recently more attention has been paid to raising the standard and quality of services.
Hospitality

This part of the tourism industry consists of accommodation and restaurants. Accommodation capacities vary in terms of quality and equipment, number of rooms, apartments and beds offered. There are simply equipped facilities and well-equipped ones, in old authentic houses. Most of them are individual buildings, while there are number of them within ethno-villages such as Stanislići, Ćardaklije, Herceg, Kotromanićevo, Čardaci, etc. In Herzegovina there are famous wine routes, taste Herzegovina (cheeses), honey routes with specialized tasting rooms or taverns.

Gastronomy is currently one of the key factors in the development of tourism in rural areas. Most of the restaurants are located in old buildings or are built and decorated in the ethno-style, serving traditional dishes and local drinks. Restaurants in rural areas have good quality products, hospitality, food, drinks, desserts, and souvenirs. There are limitations such as the knowledge of foreign languages (especially English), often unavailable items on menus and limited other services, as well as poor toilet facilities. Despite the good quality products, there is a general lack of good organization and management skills, knowledge of promotion and marketing.

Complementary services

The services of tourist guides are at a high level and there are more and more specialized tourist guides for mountaineering, cycling, rafting etc.

Although B&H is considered to be a safe country in terms of security and healthcare, some services are not available in rural areas for foreign tourists, particularly due to the bad road infrastructure. The only strength is the very well-organized Mountain Rescue Service that is well equipped with communication and transport means and very fast and efficient in their response.

One of the weaknesses is the lack of good-quality human resources in destination management, tourism management, and the low quality of staff in restaurants and accommodation facilities, who do not speak foreign languages at a satisfactory level. The situation is similar in public services, with the same issue of poor knowledge of languages (police, post offices, health facilities, etc.).

Below is an example of UNWTO mapping Methodology of Factors, Attractors and Support services (FAS) from the Feasibility Study on Sustainable Rural Tourism Development in Canton 10 (Đorđević-Milošević, 2019), which is an extremely rural canton with very low income from tourism.

| TABLE B2-6 Evaluation of tourism development factors by FAS analysis |
|-----------------------------|----------------|
| Factors | Score |
| Natural factors | 4.88 |
| Human factors | 1.91 |
| Capital factors | 1.83 |
| **Average** | **2.87** |

| TABLE B2-7. Attractor of Canton 10 assessment |
|-----------------------------|----------------|
| Attractors | Score |
| Natural | 3.55 |
| Centres for activities | 3.82 |
| Cultural | 3.93 |
| **Average** | **3.77** |
B.2.3.2. Strategic framework and programmes

State-level context

B&H does not have general development policy, which means a state strategy to define the frame and role of rural development, which should produce goals of rural development policy in correlation with other macroeconomic policies. When defining rural areas and important characteristics of their development, the historical, political, economic, natural, geographical and social characteristics specific for B&H must be taken into consideration. The present situation in B&H is a result of socio-economic and political changes that occurred particularly during the last 20 years (post-war society, transition, political crises). After the war that radically changed its social and economic structure, B&H has not officially completed the process of transition. That is the reason why there is still no consensus about sustainable development priorities. However, agriculture and rural development experienced radical changes even before and that is why rural development in B&H has been under a strong influence of political decisions.

Processes of urbanization, reorganization and industrialization launched in the 1950’s changed the basic characteristics of rural areas. The social structure of villages of that time was radically changed and modernized.

When it comes to agricultural and rural development policy, priority activities have been the drafting of laws and regulations in this area in order to align it with EU legislation and use of EU funds available for agriculture and rural development. However, although numerous activities have been carried out in these regions, they did not result in adopting and enacting all the necessary legal requirements and regulations. So far, no institutional agreement has been reached on decentralized structures to manage IPA funds, which has led to the cancellation of EU technical assistance for IPARD. The Rural Development Strategy in B&H was adopted in January 2018 but the management of the funds has been entrusted to international organizations in B&H (UNDP, GIZ, ILO).

Based on the above mentioned, it should be noted that the agriculture sector and rural development in B&H has not defined concrete policies and support as a strategic branch of crucial importance for the economic development. Bosnia and Herzegovina is a major food importer because domestic production is not sufficient to feed the population. Permanent change and unpredictability of agrarian politics, lack of viable strategies for the development of agriculture, inadequate support to farmers, small investments in the adoption and application of new technology and standards in production have led to the stagnation of the agricultural food sector and it has become less competitive on the regional market. More should be invested in further diversification of the rural economy by better and more adequate use of all available resources in rural areas. Special attention should be given to the development of rural tourism, given the wealth of natural and cultural heritage, the diversity of agricultural production and the existence of traditional products.

As there is no law on the state level, or any other strategic documents, this issue has been tackled only by the following strategic documents:


By adopting the Strategic Plan, the first obstacle was removed on the way toward EU funds dedicated to agriculture and rural development. Two measures

can relate to the diversification of rural economy, i.e. as possible support to further development of rural tourism. The basis for the preparation of the strategic document were entity strategies for agriculture development that are methodologically oriented in different ways, considering their aim and other elements.

**Measure 6.4.** Support to development of rural infrastructure and improving of accessibility of services and general life conditions in rural areas is part of the strategic goal 5. This measure has four sub-measures out of which two are important for rural tourism development: 6.4.2. Support to improvement of public infrastructure in rural areas (road infrastructure, field roads, anti-hail protection, water supply, Internet network, radio and TV signal, electricity supply, infrastructure for waste management) and 6.4.4. Support to research and protection of natural, cultural and historical heritage.

**Measure 6.5.** Support to diversification in rural areas that has five sub-measures which support two different groups of activities. First three measures give direct support to diversification and support to development of small and medium-sized enterprises (SMEs), with measure 6.5.2. Support to investments for rural tourism development. Other two aim to support social organizations and services, thus supporting local initiatives and LAGs. Both measures are financially presented within strategic goal 5 for which the total amount of 80,275,600 KM (41,044,000 Euro) was foreseen for a 4-year period, which is just 7.5% of the total budget. As additional financial resources, but without clear details, percentages are given from the private sector (25%-30%) and donor funds (10%-15%). According to four-year projections, the amount should be doubled, but it is visible that it is based on an increase of funds from FB&H and cantons, while there is a minor increase from RS. Consequently, the contribution of FB&H institutions would be 81.7%, RS 16.8% and BD 1.5%, while resources from the state level have not been planned for the realization of this strategic goal. It is very difficult to find explanation for the above-mentioned amounts in entity strategies. One of the reasons is that the budget for this strategic goal is not distributed for each sub-measure. It is also known that entity strategies are at the middle of their implementation and have not been respected even though they were included in this document. Apart from that, there is no baseline analysis in the document of the existing situation or how the percentages from the private sector and donor funds were defined.

Other state-level strategies do not focus on rural tourism or rural development, but the implementation and achievement of the goals of these strategies will also cover this area and contribute to its development. These are the following strategies:

**Strategic Framework of Development for B&H**

It is structured in line with the European Union 2020 Strategy and the South East Europe 2020 Strategy, on the basis of which B&H goals have been defined:

- **Integrated growth** through the promotion of regional trade and mutual investment and the development of non-discriminatory and transparent trade policies
- **Smart growth** is the innovation, digitization and mobility of young people, as well as the commitment to be competitive on the basis of quality, not labour cost
- **Sustainable growth** focuses on balanced regional development and improved efficiency and sustainability of natural resource management, to support the increased self-sustainability of the economy and society and to create improved conditions for local development and employment
- **Inclusive growth** is in the function of increasing employment, skills development, inclusive labour market participation, inclusive and quality healthcare and poverty reduction
- **Growth management** implies increasing the capacity of the administration to apply good governance principles at all levels of government, strengthening the rule of law and combating corruption in order to create a business environment and provide public services necessary for economic and social development


The Biodiversity Conservation Strategy and Action Plan is a key document for action on all biodiversity issues, from species and ecosystem management, through biodiversity research and protection, biosecurity, to the fair and equitable distribution of benefits from ecosystem services and the use of genetic resources. This strategic document provides appropriate guidance to entities in Bosnia and Herzegovina responsible for development planning and decision-making, establishes indicators for monitoring implementation progress, with the process of strengthening and democratization of public and environmental awareness.

The strategy contains a total of 21 national biodiversity targets, which are deployed within the five global strategic lines (A, B, C, D and E) identified in the 2011-2020 Strategic Plan.

**Strategy for Adaptation to Climate Change and Low Emission Development for B&H by 2025**

The strategy represents a significant and important step forward towards a sustainable green economy in Bosnia and Herzegovina. The strategy serves as a comprehensive policy framework to address the climate change challenges faced by Bosnia and Herzegovina and facilitate access to international support for the implementation of the activities.

- The aim of the Climate Change Adaptation Strategy is to increase the resilience of Bosnia and Herzegovina to climate variability and climate change, while ensuring that development gains are achieved.

- The aim of the Low Emission Development Strategy is to achieve the highest values and stop the growth of annual greenhouse gas emission values in Bosnia and Herzegovina around 2025, at a level below average per capita emission in the EU27.

**Strategy for Harmonization of Regulations with the Acquis in the Field of Environment of B&H**

The aim is strategic planning of the harmonization process, which will create conditions for environmental advancement and support sustainable development. The regulatory harmonization process consists essentially of transposing EU regulations in the field of environmental protection into B&H regulations and implementing them within B&H. Implementation will require the development of sub-strategies and plans to identify the resources needed and how they can be mobilized in order to carry out successful implementation of the EU Acquis.

**The Indicative Energy Strategy of B&H until 2035**

A long-term vision for the energy sector in Bosnia and Herzegovina is to create a competitive and long-term sustainable energy mix, bearing in mind the security of supply. The vision needs to be realized within the available capacities, resources and appropriate dynamics. A clear direction of energy development is an important prerequisite for strengthening investment activities in energy, which will consequently lead to the growth of investment activities in other, related economic sectors and have a broader positive impact on the overall economy. In order to achieve this vision, five key priorities and related focus areas are defined: Resource Efficiency, Sigma and Affordable Energy, Energy Efficiency, Energy Transition and Environmental Responsibility, and Development and Harmonization of the Regulatory Institutional Framework.

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Mine Action Strategy for B&H 2018 – 2025

The strategy has five strategic objectives; for each strategic objective several operational goals, baselines, indicators and targets have been set to measure the achievement of the operational goals.

The Indicative Transport Strategy of B&H until 2030

The Framework Transport Strategy has been developed in accordance with the B&H Transport Policy Framework 2015-2030. It represents the framework and basic document on the basis of which strategies, laws, regulations, programmes, plans and other documents and decisions will be based in the process of developing the transport sector, as a direction, action plan and priorities at the level of B&H, its entities and the Brčko District.

The ultimate goal is to work on the expected process of developing the local economy and society in order to ensure the sustainable development of the transport system, and to develop a system that would meet the requirements in terms of improving the mobility of goods and people and physical access to markets, jobs and education, as well as all other social and economic needs.

Regional contexts

Tourism development in RS is defined and directed by the Strategy for Tourism Development in RS 2011-2020. Tourism development strategy RS 2011-2020 is a strategic document based on which the relevant ministry performs defined activities in order to realize strategic goals. This document consists of two parts: the first, where development factors and state of tourism in RS have been defined and the second part with established vision, determined strategic objectives of RS tourism, defined measures for identified problems, defined roles of numerous participants in the tourism economy, defined model for organization and management of tourism activities and proposed action plan for the realization of strategic objectives in tourism development.

Strategy of tourism development in RS defines six tourism regions identified by the functionality principle and they have specific attributes related to cultural and historic values and development levels. These regions are: 1) Banja Luka, 2) Doboj, 3) Zvornik-Bijeljina 4) Sarajevo, 5) Poča, and 6) Trebinje.

Other main strategic documents for development in RS are:

- Forestry Development Strategy
- Development Strategy of SMEs in RS 2016-2020
- Integrated Water Management Strategy of Republika Srpska 2015-2024
- Strategic Plan for the Development of Agriculture and Rural Areas of Republika Srpska 2016-2020
- Strategy of Agricultural Development of Republika Srpska by 2015
- Action Plan for the Implementation of the Agriculture Development Strategy
Strategic tourism development is planned in the Tourism Strategy for FB&H 2011-2020 and it includes directions for tourism development for each of the 10 cantons.

The Strategy of Tourism Development in FB&H is carried out directly, based on adopted guidelines for development and indirectly, through plans of certain tourism destinations. On the first plane, there are certain incentives from the side of the Federation, cantons, cities and municipalities, followed by usual activities of tourism communities. The goals are defined in three groups: 1) Economic – where tourism is a boost for economy development as a whole; 2) Socio-cultural – improved quality of life for the local population and 3) Environmental protection – protection and rational utilization.

The strategy focuses on selective types of tourism where supply is one of the elements to create the experience expected by tourists, required and remembered after departure. The Strategy includes a table presenting a review of all the types of selective tourism, implying the modality of the selective tourism type, adventures, motives, frequency and development. The following types of selective tourism were defined: sports and recreational, MICE, cultural, holiday, gastronomy and oenology and rural tourism.

Table B2-9. Characteristic of Rural tourism

<table>
<thead>
<tr>
<th>MODALITIES</th>
<th>EXPERIENCES/ ADVENTURES</th>
<th>MOTIVE</th>
<th>FREQUENCY</th>
<th>DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agritourism</td>
<td>Autochthonous agriculture in autochthonous ambiance</td>
<td>o</td>
<td>v</td>
<td>&gt;</td>
</tr>
<tr>
<td>Ethno-tourism</td>
<td>Experience our villages</td>
<td>o</td>
<td>u</td>
<td>&gt;</td>
</tr>
<tr>
<td></td>
<td>Enjoy local specialties – we offer simple gastronomic joys</td>
<td>o</td>
<td>u</td>
<td>^</td>
</tr>
<tr>
<td></td>
<td>Experience magic of home, like it used to be</td>
<td>o</td>
<td>v</td>
<td>&gt;</td>
</tr>
<tr>
<td></td>
<td>Privacy with top experiences of autochthonous architecture and construction</td>
<td>o</td>
<td>u</td>
<td>^</td>
</tr>
<tr>
<td></td>
<td>Ethnographical and archaeological values</td>
<td>v</td>
<td></td>
<td>&gt;</td>
</tr>
<tr>
<td></td>
<td>Warmth of domestic space</td>
<td>O</td>
<td>v</td>
<td>^</td>
</tr>
<tr>
<td></td>
<td>Forget about your car – spend a few days with us in the field</td>
<td>O</td>
<td>u</td>
<td>&gt;</td>
</tr>
<tr>
<td></td>
<td>Wine road</td>
<td>O</td>
<td>v</td>
<td>&gt;</td>
</tr>
<tr>
<td></td>
<td>Are you going harvesting with us?</td>
<td>O</td>
<td>v</td>
<td>&gt;</td>
</tr>
<tr>
<td></td>
<td>Discovering own roots</td>
<td>O</td>
<td>u</td>
<td>&gt;</td>
</tr>
<tr>
<td></td>
<td>Healthy food in fresh air</td>
<td>O</td>
<td>u</td>
<td>&gt;</td>
</tr>
</tbody>
</table>

The strategy provides basic guidelines for destination development on the cantonal level, based on resources and other potentials of lower levels. For each of the 10 cantons basic characteristics were given, SWOT analyses, development models, as well as key projects for tourism development. In all cantons rural tourism was positioned as important (high or middle importance) from the point of view of possibilities and attractiveness of the future product.

All 10 cantons have strategies for canton development that include tourism development, including rural tourism development. All strategies last until 2020, and it is expected that towards the end of 2019 or in 2020 a new cycle of strategic planning will start.

Other main strategic documents for development in FB&H are:

- Mid-term Strategy of Agricultural Sector Development in the FB&H for the period 2015-2019
- Mid-term Strategy of Providing Consultancy Services in the FB&H (2017-2021)
- The FB&H Rural Development Programme 2018-2021
- Water Management Strategy of the FB&H 2010-2022
- FB&H Forestry Program
- Strategy for increasing competitiveness and attracting investments in dairy, fruits and vegetable value chains in FB&H

Only two cantons have Strategies for Tourism Development:

- Strategy for Tourism Development HNC 2011-2020
- Strategy for Tourism Development BPC 2016-2020

Local context

The majority of towns and municipalities in B&H have adopted development strategies in which agriculture and tourism play an important role. It is more visible in rural municipalities with potential for specific types of rural tourism. A small number of municipalities have rural development or tourism strategies in which focus is more on the development of this sector in order to stop the migration of the population, to increase incomes and diversify the rural economy. However, as with the most strategic documents in B&H, the efficiency in implementation of these strategic objectives is very poor. Municipalities in RS have mainly adopted integral development strategies (in accordance with MiPRO methodology – developed by UNDP), and in most of their strategies, tourism development at the local level is of great importance. Only a few municipalities additionally have strategies for tourism, rural development or agriculture.

The same as in municipalities in RS, most of the municipalities in FB&H have adopted integral development strategies (in accordance with MiPRO methodology – developed by UNDP), and in most of their strategies, tourism development at the local level is of great importance. Only a few towns/municipalities additionally have strategies for tourism, rural development or agriculture. In municipalities with more developed tourism, cantonal tourism associations have their branch offices (i.e. in HNC with 9 municipalities, branch offices are in Konjic, Mostar, Čitluk, Čapljina and Neum).

B.2.3.3. Actions and measures

In the administrative circumstances of B&H, without good-quality statistical data, it is very difficult to get or estimate the types and scope of support for tourism development in general. Since rural tourism is a special category of tourism, which is multi-sectoral, it is even more difficult for this category. In the past there was support within agricultural budgets in RS and FB&H. However, after the Ministry of Trade and Tourism assumed powers over the registration of tourism activity in rural tourism, this category has been incorporated in general support measures and is not recognizable anymore, which only confirms the views on inadequate institutional infrastructure.

Regardless of the source of support or its intention, a great number of applicants submit applications or projects for support in tourism development. A serious problem is the quality of those applications/projects, taking into consideration the complexity of procedures and requested documentation that always follows calls for proposals. The majority of applications are rejected during the administrative check. The processes of evaluation itself are very
different. In the public sector, evaluations are usually carried out by employees, while international organizations/donors usually engage external independent evaluators. There is also a difference in the process of monitoring of the implementation of approved funds. In the public sector it used to be done through a Final Report, without field visits and reports on progress.

**Direct financial support**

In the Strategy of Tourism Development in RS for the period 2011 – 2020, an estimation of the structure of requested investments and framework for possible sources of funding is presented as follows:

Table B2-10. Investment structure

<table>
<thead>
<tr>
<th>Items</th>
<th>Percentage</th>
<th>Million KM</th>
<th>Million EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation capacities</td>
<td>55%</td>
<td>110</td>
<td>55</td>
</tr>
<tr>
<td>Tourism infrastructure</td>
<td>38%</td>
<td>76</td>
<td>38</td>
</tr>
<tr>
<td>Programme activities</td>
<td>5%</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Marketing activities</td>
<td>2%</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

Table B2-11. Investment source

<table>
<thead>
<tr>
<th>Investors’ own resources</th>
<th>25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial market capital (financial corporations, partnerships, etc.)</td>
<td>25%</td>
</tr>
<tr>
<td>Bank loans</td>
<td>30%</td>
</tr>
<tr>
<td>Financial incentives (budget, fees, taxes, etc.)</td>
<td>20%</td>
</tr>
</tbody>
</table>

Ministry of Tourism of RS has relatively limited funds, in 2018 it was 700,000 KM (357,900 EUR) on the budget line. Current funds for tourism development in 2019 in RS include 1,000,000 KM (511,292 EUR) on the budget line – Capital grant for tourism development.

Different rulebooks give detailed conditions for certain types of tourism, but none of them apply directly to rural tourism as a specific type of tourist service. Rulebook on conditions for providing services in rural households defines two types of rural households:

- Rural household of excursion type with services of food and drinks for up to 50 guests
- Accommodation in rural households with services of accommodation of up to 15 beds and services of food and drinks for up to 50 guests

Both types can provide services related to their function or activities in the rural environment, and both types should meet minimal technical conditions prescribed by this Rulebook. On the basis of this, a system of categorization was made, with categories from 1 to 3 apples, depending on services that rural household offers.

The Rulebook on conditions for providing services in apartments, rooms for rent and holiday homes defines three types of accommodation units as well as minimal technical conditions requested for each category between 1 and 3 stars.
Every year, the Federal Ministry of Tourism and Environment publishes a call for the development of tourism activity; measures in the last three years were different for each call, as well as the amounts for financing per individual measures. In 2017, there were five programmes and the total amount of support was 2,165,000 KM (1,107,000 EUR); in 2018, there were two programmes with support of 1,300,000 KM (664.680 EUR); in 2019, two programmes were defined with financial support of 1,925,000 KM (984,240 EUR) (see table below with measures, amounts, goals and eligible activities). None of the calls was for rural tourism development, but applicants from rural areas could apply for certain activities that contribute to improving this type of services.

Table B2-13. Support for tourism development in 2019

<table>
<thead>
<tr>
<th>Transfer for tourism development in Federation of B&amp;H for 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme 1. Creation of new tourism product through the promotion of all forms of tourism in the total amount of 1,625,850 KM (830,850 EUR).</td>
</tr>
<tr>
<td>The lowest amount per project: 5,000 KM (2,556 EUR)</td>
</tr>
<tr>
<td>The highest amount per project: 50,000 KM (25,560 EUR)</td>
</tr>
<tr>
<td>CO-FINANCING UP TO 30%</td>
</tr>
<tr>
<td>Specific – strengthening of cooperation and partnership in order to create new tourism products. Quality improvement of existing services, creation of new tourism products with the aim to increase the number of arrivals and stays that last longer than two days.</td>
</tr>
<tr>
<td>a. Expanding of accommodation capacities.</td>
</tr>
<tr>
<td>b. Introduction of Bosnian-Herzegovinian ethno-gastro products to improve supply in accommodation facilities.</td>
</tr>
<tr>
<td>c. Branding certain places, events and products with an aim to create new tourism products</td>
</tr>
<tr>
<td>D. Marking and equipping hiking and cycling paths and other sports and recreational terrains in rural areas in order to improve tourism supply</td>
</tr>
</tbody>
</table>
In some cantons there are also measures to support tourism development, which are in direct relation with strategic directions for tourism development in the canton, so measures and amounts vary from one canton to the next, as well as for each year.

Unfortunately, none of the entity or cantonal ministries of agriculture have any support for the development of rural tourism or agritourism in their support programmes. Most of the aid relates to direct support to agriculture (increase competitiveness and land management), while “Improving life in rural areas and other rural development measures” were 293,101 EUR out of the total of 5,288,891 EUR in 2018. Rural development support in B&H per year varies tremendously, as well as the amounts per axis from year to year.

Table B2-14. Support for rural development in B&H in 2018166 (EUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis 3</td>
<td></td>
</tr>
<tr>
<td>Improving life in rural areas and other rural development measures</td>
<td>293.101</td>
</tr>
<tr>
<td>Total rural development</td>
<td>5,288,891</td>
</tr>
</tbody>
</table>

In both entities, development banks provide credit lines for agriculture and employment stimulation, while the Investment and development bank of RS has a credit line for tourism. Loan amounts are up to 500,000 KM (255,600 EUR), with interest of 4%-5% with a repayment term of 10 years. Unfortunately, total amounts are insufficient as due to complicated procedures, high demands for collaterals and very often political influence, a very limited number of loans are realized in the sector of agriculture and tourism.

Direct technical support

Technical support for tourism development by the competent ministries is at a very low level, because they have neither financial resources nor the human capital, which can contribute to the development of this sector. The Ministry of Trade and Tourism of RS and the Ministry of Tourism of FB&H support and co-finance certain promotional activities (brochures, conferences, exhibitions, local fairs, etc.). Tourism organizations, on all levels, are responsible for tourism promotion, both in the country and abroad. Some other ministries/institutions have various grants that in some way contribute to the development of rural tourism.

Most municipalities have funding to support tourism development, although these funds are low. There is also a variety of forms and types of support, mainly support for specific associations (various partners, mountaineers, fishermen, hunters) as an aid in their day-to-day activities and project implementation.

The biggest support comes from the non-governmental sector, development agencies and associations that provide technical assistance through projects to existing service providers or new ones. The types of assistance are diverse, depending on the type of organization, financial resources and needs in the field. The main types of technical support are the preparation of tourism strategies and action plans, marketing and promotion, training and education, improvement of service quality through standards, valorization of traditional food/drink, trainings for tour guides, advisory services, etc. These projects are mainly funded through various calls published by international organizations (UNDP, GIZ, SIDA, USAID, etc.) or IPA and other EU programmes (Interreg, Cosme, Erasmus, etc.).

Indirect support

Indirect support to rural tourism development is reflected in everyday improvements that happen in rural areas and are the contribution of some other ministries/institutions. Those improvements, that are not very intensive, are mostly related to infrastructure (roads, water supply, sewage system, telecommunications), improvements in the services of local transport, health or education systems, through programmes for unemployment and poverty reduction, environmental protection and waste management.

There are also several international implementing agencies and organizations active in tourism, regional and local development, such as GIZ, UNDP,
USAID, SIDA, Swiss Agencies, IFAD, FAO, SWG, RCC, etc. Possibilities for rural tourism financing as well as technical support exist through different projects (international organizations, IPA, etc.). Primarily, these are the projects that develop infrastructure in rural tourism (cycling paths, tours, signalization, education, rising of standards, creation of new products). A small number of projects offer possibilities for subgrating start-ups, entrepreneurs or service providers.

Public opinion on available support for rural tourism

During 2018, within the LANDS: Next destination Balkans: agritourism landscapes development[^167], funded by ERASMUS+, actors in tourism, with a focus on agritourism, as well as representatives from the public, non-governmental and private sectors were interviewed.

Table B2-15. Structure of interviewed actors

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision makers (ministries, municipalities)</td>
<td>5</td>
<td>7.9%</td>
</tr>
<tr>
<td>Tourism organizations and agencies</td>
<td>7</td>
<td>11.1%</td>
</tr>
<tr>
<td>CSO (rural development, women, sports clubs)</td>
<td>14</td>
<td>22.2%</td>
</tr>
<tr>
<td>Development agencies (regional, municipal, LAG)</td>
<td>6</td>
<td>9.5%</td>
</tr>
<tr>
<td>Service providers (rural households, restaurants, wineries, adventure)</td>
<td>28</td>
<td>44.4%</td>
</tr>
<tr>
<td>Educational institutions</td>
<td>3</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>63</td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

The largest part in the structure of respondents were direct service providers in agritourism (44.4%), regardless of their formal registration (households – agricultural holdings and entrepreneurs). Tourism organizations and agencies (11.1%) and development agencies (9.5%) had high representation among the respondents. Some respondents (22.2%) declared themselves as associations that play a significant role in the development of rural areas and rural tourism, while the participation of decision-makers was at 7.9%.

Almost 80% of the respondents claimed they were not fully familiar with the legislation in the sector, since it, due to B&H administrative organization, was within some other, more general laws and rulebooks.

Evaluating the contribution of decision-makers at state and entity levels, the respondents gave grade 1 (16.2%) and grade 2 (39.7%), which means that more than 50% of respondents estimated their contribution as low. The situation was better regarding the evaluation of contribution at the local level. The highest number of respondents evaluated contribution of those offices with 3 (32.4%) or 4 (20.6%). The importance and contribution of regional and local tourist agencies were evaluated with 3, while local organizations and development agencies were evaluated slightly better and got 3 from 30.9% and 4 from 36.8% of respondents. Respondents’ opinions on the role of households in the development of agritourism was rather high (over 65% respondents gave it grade 4 or 5). According to the respondents’ opinions, entrepreneurs also have significant contribution in agritourism development.

Regarding facilities in rural tourism, contrary to tourism organizations, service providers in agritourism mostly, as the main facilities, identify individual structures for accommodation (rural households, agricultural holdings, houses and rooms in nature). Regarding capacities, reception and organization of stays it is notable that this activity is not the main one for the majority of respondents, since 65% of them stated that a visit was possible with notification in advance, while just over 30% were ready to receive tourists without announcement.

[^167]: LANDS: Next destination Balkans: agritourism landscapes development, [https://www.landsproject.net/](https://www.landsproject.net/)
Respondents believe that, regardless of the contribution of different participants in agritourism, personal approach is the most important contribution in the entire agritourism development. Even 45% respondents evaluated with the highest grade the commitment of entrepreneurs and investment of own resources, while 38.2% evaluated that contribution with grade 4.

Regarding the services they offer they recognize themselves as authentic primarily through specific accommodation and traditional meals. Recreational and sport activities came second.

Ranking of limitations that affect the improvement of the situation in agritourism is a reflection of an estimation by a very diverse group of respondents from this sector. Regardless of the structure, for the highest number of respondents, the first, most important priority for further improvement is the lack of financial resources (23.53%). As the second most important limitation, they stated insufficient cooperation among the actors in this sector. The third was complex procedure for registration and categorization of facilities (13.24%). Among other priorities, we should emphasize the problem with poor access infrastructure (local roads, signalization, networking, etc.), which is significant (11.76%). Inadequate definition of tourism supply (travel packages) their prices and contents within this interview were not identified as limitations (2.94%), even though the analysis shows that the current supply is very limited and there is a lot of room for improvement of services that households can offer to guests. Unfortunately, agritourism in B&H is not on the priority list of tourist agencies, which can be explained with the low offer in this sector and consequently lower promotion of such facilities.

The majority of respondents evaluated the beauty of the nature in which the tourists are to stay with a 5 (25.0%), followed by 4 (33.8%), while there was a relatively high percentage of those who gave the grade 3 (27.9%).

Respondents considered the hospitality of hosts as one of the greatest potentials for future development of agritourism in B&H. Namely, 86.8% of respondents evaluated this characteristic with grade 4 and 5 while just a minor number gave it grade 3 (13.2%). Accommodation capacities, according to their opinion, were not the segment with significant potential of tourism supply, so 34.7% respondents evaluated this characteristic with grade 3 or lower.

Food quality and safety as characteristic of tourist supply was evaluated very highly, almost 90% respondents evaluated this characteristic with grades 4 and 5. Cuisine specialties and typical products were highly rated as characteristic of tourism supply, although some lower because of food safety.

Programmes and activities included in the supply were, according to the evaluation of respondents, a very important development potential and the highest number of respondents gave it grade 3 and an equal number, grades 4 and 5. Local events were evaluated with 3 (30.9%), 4 (33.8%) and 5 (17.7%). Respondents considered local customs and lifestyle as important characteristics of tourism supply and this characteristic was evaluated with 4 (33.8%).

Around 95% respondents, among whom 16.2%, gave grade 3, 36.8% gave 4 and 42.6% gave 5, considered that cultural and historical heritage potential could have a great importance in the future of agritourism development. Respondents recognized styles in architecture as potential of great importance, with a high number of respondents (33.8%) evaluating this characteristic as important (grade 4) and 25% as very important (grade 5).

Authenticity was perceived very highly among the respondents (grade 3 given by 36.7%, grade 5 by 45.6%), as one of the main characteristics of tourism supply that could surely contribute to the future development of agritourism.

The evaluation of basic infrastructure is very interesting (2-16.2%, 3-26.5%. 4-26.5%. 5-27.9%), since in the previous questions, inadequate infrastructure was marked as one of the limiting factors.

This survey showed that in 40% cases, family members and/or persons engaged in households did not have any kind of training and that in 60% cases, household owners participated in workshops organized by local and international non-governmental organizations.

The results of this survey were discussed with some actors from the sector of rural tourism and, including some deviations, they were validated as average and adequate for B&H.
B.2.4. CONCLUDING REMARKS ON RURAL TOURISM DEVELOPMENT STATUS IN BOSNIA AND HERZEGOVINA

B.2.4.1. Rural tourism development status and typology in practice of Bosnia and Herzegovina

Rural tourism is considered as an integrated activity carried out in rural areas, and although it has not been officially defined, it is recognized in tourism development strategies in RS and FB&H, as well as in cantons and municipalities. It is considered as one of the specific types of tourism in the same range as other types (rural, health resort, adventure, ethnic, etc.). Almost all destinations in B&H have a combination of key tourism products that are highly or less related to rural tourism: accommodation and catering on agricultural, wine, culinary and gastronomic routes, eco and ethno-farms and villages, mountain tourism and water sports tourism, cultural thematic routes, cycling, hiking. Natural resources favourable for tourism development are mountains, lakes, rivers, forests and waterfalls. Cultural and historical heritage is of great importance and value for the development and distinctiveness of destinations in B&H. It is the rich heritage that, due to its specific characteristics, is very rare in the broadest market area. Agricultural products are an integral part of rural tourism and inevitably include local/traditional food and beverages, prepared and served in the traditional way and ambiance, and accommodation. Although there are numerous resources, the supply is still not well thought out, so the tourism potential of such areas is declining.

B.2.4.2. Estimation of the level of rural tourism development achieved in Bosnia and Herzegovina

It is important to emphasize the fact that official statistical data are fragmented, somewhat unreliable or even lacking. It is necessary to warn and point out that there is no systematic and good-quality monitoring of tourism indicators in B&H, so it is impossible to collect data on the economic participation of rural tourism in the economy of B&H or in certain rural areas (numbers of registered arrivals, numbers of registered overnights, average length of stay, percentage of jobs in total employment in the rural areas, average income in rural areas in general, etc.).

Giving any estimation about this data is reckless, as the official data is inaccurate because of the grey economy (related to accommodation and especially in the hospitality sector). If, for example, we take a smaller municipality that has no developed rural tourism, and there are many such municipalities in B&H, then all data on the number of arrivals and overnights could be interpreted as the guests of rural tourism. In reality this is not true, because a part of the visitors are mostly guests in transit or those who have come on business. In another example we have a great deal of domestic guest visits, especially during the weekend, as daily excursion tourism. Also, one-day business guests go to single outings in the surroundings or, during the tourist season, visitors come from the Adriatic coast to, for example, the poet in Čapljina, Vjetrenica cave in Ravno, Kraviča waterfall in Ljubuška, which are visited by several hundreds of thousands of tourists per year. A small number of tourists stay in those places overnight because there are very few accommodation units. True, in the last few years there has been a gradual change, so from year to year there is more and more investment in smaller family buildings (rooms, apartments, houses).

Many of the rural areas in B&H have no or very little benefits from this activity. The better developed areas are Herzegovina, parts of western Bosnia over the Una River, rural areas around Sarajevo and Banja Luka, the upper flow of the river Drina and some other destinations that are much smaller in size and content.

One of the causes for this situation is the lack of knowledge about the socio-political and economic aspects of natural resource management in B&H. The importance and change of the role of the tourism sector for rural development is not adequately emphasized in the current educational systems in B&H.
B.2.4.3. Main legal, institutional and policy gaps and obstacles for development of rural tourism in Bosnia and Herzegovina

Legal frameworks

Bosnia and Herzegovina is an administratively complex country, with no ministries for tourism and agriculture or revitalization development at the state level as two more important ministries play a significant role in the development of rural tourism. Policies and laws are created at the level of entity and cantonal ministries. A similar situation is with other related sectors (spatial planning, transport and communication, healthcare, etc.). The Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina within the Department for Natural Resources, Energy and Natural Environment Protection and the Department of Tourism coordinates Entity and Brčko District policies. In Bosnia and Herzegovina, legal regulations in the field of tourism, and thus rural tourism, are being established at the level of Republika Srpska, the Federation of Bosnia and Herzegovina and the Brčko District. Republika Srpska Ministry of Trade and Tourism, which is an independent administrative body, reports directly to the Government of Republika Srpska, and drafts laws and by-laws, and proposes legal regulations to the Government and to the National Assembly of Republika Srpska. The Federal Ministry of Environment and Tourism is responsible for the drafting of laws and by-laws in the Entity of the Federation of Bosnia and Herzegovina as proposed by the Government, the House of Representatives and the House of Representatives of the Federation of Bosnia and Herzegovina. In the area of Brčko District, the Department for Economic Development, Sports and Culture with the Department for Tourism in the Government of Brčko District of B&H is responsible for drafting laws and by-laws.

Inadequate links between all relevant institutions can be seen as an obstacle, because they are certainly at the top of the list of actors who can and must contribute to the development of rural tourism. Often the roles of competent institutions are viewed through the legislative role and financial support for the development of certain programmes, as well as other activities in which the relevant institutions actively participate (legal regulations, timely information on domestic and foreign funds, improvement of the business environment), sometimes as more important than financing itself. Insufficient interlinkages and synergies among these stakeholders in the field of rural tourism development may be a much more obvious problem. This problem is particularly stressed because it is very often not transparent that all institutions are active participants in this area in a regular (or extraordinary) manner.

Support policies framework

Rural tourism development policy in Bosnia and Herzegovina shows a high level of instability and is not consistent with the medium-term goals of the policy envisaged. The support varies significantly from year to year, which is the result of a lack of economy and a persistent political crisis, political lobbying, and lack of clear programming of policy measures. The implementation of the adopted strategic documents shows that the leading political structures of FB&H and RS have not shown enough determination and willingness to implement major reforms in practice as envisioned in the strategic documents.

Very often, apart from formal information on the work of individual institutions, there is no clear representation of their activities, the legislation and regulations are complex, there is insufficient financial and technical support, which often leads to different approaches to similar activities and complete disagreement in their realization.

Bosnia and Herzegovina has not made any progress in establishing the necessary institutional structures for the implementation of the IPARD program, and therefore loses significant financial resources that could contribute to institution building and improvement of the agricultural sector in Bosnia and Herzegovina. At the B&H level, there is an Office for Harmonization and Coordination of Payment Systems in Agriculture, Food and Rural Development. The responsibilities of this office largely corresponds to those of the IPARD Paying Agency. There is still no
consensus at all levels of authority regarding the establishment of the IPARD operational structure.

The governance and policy-making system needs to be radically redesigned to monitor and respect the real needs for sector development, and to form a flexible and sector-dedicated public administration at all levels of government.

Institutional framework

Lack of cooperation and insufficient communication, primarily within the public sector, which is organized at multiple levels, is an obstacle that greatly impedes the development of rural tourism. As presented earlier in this review, the institutional structure related to rural tourism is very diverse, and at the same time, rural tourism is not incorporated into the general legal framework and is not recognized as a specific type of tourism activity. Increased cooperation between the ministries within each entity, as well as cooperation between the two entities in the preparation of strategic documents, formulation of laws and by-laws, as well as support measures, would positively contribute to the development of rural tourism in B&H. It is mandatory to involve all actors directly contributing to the development of rural tourism, such as representatives of service providers, rural population, tourism organizations, and non-governmental organizations. Their involvement can be rather quickly activated by the development of destination management. Cooperation and networking among stakeholders interested in rural tourism should be supported and nurtured. Cross-border regional cooperation can help to learn how to make this cooperation effective.

B.2.4.4. Opportunities for rural tourism development

Institutions perspective

Unfortunately, very often staff working in the public sector are limited to some concrete and adequate actions that can accelerate the development of rural tourism. The most severe limitations are related to the competences of individual institutions. Thus, there is a certain lack of power among professionals in these institutions, as well as loss of will and initiative for change.

Currently, the biggest progress in development has been achieved through projects funded by the EU (IPACBC) and other donors (UNDP, GIZ, USAID). The NGO sector, including development agencies and various associations which have the capacity to slowly change the situation for the better at a destination through project implementation, plays an important role. Unfortunately, the problem always arises after the end of the project, when most of the initiatives are cancelled, due to the lack of support from the institutions. The NGO sector and service providers do not have the financial resources for further development and improvement.

Increasing state subsidies to rural tourism stakeholders as well as providing favourable loans would significantly contribute to increasing the supply and quality of rural tourism in all segments: organization, accommodation, food and beverage production, etc.

Service providers view

Most service providers are dissatisfied with the speed at which the development of this sector advances. Their dissatisfaction is primarily about the public sector. The reasons are complicated laws and regulations, the number of institutions with competences to establish and work on rural activities, and the lack of financial and technical assistance.

At the same time, they are aware of their own weaknesses, such as the lack of cooperation to create new products and to increase new services, but also the joint appearance before decision-makers.

Increasing state subsidies for rural tourism stakeholders as well as providing favourable loans would significantly increase the supply and quality of rural tourism in all segments: organization, accommodation, production of food and beverages, etc. Also, changes in legislation in terms of a more favourable business environment for rural tourism would help, e.g. VAT reduction, support to self-employment, easier access to finance, solving problems of the institutional competences as well as organizing training for missing skills and competencies, etc.
Regional cross-border initiatives

Cooperation with neighbouring countries is based on the former common state, on various business and family ties. The wars during the 1990s interrupted it; administrative and political barriers slowed it down for some time. As all the neighbouring countries come closer to the EU, where cross-border cooperation is a key policy element, this cooperation is beginning to develop. An increasing number of local governments and other institutions are supporting cross-border cooperation and development along B&H borders, helping to reduce disparities in living standards and address common challenges on both sides of the border. In addition to the public sector, a significant factor in improving this cooperation is the NGO sector. One example is the Network for Rural Development in B&H, which since its inception has had exceptional cooperation with similar organizations in the Western Balkans and the EU and is the founder of the Balkan Rural Development Network together with other networks.

The EU has an IPA CBC mechanism that provides opportunities for improvement and cooperation in various aspects of life in these communities along the border, which are most often extremely rural. There are other international organizations focusing on the whole region and improving this cooperation (UNDP, GIZ, USAID, IFAD, FAO, RCC, SWG, JICA, etc.).

One of the major implemented initiatives is the Via Dinarica, a mountain corridor stretching across B&H and neighbouring countries and is directly linked to the development of rural tourism through the development of outdoor activities (hiking, biking, canyoning, rafting, etc.). Another is the development of cross-border areas by the SWG, developing the cooperation of the population in cross-border regions in the sectors of agriculture, rural tourism and culture (Sava-Drina Region, Drina-Tara Region, Krš Region).

B.2.5. PERSPECTIVES AND RECOMMENDATIONS FOR RURAL TOURISM DEVELOPMENT IN BOSNIA AND HERZEGOVINA

B.2.5.1. Utilizing rural tourism as an effective rural economy diversification tool – strengthening, shortening and greening agriculture-tourism value chains

Tourism is often mentioned as a strategy for rescuing B&H economy. Investment in tourism implies different forms of tourism – cultural tourism based on history, material heritage (crafts, traditions) and tourism based on eno-gastronomic products. When rural tourism is concerned, we need to consider several roles: the educational, cultural and recreational roles of this vision of tourism. Adventure tourism, ecotourism, interest in folklore, crafts, spa tourism and many other categories are just some types of rural tourism that can be developed in B&H. The material cultural heritage can be a good starting point and a local development instrument in B&H because of the rich heritage we find at every step and due to the compatibility with the development of cultural tourism. Small and medium-sized enterprises that promote material cultural heritage allow development based on local specificity and characteristics of the region.

A lot of monuments, tombstones and various buildings of historical significance are lost due to the lack of maintenance. They are also commonly found in densely populated locations, thus rejecting those who visit these attractions for the right reasons. Providing access and enough travel guides while also supporting self-guided and self-organized types of tourism (especially nature-based adventure travellers) to help tourists get to these places, will help increase the number of interested people. This alternative also includes investment in public transport intended for the transportation of tourists to all interesting places in B&H.

The tourism utility infrastructure should be continuously promoted as its lagging behind represents a
serious threat to the development of an integrated tourism product. Today’s tourists are eco-conscious, and thus B&H will lose competitiveness.

In the marketing and promotional part, it is necessary to take advantage of technology and work with digital media, social networks and web portals. “Smart destinations” are also better managed with the help of new digital tools.

By creating functional value chains for food, drinks, furniture and equipment, souvenirs, the number of indirect participants in rural tourism can be increased and thus also the income of the local population.

**B.2.5.2. Upgrading policy and legislation**

An indispensable integrated approach to the development of tourism in B&H primarily implies the existence of strategic frameworks of both entities and the Brčko District, as well as their compatibility. The aim is to ensure the consistency of different policies within the entities. The Guidelines for Sustainable Tourism in B&H, a brochure issued by the EU, states that the establishment of an adequate strategy is of crucial importance for creating awareness of sustainable tourism.

It is necessary to regulate and find a way to adjust benefits and incentives (as well as tax and other allowances and exemptions) to the level of development of the municipality in order to adequately access a balanced rural development. In this way, potential investors would be encouraged to carry out their projects in municipalities.

It is important to link tourism strategies with spatial plans and land use plans, to strengthen institutional capacities by the introduction of spatial information systems and digitization of spatial planning data, to monitor space utilization, and to introduce control mechanisms, in order to reach the goals for spatial development.

Through lobbying via NGOs, conferences, seminars and the tourism sector, legislation is being introduced to bring the rural tourism strategy and law on the state level, which should provide sufficient budgets for all market and non-market activities to stimulate growth and development of tourism, involving a lot of investment, maintenance, road construction, investment in traffic, environmental protection, etc.

The aim of the new strategy should be realistic and concrete and improve living conditions in B&H rural areas. This means primarily that the problem of missing data should be tackled, i.e. better statistical data collection as well as the implementation of the agricultural census. Based on new and reliable data, a better analysis of the current state will be made, and thus reliable results can be obtained.

In developing a strategy, it is necessary to immediately include all key actors that have an impact on the life and development in rural areas. At all levels of government, the most important roles should be assigned, as well as more important involvement of representatives from the private and civil sectors, in order to jointly define the problems and create certain priorities to solve them.

Furthermore, the regionalization of the state on the basis of the NUTS classification should be established as the basis for a better collection of statistical data, better-quality analytics and a more accurate definition of the problem, for monitoring, analyzing and evaluating data from research and analytical documents that do not necessarily originate from public institutions.

As part of the aid, measures should be prioritized, and the total amount of aid should be increased. A monitoring plan should be established, including milestones, as a plan for evaluating achieved results (at milestones and at the end of a period).

**B.2.5.3. Improving institutional capacities**

Collaboration in the field of statistics will, among other things, primarily focus on priority areas related to the Acquis in the field of statistics. It will be especially focused on making efficient and sustainable statistical systems that can provide comparable, reliable, objective and accurate data needed to plan and monitor the transition process and reform in B&H, and thus rural tourism. This includes a set
of steps leading to the set goal, including: collecting data for rural areas (on visitors, economic data and demographics), regular reporting on interest groups (investment, tourism revenue, economic impact, etc.), analyzing the conditions, problems and opportunities for sustainable development of tourism (through surveys, consultations and technical studies).

The big problem faced by B&H is the uneducated staff in tourism in general. Educated staff will easily spot the chances and opportunities on the market, foster development in that direction and promote it in international markets. With motivated staff there is a need for a know-how approach that allows to develop and implement even more local or specific development strategies.

It is necessary to create conditions for knowledge transfer and experience exchange with of good practice examples through study visits and travel, as well as the spirit of cooperation and partnership, to overcome the observed rival relations among service providers, in order to improve the range of offers and the quality of services in the field of rural tourism.

Various forms of rural tourism service providers’ associations (unions, clusters, chambers) would provide institutional support to the development and promotion of rural tourism, and work on the development of mutual cooperation and networking of all participants on the supply side, with a possible model for joint action on a wider (international) perspective, as well as the creation and positioning of recognizable brands and joint offers in the field of rural tourism.

B.2.5.4. Recommendations for improvement of public awareness and participation

It is particularly important to promote changes in legal provisions in the form of workshops or roundtables with additional clarifications. Work should be done on the development and promotion of other potential forms of tourism offers, which may become new activities for visitors.

There is a need for encouragement and development of personal initiatives, especially among young people and professionals, increasing the level of motivation of younger rural populations, encouraging the introduction and implementation of quality standards in service delivery, and improving cooperation between households and all other participants on the supply side in rural tourism.

Awareness raising about the importance of improved management of natural resources and the benefits of sustainable development and wise use of natural resources is important. Partnerships with experts and educational organizations lead to the development of educational materials (brochures, documentaries, TV ads) for all educational levels and the wider public. Familiarization of the local population with the destination has a dual role: they are potential tourists on one hand i.e. they have an active role, while on the other, the local population has a more passive role given that over time it becomes part of the overall (positive) image.

Promotional activities should show Bosnia and Herzegovina as a country for active vacationing, highlight its ecological benefits, develop a recognizable, contemporary, timeless style that will make B&H tourism appealing to nature lovers, those who respect the cultures of other people and support sustainable development. Bosnia and Herzegovina is still recognizable by war events. By transforming the image of B&H into an attractive tourist destination, the last war in B&H should be used as a historic event to attract new tourists, avoiding free interpretations about it.

B.2.5.5. Recommendations for improvement of regional (cross-border) cooperation

Tourism is an activity based on the mobility and flow of people. For this reason, it is necessary to develop cross-border multi-level cooperation in order for the tourism sector to be able to develop more rapidly, in a planned and coordinated manner in all countries/territories. This is especially important for border areas with a possibility of faster activation of rural economies, which have often been neglected in the past. In order to develop tourism in these
areas, it is necessary to have adequate cooperation between two countries/territories at the level of ministries, primarily those in charge of rural development and tourism, border and border crossing issues, transport and communications, environmental protection. No less significant is the cooperation at the level of local governments because they most often share natural resources (mountains, rivers). Certainly, an important factor in these activities are the private and NGO sectors, which are sometimes the initiators of particular initiatives.

Improvements should be made related to the following activities:

- Capacity building through raising the level of knowledge and skills of all actors on both sides of the border
- Stronger networking, both within the country and with actors across the border
- Increasing financial resources for implementing development initiatives, activities, projects and diversifying the economy in these areas
- Improve traffic communication between these areas (roads, border crossings, bicycle and hiking routes)
B.3. ECONOMIC DIVERSIFICATION POLICIES AND INSTITUTIONS SUPPORTING RURAL TOURISM IN KOSOVO*

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B.3.1. INTRODUCTION

B.3.1.1. Rural space of Kosovo* – its geographical context

Kosovo* covers the surface area of 10,907 km². The population density is 166 inhabitants/km². According to the 2011 population census, Kosovo* had a population of 1,739,825, with 1,078,239 inhabitants living in rural and 661,586 inhabitants in urban areas. Compared to 38.03% of the people that live in urban areas, the majority of people, 61.97% live in rural areas. The municipalities of Prishtina, Prizren, Ferizaj, Peje, Gjakovë and Gjirokastër have the highest number of inhabitants living in rural areas. The municipalities of Graçanicë, Hani i Elezit, Novobërëdë, Junik, Mamushë, Ranillug, Klokot, Partesh and Dragash have the highest percentage of inhabitants living in rural areas.

B.3.1.2. Rural areas of Kosovo* and their socio-economic status

The overall population in Kosovo* in 2012 was 1,820,000 inhabitants. It is estimated that approximately 500,000 Kosovar live abroad after leaving during the late 1990s. In terms of migration, according to the Kosovo* Agency of Statistics, around 11.32% have migrated internationally, which is extremely high compared to the national migration, moving from one municipality to another, which is only 0.3%.

With the exception of Prishtina, Mitrovica and Gjakovë, most of international migrations are from predominantly rural municipalities with population under 50,000. The highest percentage of international migrations above 20% are from municipalities with a rural development potential, such as Suharekë, Klinë, Vushtrri, Viti, Malishevë and Istoğ.

The ethnic composition of the population is approximately 90% of Kosovo* Albanian and 10% of different ethnic groups (Serb, Bosniak, Gorani, Roma, Turk, Ashkali and Egyptian).

The smallest population densities are in the municipalities Zubin Potok and Graçanicë with under 20 inhabitants/km², followed by Shtërpcë with 28 inhabitants/km², Klokott-Verboc with 29 inhabitants/km² and Novobërëdë with 34 inhabitants/km². Due to the brand-new administrative reform, a few small municipalities have the lowest number of inhabitants, such as Mamushë with 5,584 inhabitants. The average age in 2011 was 30.2 years, with 25.01% below 15 years of age; 17.22% between 15-24 years old; 42.57% between 25-54 years old; 7.92% between 55-64 years old; 7.28% of 65+ years old. The average life expectancy in Kosovo* in 2011 was estimated to be 76.7 years, for men – 74.1 years and for women – 79.4 years.

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168 Spatial Plan of Kosovo* 2010 – 2020+
169 Kosovo* Agency of Statistics, Demographic data by municipalities 2011, 2013
170 Ibid
171 Ibid
172 Kosovo* Agency of Statistics, Kosovar migration, 2014
About 30% of the population live below the poverty line. The average annual per capita income in the private sector is only 3,000 EUR, while the average annual income in the public sector is almost 4,000 EUR. Unemployment and a significant informal, unreported economy represent a major problem that encourages outmigration. Kosovo*’s unemployment rate averaged 43% between 2001 and 2015. In 2017, 357,095 people were employed, which constitutes 29.8% of the general population, while 156,583 people were unemployed, which constitutes 30.5% of the general population. In 2017, 81,466 people were employed in the public sector. The average net wage in the public sector in 2017 was 452 EUR. The unemployment rate is projected to trend at around 27.5% in 2020.

Agricultural land covers 44% of Kosovo*’s overall area. Out of the entire population, 60% of people live in rural areas, and most of them depend on agricultural activities.

According to Trading Economics, GDP share from Agriculture in Kosovo* averaged 148.40 million EUR between 2011 and 2019, reaching an all-time high of 196.60 million EUR in the second quarter of 2017 and a record low of 91.40 million EUR in the first quarter of 2019.173

According to the World Bank collection of development indicators, compiled from officially recognized sources the percentage from agriculture in Kosovo* GDP was reported at 7.1663 % in 2018.174

The agricultural delivery chains crashed all through the 1990s, and their full capacity became by no means reactivated to the level they once were.

Approximately 562,000 ha of land is agricultural land, with permanent crops on 7,100 ha, out of which 3,900 ha are orchards and 3,200 ha vineyards. 263,000 ha count as grassland, out of which 173,000 ha are permanent pastures. The number of agricultural holdings has decreased from 192,000 in 2006 to 180,100 in 2009. The average utilised agricultural areas (UAA) is 1.5 ha. The share of crops in the total Agricultural Goods Output was 57.4% in 2008. The production of livestock is proportionately 42.6%. The agricultural production is highly diversified, with 149,900 ha of grains and 19,300 ha of vegetables. Due to climate conditions, many different varieties of vegetables and fruits are produced in the lowlands throughout the territory.

The production of livestock is going through major technical innovations. The introduction of modern animal housing systems and technology will be the most important tasks for the next decade. In 2011, Kosovo* had around 255,000 cattle, a wide variety of 32,000 pigs, and mixed varieties of 179,000 sheep and goats. There is still a considerable variety of horses and donkeys, which in Kosovo* are still used for transport or logging. With more than 70,000 beehives, the manufacturing of honey is well developed and is constantly increasing. Another element that undermines agricultural monetary productivity is land fragmentation, with 80% of farms occupying small areas, 0.5 ha – 2.0 ha. The improvement of farm size describes the ongoing improvement and restructuring of the sector. Only 4,400 farms are larger than 2 ha. Farmers are normally no longer organized into larger groups for cooperation and land consolidation, they have little technical knowledge, poor use of present-day inputs and restrained access to finance.

B.3.1.3. Rural economy of Kosovo* and importance of diversification

The agricultural sector has an important position in the economy of Kosovo*. The Gross Value Added (GVA) in 2011 accounted for 705,000,000, which made up for 17.5 % of the overall economic activities. The number of employed people in this sector is constantly decreasing due to the structural changes as well as the use of modern technology and innovative techniques. The trade balance of agriculture and food products is negative, reaching up to 534,000,000 EUR. Economic diversification is proceeding slowly, especially inside the rural regions. The core problem of economic diversification of rural areas in Kosovo* are the insufficient capacities of responsible stakeholders to support economic diversification and the sustainable use of natural resources in rural areas. So far there are no strategic
documents that pave the way for the development of economic diversification of rural areas. However, there is an ongoing GIZ project that addresses the economic diversification of rural areas for the entire South East Europe region, whose aims are based on the objectives of the Agenda 2030 and are still in their early stages; however, the project directly contributes to the United Nations Sustainable Development Goals: (1) No poverty, (2) Zero hunger, (8) Decent work and economic growth, and (15) Life on land, aiming to strengthen EU-compliant economic diversification in rural areas and the institutional capacities of selected stakeholders in South East Europe.\footnote{https://www.giz.de/en/worldwide/71939.html, accessed on 03 February 2020}

The growth of service exports persisted, especially related spending of the diaspora on tourism.

### Rural tourism – Kosovo*’s definitions and scopes

Rural tourism is considered to be one of the Government’s priorities for development as also stated in the Government Programme 2017-2021. Kosovo* Government Programme 2017-2021 and Kosovo* Private Sector Development Strategy 2018-2022 consist of the following development priorities:

- Cultural tourism
- Mountain and alpine tourism
- Rural tourism, environmental tourism, agritourism
- Active, adventure and alternative tourism
- Cross-border travelling and
- Business and conference tourism

There are two definitions in the legislation of Kosovo*, as follows:

- Law No. 03/L-168 on Tourism and Touristic Services defines rural tourism as tourism in household economy organized as a rural tourism economy for rest and recreation\footnote{Law No. 03/L-168 on Tourism and Touristic Services} and

- Law No. 2004/16 on Hotel and Tourist Activities defines rural tourism as the stay of tourists in home businesses (households), organized as rural tourism for holiday and recreational purposes, including fruit and vegetable harvest, harvest of various crops, leasing horses for riding purposes and other home business services in the village.\footnote{Law No. 2004/16 on Hotel and Tourist Activities}

### B.3.1.4. Rural tourism and its place in rural economy of Kosovo*

The State Agency of Statistics records tourist visits and overnights in 170 licensed hotels. It shows that after a heavy influx in 2009, evidently caused by family visits of the Kosovo* diaspora, the aftermath of the world economic crisis has driven these numbers down.

In 2012, sectoral recovery can be seen to be growing well over 2009 numbers to nearly 100,000 visitors, an increase of 36% in total visitors compared to 2011 and an impressive 61% increase in foreign visitors. The number of domestic and foreign visitors in 2017 was 34,569 domestic and 86,032 foreign visitors. Overnight stays in 2017 amounted to 192,847 nights in total.

However, the average stay of visitors in Kosovo* is very short compared to international holiday destinations. While domestic tourists stay only for one-night, foreign visitors stay on average for 1.9 nights. This is comparable to city visits and is showing a high dependence on business and seminar tourism demand by the numerous international and donor organizations working in the country. 52% of tourists were registered in the capital in 2012 and a total of 70% in the district of Prishtina. The seasonal spread shows only a small peak of tourism demand from foreign visitors during the summer months.

While members of the international civilian and military forces are gradually leaving Kosovo*, the purpose of visits in the future will have to move towards leisure tourism. It will be necessary to increase investments to attract tourists from abroad as one of the identified market segments. The Sharr Mountains, in the south of the country, accommodate the once famous ski resort Brezovica, which was used as the alternative downhill site during the 1984 Sarajevo Winter Olympics. An international call for Expression of Interest for Investment has
been launched most recently by the Ministry of Trade and Industry. One of Kosovo*’s National Parks is in the Sharr Mountains and currently covers 39,000 hectares. The Assembly has approved a law for the extension, and the size of the protected National Park has increased to over 50,000 ha. The area includes the municipalities of Kaçanik, Shtërpcë, Suhareka, Prizren and Dragash and borders with North Macedonia and Albania.

The Law on National Park Bjeshkët e Nemuna, was passed by the Kosovo* Assembly in December 2012 and steps to compile the spatial plan have been taken. In the heart of this future National Park is the Rugova Valley which offers an array of hiking and cycling opportunities and accommodation.

The mountainous regions of Kosovo*, Montenegro and Albania are part of the regional development programme with the German Development Cooperation. This project is entitled the “The Peaks of the Balkans”, including destinations for mountain tourism, and aiming to create income for the local population and prevent emigration from this area, by promoting these areas for hikers.

Another regional project that extends to Kosovo* is called Via Dinarica, focusing on the promotion of networks of mountain trails, following an ancient history of communication between different settlements stretching through the Cursed Mountains on the western side of Kosovo*. They continue on the Balkan mountain trails from Montenegro and Albania, stretching along mountains of Pejë, Deçan and Junik.

According the Via Dinarica website, 4 tour operator companies based in Pejë, 3 regional NGOs with regional scope, 1 tourist info centre in Junik, 12 NGOs (mountaineers, ski, caving, tourism and nature, cycling and paragliding clubs), 2 local tourist offices in Pejë and 13 guides are currently operating in this region.

In terms of accommodation, there are many tourist/hospitality entities, such as: 18 hotels/motels/villas with restaurants, 12 restaurants, 5 villas, 2 mountain huts, 15 guest houses.

Under the title of “Medieval Monuments in Kosovo*” four Byzantine Romanesque ecclesiastical edifices have been awarded UNESCO World Heritage status and protection and are in accordance with international tourism standards. Kosovo*’s World Heritage Sites are the Dečani Monastery, the Patriarchate of Peć Monastery (a group of four doomed churches), the early 14th century frescoes in the church of the Holy Virgin of Ljeviš

Figure B6-1. Peaks of the Balkans zone, source: http://www.peaksofthebalkans.com/

https://vipdinarica.com/en/resources/
in Prizren and the Monastery Gračanica near Prishtina.¹⁷⁹ The wine region of Rahovec produced internationally renowned and exported wines during Yugoslavian times. It is an attractive region for tourists, while the agricultural land in the Kosovo* plain west of Prishtina could be interesting for cycling tourism.

The statistical data presented give insights into tourism development in licensed hotel establishments. Also, there seems to be an important share of grey market activity. The UNDP Kosovo* Remittance Study from 2012 shows that 37% of the estimated 300,000 households in Kosovo* have family members abroad and 25% receive remittances from abroad. Emigrants keep close ties to their families through frequent visits. 93% of emigrants visit their homeland at least once a year and the majority stays between two weeks and a month.

B.3.2. INSTITUTIONAL AND LEGISLATIVE CONTEXT FOR RURAL TOURISM

B.3.2.1. Legal framework for rural tourism in Kosovo*

Tourism sector

The Law on Tourism regulates the relationship between public institutions and private entities, natural and legal entities, local or foreign, that practice tourism activity, defines the rights and obligations of participating entities in the field of tourism under the standards outlined in the legislation in force. This Law also outlines the legal requirements for regulation and development of accommodation rating and categorization system, voluntary registration and revocation of registration.

Content of the accommodation catalogue, Administrative Instruction (MTI), No. 19 /2013 for Regulation and Development of Accommodation Rating System deals with categorizing accommodation for tourists, in the following manner:

1. Hotel activity, such as accommodation, food, drinks, entertainment, organizing conferences, business services, etc
2. Hotel facilities, such as resorts, hotels, small hotels, boutique hotels, garni hotels, apartment hotels, kondo hotels, inns, motels, motel restaurants, hostels, boarding houses, resorts, ethnic-villages, Villas, tourist apartments, mountain houses, camps and resorts
3. Hotel facilities that are subject to the classification and categorization from the ministry, under Article 3, paragraph 2 of this instruction, are rated as follows:
   a. Hotels, one to five stars
   b. Apartment Hotel, one to five stars
   c. Motels, one to three stars
   d. Inns/boarding houses, one to three stars
   e. Tourist villages categorized into villas, with one to four stars, and bungalows, with one to three stars.
4. The Commission manages the classification and categorization procedures. The Commission consists of five members; members of the Commission should be composed of representatives of MTI and hotel and tourism associations as well as business communities
5. Regarding the quality of tourist accommodations, there are no clear, mandatory minimum standards or guidance regarding the size, facilities and services for each accommodation category
6. Promotion of tourism is within the mandate of the Kosovo* Investment and Enterprise Assistance Corporation (KIESA)

The Law on Accommodation Tax in Hotels and Tourist Facilities aims to regulate the determination and manner of payment of the accommodation tax in hotel and tourist services.

The purpose of this Law is to set the criteria and procedures for basic elements for the payment of accommodation tax in hotels and tourist facilities.

¹⁷⁹ https://whc.unesco.org/en/list/724/multiple=1&unique_number=856
This Law regulates the following issues:

- Obligations of the Accommodation Service Provider
- Obligation of Reporting by the Accommodation Service provider
- Determination of Accommodation Tax
- Release from Accommodation Tax Payment
- Supervision and Payment of Accommodation Tax
- Penal Provisions

This Law states that the accommodation tax in hotels and tourist facilities is calculated as percentage (%) of the overnight service price and regulated by a by-law issued by the Ministry. Unfortunately, the fact is that this by-law has not been prepared yet.

### Agriculture and rural development

The Law on Agriculture and Rural Development determines objectives, measures and programmes the agriculture and rural development policies based on Agriculture and Rural Development Plan. This Law also determines rules for providing public services in agriculture, research and professional training, database and information in the field of agriculture and rural development policies. This Law also outlines the legal requirements for direct payments in agriculture, measures and criteria for support in agriculture and rural development, criteria for support of local development strategies – LEADER approach, the form, content and manner of issuing the license for collection, the industrial processing of tobacco and its products, farmers register, establishing and functioning of the paying unit, duties, responsibilities, competences and organizational structure of the Agriculture Development Agency.

#### B.3.2.2. Spatial plans and rural tourism

In accordance with the Law on Spatial Planning, the Ministry of Environment and Spatial Planning (MESP) is responsible for the coordination of spatial planning activities in Kosovo* and the development of spatial development policy proposals related to spatial planning. MESP is also responsible for drafting relevant documents and reports on spatial planning, reviewing and monitoring all planning documents throughout the territory, and reviewing, monitoring and harmonizing the planning process at the municipal level, ensuring compliance of planning procedures, providing advice and offering support to municipalities in drafting the municipal and urban development plans and urban regulatory plans, etc.

Based on the Law on Spatial Planning, there are only two levels of spatial plans in Kosovo*:

- Spatial plans for the entire territory of Kosovo*
- Spatial plans for the municipal territory

Based on the existing legal framework, the spatial planning system in Kosovo* is implemented only on two levels, central government and local government, whereby:

- Central level through the Spatial Planning Sector composed by the Department and Institute for Spatial Planning, located in the Ministry of Environment and Spatial Planning. Because of unclear legal responsibilities, there is often overlapping of activities between the two bodies.
- Local level (municipal), represented by relevant directories of urban planning and management. Most of the existing staff has inappropriate professional background facing difficult spatial planning requirements. Almost in one half of the municipalities, there are no professional urban employees.

### Territory level

At the central level, the Ministry of Environment and Spatial Planning is responsible for spatial planning. Unfortunately, the Spatial Plan of Kosovo* 2010 – 2020+ has not designated specific areas or regions intended for the development of rural tourism.

According to the Law on Spatial Planning, the central spatial planning authority – the Ministry of Environment and Spatial Planning (MESP) is responsible specifically to coordinate the development of spa-
tial plans for the entire Kosovo*, propose spatial improvement policies, develop relevant planning files and reports, and review and monitor the development of planning documents for the entire territory of Kosovo*.

The Institute for Spatial Planning is a significant body of the focal spatial arranging segment, which is responsible for drafting the Kosovo* Spatial Plan, and spatial plans for Special Zones; furthermore, different departments in charge of spatial development coordinate with different offices and other authorities within its competences; it provides counsel and help to dependable municipal experts for specific municipal spatial and urban plans; it provides professional assistance to empower and guarantee open support to local level leadership; the Institute establishes and maintains the spatial data framework and documents on space and spatial development of Kosovo*; it performs master exploratory undertakings in the field of spatial development and guarantees budgetary assets for the advancement of records within its powers, just as for examining required for their improvement. The Institute of Spatial Planning (ISP) is responsible for preparing spatial studies.

The Ministry of Environment and Spatial Planning is responsible for preparing the following spatial planning documents at the central planning level for the entire territory of Kosovo*, such as:

1. Spatial Plan of Kosovo*
7. Zoning Map of Kosovo* and
8. Spatial Plans for Special Zones

![Map 2 Kosovo* Development Strategy, Source: Spatial Plan of Kosovo* 2010 – 2020+](image)

**Regional levels**

According to the current legislation that governs spatial planning, there are no regional planning institutions, nor does it require the preparation of regional spatial planning documents for specific parts of Kosovo*. In terms of regional spatial planning, for zoning purposes, the Spatial Plan of Kosovo* has divided the territory of Kosovo* into following regions that have specific attributes and development conditions.180

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180 Spatial Plan of Kosovo* 2010 – 2020+, Ministry of Environment and Spatial Planning, 2010
1. The Treasury of Kosovo* (Green Area) industrial, service and trade – Mitrovica
2. The Harbour of Kosovo* (Blue Area) – administrative, education, healthcare, service and trade, light industry, agricultural industry, tourism – Prishtina
3. The Bridges of Kosovo* (Yellow Area) – service and trade, agricultural industry, light and tourism industry (Ferizaj, Gjilan)
4. The Gardens of Kosovo* (Orange Area) – cultural, tourism, agricultural industry, light and trade industry (Ferizaj, Gjilan)
5. The Gardens of Kosovo* (Orange Area) – cultural, tourism, service and trade, agricultural industry – Prizren

Out of the five zones, the following zones have the potential for the development of rural tourism:

- The Gardens of Kosovo* (Orange Area) – cultural, tourism, agricultural industry, light and trade industry – Prizren
- The Gardens of Kosovo* (Orange Area) – cultural, tourism, service and trade, agricultural industry – Pejë

The Orange Area is located in the south of Kosovo* and includes three municipalities: Suhareka, Dragash and Prizren as the centre, an area with the population of around 360,000, living mostly in villages (65%) rather than towns (35%).

The population of the Municipality of Prizren is around 180,000, with the highest rate of urban population (52%), while the two other municipalities are smaller and have a higher rate of the rural population. The population density in this area is 230 residents/km², while the largest density is within the town of Prizren, 370 residents/km². The population migration from rural to urban areas is a distinct phenomenon and represents one of the challenges faced by the residents of this area. Prizren is a town of ancient cultural and historical values and can be recognized as “Museum City”, attracting development activities such as education, trade, tourism, agriculture, light food production, textile, and pharmaceuticals. Suhareka is a town of tradition in processing and production of wine, farming, while Dragash is traditionally engaged in stock-breeding activities, dairy and meat processing, mountain tourism and forestry. Among the areas identified is also the area “Historical Centre of Prizren”, with special specifications along with other areas, because in itself it contains monuments of the religious and cultural heritage of different communities living in the city of Prizren.

The Vision for the Gardens of Kosovo* (Orange Area) is a developed area of cultural tourism, agro-industrial and commerce in Prizren, where lie the roots of an ancient tradition, and a modern economic centre with responsible local government, private business activities and local economic development through the use of natural and human resources. An attractive environment for the development of private business activities and encouragement for the best utilization of local economic potentials and natural and human resources, especially in tourism and agriculture. The development objectives for the Gardens of Kosovo* (Orange Area) are:

- Develop and enhance physical infrastructure
- Develop an attractive network of planned cities, with the governance of public services in favour of the citizen, with increased quality of life of citizens, employment, social equality
- Develop pomology, viniculture and farming
- Promote Prizren as “Museum City”
- Local Economic Development (LED) Programme through the promotion of small and medium-sized enterprises (SME)
- Develop effective links within urban areas, and among urban areas, with 5 other areas and beyond through the development of regional infrastructure (road, rail, ICT)
- Develop mountain and cultural tourism, protect natural, cultural and historical heritage

The Gardens of Kosovo* (Orange Area) – cultural, tourism, service and trade, agricultural industry – Pejë

The Orange Area covers the west and north-west

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182 Assessment of the number of population, OSCE, 2000
183 Spatial Plan of Kosovo* 2010 – 2020+, Ministry of Environment and Spatial Planning, 2010
part of Kosovo*, located on the fertile valley of Dukagjini, along the border with Bjeshkët e Nemuna, at the Lumëbardh Valley, with around 300,000 residents, continental and Mediterranean climate, and a developed hydrographical network. Municipalities within the area are Pejë, Istog and Klina. The area is characteristic for its forests and clean environment, high-quality agricultural land, thermal water reserves, coal in Klina, rich natural and cultural heritage, and tradition in the cultivation of agricultural industry, trade and tourism. The cross-border link of the town of Pejë with Montenegro makes this town the carrier of economic development for the area and enlargement of the market.

The Vision for the Gardens of Kosovo* (Orange Area) is an area built on its roots and ancient traditions to turn into a modern economic centre for culture and tourism, trade, business, processing industry, an accountable and efficient local governance, which cooperates with its citizens and stakeholders in creating an attractive environment for development of private business activities and encouraging for a more rational utilization of local economic potentials, and natural and human resources, especially in tourism, business and agriculture. The development objectives for the Gardens of Kosovo* (Orange Area) are:

- Develop an attractive network of planned cities
- Local Economical Development with SME promotion
- Efficient local governance and administration, supportive of development goals
- Develop culture and tourism, handicrafts, trade and services, processing industry, service and trade, protect natural and cultural heritage
- Cross-border cooperation for common interest developments

**Local levels**

At the local level, municipalities as the primary territorial unit of the local government are responsible to adopt activities in preparing their rural and spatial planning within their territory. Planning and Urban Management Directorates are the authorities responsible for municipal spatial development. According to the updated Report on the present state of affairs of city planning and control in Kosovo* municipalities, there is no precise reputable name and composition of these directorates. It varies depending on the dimensions of the municipality, current human capacities and standard organizational structure of the municipal administration. Currently, planning directorates are faced with numerous issues out of which the primary is the lack of an expert team of workers, which directly affects the overall performance of the basic required functions of the directorates. The municipalities are responsible for local-level planning for the territory of the municipality, through spatial planning documents, such as:

1. Municipal Development Plan
9. Municipal Zoning Map and
10. Detailed Regulatory Plans

**B.3.2.3. Cross-cutting issues and other legislation of relevance for rural tourism**

Current bodies responsible for overseeing the tourism industry in Kosovo* are the Tourism Division (MTI) and the Tourism Council. The tourism industry in Kosovo* is not appropriately addressed with regards to the travel industry key leadership, duties, responsibilities, and creating the conditions to support the improvement of the travel industry. Even though the Tourism Council has been recently established, both the Division and the Council are confronted with numerous issues regarding improvements to this sector. There is a lack of cooperation between the Tourism Division and tourist facilities or operators, international, regional or local. There is a limited budget allocated to this government department. Up until this point, duties and responsibilities have not been appropriately managed and distributed by the administration related organizations within the tourism sector.

The work of different segments/services in the travel industry is truly necessary and significant. One of the principal concerns of the travel industry partners in Kosovo* is the absence of contribution from
significant stakeholders (for example, MCYS, MLGA, MAFRD, MESP, etc.) to put resources into and improve the segment by coordinating together to develop a national strategy on tourism, and thus bring to light issues of significance for the industry and its financial development and job creation. This is of principal concern because a national plan has not been developed yet, and all segments have been working independently to advance the tourism sector. Nonetheless, MAFRD, through its Agency for Agricultural Development (AAD) has begun a grant programme for business improvement per zones, where among different areas, the travel industry is also included and supported. The awards programme began in 2014 and will proceed until 2020. Under this call for awarding grants, more consideration has been given to the advancement of rural tourism, with the highest grant award up to 50,000 EUR, although for other agriculture related activities allocated awards can reach 30,000 EUR.

Environment, natural and cultural heritage conservation

The Law on Cultural Heritage determines relations between owners and users of cultural heritage, be it individuals, communities or public authorities responsible for assessing the cultural heritage. It also establishes the responsibilities of private persons and public institutions concerning cultural heritage. As a historical and cultural document, this Law regulates the scope of preservation, protection, public access, communication and provision of necessary resources, so that cultural heritage is enjoyed by current generations and transferred on to future generations. This Law outlines the legal requirements for:

- Marking of cultural heritage and tourist sites
- Designating public cultural heritage institutions, reporting to the Ministry of Culture, Youth and Sports as competent institutions
- Procedures for excavations/investigation
- Public connections of cultural heritage in private ownership
- Conservation and restoration activities on cultural heritage
- Authorisations and competences of inspections for cultural heritage
- Registration, documentation, assessment and selection of cultural heritage for protection
- Ensure the mobility of heritage
- Procedures for licensing agents for the mobility of heritage

The Law on Nature Protection determines nature protection, its sustainable use including protection, conservation, rejuvenation and sustainable use of natural resources, in the state of natural balance, nature rejuvenation in harmed areas or their parts and compensation for inflicted damages, establishment of protected areas network, planning system, management, stocktaking, monitoring, information and funding for the protection of nature, preventing the overuse of endangered types of flora and fauna, especially those of particular importance, rare and endangered, and their habitats, the right of the public to information on the state of nature and participation in decision making on nature protection, ensuring the exercise of the right of citizens to a healthy environment, relaxation and recreation in nature, prevention of harmful activities in nature, as a consequence of economic activities by legal entities or natural persons, to maintain or restore, at favourable conservation status, natural habitats and species of interest for Kosovo*, conservation of all species of naturally occurring birds in the wild (birds, eggs, nests and habitats).

This Law also outlines the legal requirements for the proclamation of the ecological network, content and way of providing professional exam for protected areas supervisory; determination of tariffs for issuance of consents, permits, licenses, certificates and verifications prescribed by legislation on nature protection, the manner and conditions of performing the ranger tasks for nature protection, the internal order of the national parks, assessment of acceptability of plan, programme or intervention.

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of ecological network, the manner of the development and implementation of risk assessment study for the introduction, re-introduction and cultivation of wild species, prevention and compensation of damages caused by wild species of animals strictly protected, appearance, procedure and manner of awarding certificates and rewards for achievements in the field of nature protection, the sign of nature protection, the form and manner of providing the official card and sign for nature protection inspector, cross-border movement and trade in wild protected species, the content, form and manner of issuing of identification card and appearance of uniform for supervisors and nature rangers, the content and manner of keeping the register of protected natural values, keeping conditions, the manner of marking and evidencing protected animals in captivity, sources of natural habitat types, natural habitat map, threatened and rare natural habitat types, as well as safeguard measures for conservation of natural habitat types.

The Law on Forests in Kosovo* aims to provide sustainable development and utilization to manage its forests following the statement of principles for a global consensus on the management, conservation, and sustainable development of all types of forests outlined in Annex III to the Report of the United Nations Conference on Environment and Development, including the following principles: the precautionary principle, conservation of biological diversity, the principle of intergenerational equity and sustainable development.

Besides setting legal obligations for public and private entities, this Law also regulates the forms of silviculture treatment of forests and the procedures of selling wood, uniforms, coat of arms, identification cards and official weapons possession, forest marks, licensing of legal entities for planning and projection in the forestry field, determination of criteria and procedures for giving licenses to work in forests and forest lands, cultivation and utilization of non-wood forestry products, protection from forests fires, standards and conditions for licensing processors of wood products, content and the drafting of the Kosovo* Forest Management Plan, authorisations and competences of forest inspections and procedures of issuing decisions, setting of taxes – prices for the utilization of forests and non-forest products and technical professional services, animal identification and registration, registration and licensing of forest planting material and decorative wood plants, establishment, responsibilities, assignment and organization of Kosovo* Agency.

The Law on Fisheries and Aquaculture aims to regulate the management of fishing resources and activities of fishery and aquaculture exercised in the waters of Kosovo*. The purpose of this Law is to establish a legal basis for the regulation of the requirements in the field of food, public health protection and determination of food quality and safety. Besides setting legal obligations of public and private entities, this Law also regulates the designation of fishery regions-areas, licensing aquaculture activities, sports – recreational fishing resources and equipment.

The Law on Environmental Impact Assessment aims to prevent or mitigate adverse impacts of proposed public and private projects and thereby contribute to the safeguarding and improvement of the environment, the protection of human health and the improvement of the quality of life.

This Law determines the regulation of procedures for the identification, assessment and reporting on the environmental impacts of certain proposed projects and provides for associated administrative procedures, so that, during the decision-making process by the Ministry of Environment and Spatial Planning for issuing the environmental consent and all relevant information regarding the environment is provided and taken into account.

This Law also outlines the legal requirements for licensing drafters of Environmental Impact Assessment reports, information, public participation and interested parties in the proceedings of Environmental Impact Assessment, determining the tariff value of services related to the process of Environmental Impact Assessment, determining the documentation for application for environmental consent according to the nature of the project, licensing compilers on Environmental Impact Assessments reports, information, public participation and interested parties in the Environmental Impact Assessment procedures.

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The Law on Strategic Environmental Assessment aims to ensure strategic environmental assessment of plans and programmes, high level of protection of the environment and human health. This Law determines the conditions, forms and procedures for assessment of impacts on the environment, of certain plans and programmes through the integration of environmental protection principles in the procedure of preparation, approval and realization of plans and programmes.

The Law on Waters of Kosovo* aims to provide sustainable development and utilization of water resources that are necessary for public health, environmental protection and socio-economic development of Kosovo*, establish procedures and guiding principles for the optimal distribution of water resources, based on the use and purpose, ensure protection of water resources from pollution, overuse and misuse and determine the institutional structures for managing water resources.

This Law determines the regulation of all issues related to water resources and infrastructure, such as surface waters, lakes, storage, reservoirs, natural resources, ground waters, wetlands, lands near river banks, issues related to their management, use and water distribution, protection and preservation of water, protection from harmful actions of water, including submergence, floods, droughts, erosion; water facilities and infrastructure, water financing and also conditions, methods and activities for use or release of waters.

This Law also outlines legal requirements for water payment structure, the Inter-Ministerial Council’s tasks regarding waters, procedures for issuing water permits, criteria for determining sanitary protection zones for water resources, classification of surface water bodies, the classification of ground-water bodies, design, construction and use of dams, regulation of the status of water assets, criteria and procedures for the protection of water flow banks and accumulations, the manner for determining the acceptable environmental flow rates, protection from harmful water actions, sanitary protected areas, water information system, determining the way of providing verification and legitimacy of the water inspectorate.

Infrastructure

The Law on Roads aims to promote the development of a modern system of roads in Kosovo*, by ensuring that the regulation of construction of roads, protection, maintenance, management, financing and supervision of roads is developed and enforced in full accordance with the best international standards. This Law regulates the legal status of public roads; construction and maintenance of public roads, measures for the protection of roads and circulation; governance; financing and supervision of public roads.

In addition to setting legal obligations of public and private entities, this Law also regulates the financial arrangements of the treasury department, granting of consent for connection and access to national and regional roads, determining the tariffs for land use on national and regional roads, setting up criteria and procedures for road categorization, compensation for extraordinary transport on Kosovo* motorways and regional roads, issuing compliance for motorway and regional road access, assignment of fees for access to roads and land use on main and regional roads, Roads Directorate.

The Law on Spatial Planning aims to provide sustainable and balanced development of spatial planning throughout Kosovo* as a common national value, through good governance, rational use of space, environmental and cultural heritage protection. The purpose of this Law is to set the basic principles of spatial planning, methodology of spatial development and regulations, types, procedures, contents as well as the responsibilities of administrative entities at central and local levels for drafting and implementing spatial planning documents, administrative supervision of the enforcement of this Law, and related activities undertaken in spatial planning and territorial regulation.

In addition to setting legal obligations of public and private entities, this Law also regulates the maintenance of a database and obligations of public authorities and other natural persons and legal entities for maintenance and submission of documents and data into the database, elements and basic requirements for the design, implementation and monitoring of Detailed Regulatory Plans, the scope of
work and responsibilities of the Institute for Spatial Planning, Spatial Planning Technical Norms, parts and basic requirements for the design, implementation and monitoring of the Spatial Plan of Kosovo*, actions and basic requirements for the design, implementation and monitoring of the Municipal Development Plan, determining the criteria on protected areas for strategic goals, basic elements and requirements for design, implementation and monitoring of the Municipal Zoning Map, basic elements and requirements for design, implementation and monitoring of the Zoning Map of Kosovo*, responsibilities of spatial planning authorities as well as principles and procedures for public participation in spatial planning.

**Finances**

*The Law on Public Financial Management and Accountability* aims to improve budget, capital and operating expenditures, financial management, accounting, budget accountability, and financial reporting systems for public authorities and public undertakings in Kosovo*, and to prescribe the powers and duties of the Minister of Finance and Economy and other public authorities related to these matters.

In addition to setting legal obligations of public and private entities, this Law also regulates officials and institutions at the ministry; financial officers in budget organizations, autonomous executive agencies and public undertakings, collection and custody of public funds, preparation and contents of the proposed Kosovo* Consolidated Budget, revision and supplementary appropriations of laws and budgets, rules on appropriations, commitments, allocated funds, committed funds, obligated funds and expenditures, reporting, accounting, auditing and financial control, restrictions on borrowing, guarantees, loans, capitalization, grants and subsidies, accountability of autonomous public undertakings, municipal finances, development of municipalities’ proposed budgets and appropriations requests, independent agencies, judicial and arbitral proceedings involving a public authorities, penal and final provisions.

*The Law on Banks, Microfinance Institutions and Non-Banking Financial Institutions* aims to foster and maintain a stable financial system through promoting the sound and prudent management of banks, microfinance institutions and other non-banking financial institutions and provide an appropriate level of protection for depositors’ interests by regulating banking and financial activities, their shareholders, Board of Directors and senior managers, employees, agents and affiliates as well as the operation of microfinance institutions and other non-banking financial institutions.

In addition to setting legal obligations of public entities, this Law also regulates the licensing of banks, governance and ownership of banks, capital and liquidity requirements, mergers, consolidations and acquisitions, requirements for financial activities, accounts and audit, reports and examination, enforcement and remedial measures, registration of microfinance institutions and non-banking financial institutions, permitted activities, organization, management and administration of microfinance institutions and non-banking financial institutions, prudential requirements for microfinance institutions and non-banking financial institutions, accounting, audit and financial reporting, supervision and control of all microfinance institutions, infractions, sanctions and remedial measures, voluntary liquidation, mandatory receivership and official administration, creation of joint stock companies, and criteria for investment in a bank by microfinance institution.

*The Law on Local Government Finance* aims to specify the financial resources available to municipalities in Kosovo*, including municipal own resource revenues, grants, and other sources of finance needed for the discharge of municipal competences. In addition to setting legal obligations of public entities, this Law also regulates municipal financial resources, municipal taxes and fees, charges, rents, fines and co-payments and other own revenue sources, operation and equalization of grants, grants and transfers, municipal borrowing and commitments, institutional provisions and grants commission.

*The Law on Strategic Investments* aims to stimulate, attract and create conditions for the implementation of strategic investments in Kosovo*, as well as...
to establish administrative procedures and criteria for evaluation, selection, implementation and monitoring of strategic projects, as well as determining the procedures for granting the use of the property of Kosovo*, for implementation of strategic investments projects. The purpose of this Law is to set criteria and procedures for projects from priority sectors of economic and social development which contribute the economic growth, employment and implementation of new technologies, increase competitive economic capabilities of Kosovo*, increase exports and reduce trade deficit and the ones having general impact on growth of welfare and living conditions of the citizens of Kosovo* in the area of energy with infrastructure and mining, transport and telecommunication, tourism, processing industry, agriculture and food industry. It also aims to develop health, industrial and technological parks, and also wastewater and waste management.

In addition to setting legal obligations of public and private entities, this Law also regulates the manner of making real estate owned by public enterprises available for development and implementation of strategic investments, means of verification of eligibility for the status of strategic investor, work and functioning of the Inter-Ministerial Committee for Strategic Investments, form and content of the register related to projects that have gained the title of strategic investment.

**Education**

*The Law on Pre-University Education* regulates pre-university education and training from ISCED levels 0 to 4, including education and training for children and adults taking qualifications at these levels.

In addition to setting legal obligations of public and private entities, this Law also regulates the general principles of pre-university education, organization and management of pre-university public education and training, the State Council on pre-university education, competencies of municipalities, inspection of education, the organization of pre-university education, provisions specific to preschool education, establishment of educational institutions, school attendance, the Kosovo* Parents’ Committee, the Governing Board, Pupils’ Council, Parents’ Council, management staff, secretary or administrator, school rules, curriculum framework, curriculum, standards and assessment agency, textbooks and other educational teaching resources, the financing system, State Licensing Council for teachers and procedures.

*The Law on Higher Education* aims to establish the legal base for regulating, functioning, financing, providing the quality in higher education in compliance with European standards as well as the role of state and society in the development of higher education. In addition to setting legal obligations of public and private entities, this Law also regulates access to higher education, competences and responsibilities of the ministry to provide higher education, Kosovo* Accreditation Agency, public provider of higher education, creation, merger and dissolution of public providers, organization and planning of the educational process in vocational education and training universities and other higher education providers, establishment, accreditation and licensing of private providers, autonomy of providers of higher education, licensing of higher education providers, accreditation and quality assessment, degrees and diplomas, the governing structure of higher education providers, funding methodology and conditions, accountability of the governing council and principal management authority of a provider of higher education, admission of students, tuition and other fees payable by local and non-local students, and financial support for students.

*The Law on Vocational Education and Training* aims to regulate national vocational education and training system in accordance with the needs of the economic and social development of Kosovo*, including economic and technological changes, demands of the labour market and the needs of individuals during the transition towards a market of human and infrastructure resources. In addition to setting legal obligations of public and private entities, this Law also regulates the working hours of the employed personnel in the institutions that apply programmes for vocational education and training, implementation of the final exam on practical modules for students in the workshop – enterprises and learning outcomes, normative for teachers of vocational education, establishment, operation and
composition of the council for vocational education and training and adults, qualifications and postsecondary education modules – their appointment and function, organization and planning of the educational process in vocational education and training, number of students with modules and vocational education and training qualifications, resources, infrastructure, education, student safety, conditions and criteria for economic activity of vocational education and training institutions, advancement, autonomy and functioning of vocational education and training institutions, composition, function, duties, mandate of the steering council at vocational education and training institutions, and organization of final professional exams.

**Food safety & quality standards**

*The Law on Food* aims to establish a legal basis for regulation of the requirements in the field of food, public health protection and determination of quality and food safety and is applicable in all stages of production, processing, storage, and distribution of food and feed, except in primary production for private domestic use, or domestic preparation, handling, or storage of food for domestic use, not intended to be placed on the market. The purpose of this Law is to establish general principles and requirements regarding food hygiene and food safety for humans and animals, obligations of food business operators, regarding to food and feed hygiene and safety, general requirements relating to the declarations and labelling of food and feed, general conditions for placing food intended for human consumption and animal feed that contain genetically modified organisms on the market, system of official control of food for human consumption and animal feed, the system of authorized testing laboratories and reference laboratories, crisis and emergency management, establishing of Kosovo* Veterinary and Food Agency.

In addition to setting legal obligations of public and private entities, this Law also regulates the basic tasks of the protection system against natural and other disasters, protection and rescue, notification for risk level, entities providing protection, implementation of protection and international cooperation, assistance in life-threatening situations, participation in protection, rescue and aid structures, responsibilities of the central level, responsibilities of the local level, responsibilities of enterprises, institutions and other organizations, programming and planning, monitoring, notification and warning, protective measures, professional work, health and safety at work, education and training, financing, and penal provisions.

**Health and risks management**

*The Law for Protection Against Natural and Other Disasters* aims to regulate the protection and rescue of people, animals, property, cultural heritage and environment against natural and other disasters by managing protection against any natural and other disasters, prevention and mitigation of disasters as well as prevention and reduction of victims and other consequences. In addition to setting legal obligations of public and private entities, this Law also regulates the basic tasks of the protection system against natural and other disasters, protection and rescue, notification for risk level, entities providing protection, implementation of protection and international cooperation, assistance in life-threatening situations, participation in protection, rescue and aid structures, responsibilities of the central level, responsibilities of the local level, responsibilities of enterprises, institutions and other organizations, programming and planning, monitoring, notification and warning, protective measures, professional work, health and safety at work, education and training, financing, and penal provisions.

*The Law on the Agency for Emergency Management* aims to regulate the establishment, organization, structure, duties, responsibilities, and the method
of financing of the Agency for Emergency Management. In addition to setting legal obligations of public and private entities, this Law also regulates the establishment and status of the agency, principles of emergency management, leadership and authority, the appointment of Director General and Deputy Directors.

The Law on Emergency Medical Services aims to regulate the manner of organization, functioning and financing of pre-hospital and hospital emergency medical services and health activities in order to provide uninterrupted emergency medical care to citizens whose life, organs or body parts are directly threatened due to illness or injury, and reduce optimal time of response to the emergency until the start of the final treatment process. In addition to setting legal obligations of public and private entities, this Law also regulates the organization and management of emergency medical services, the National Centre for Emergency Medical Services, duties of the Emergency Medical Services, transport and technical equipment in the Emergency Medical Service, Professional Council of the Emergency Medical Services, financing of Emergency Medical Service, and penal provisions.

**Monitoring and control**

The Law on Consumer Protection aims to regulate market conditions in business-to-consumer relations, including products labelling, price indicators, public services and unfair commercial practices, consumer rights concerning contracts, including unfair contract conditions, distance sales and off-premises sales, non-conformity contracts, consumer credit contracts and tourism products contracts, administrative and judicial protection of consumer interests, institutional resources for consumer protection.

The purpose of this Law is to regulate relations between consumers on one hand and manufacturers, sellers, suppliers, wholesalers of products or service providers, on the other, and to protect the consumer from unfair commercial practices in the market of Kosovo*. In addition to setting legal obligations of public and private entities, this Law also regulates standard information forms for consumers of time-share contracts and related contracts, determining the shape, content and usage of the flag on the origin of the product, information form, time and implementation procedures for withdrawal from a distance and off-premises contracts, complaint handling procedure by the Consumer Protection Department.

The Law on the Market Inspectorate and Inspection aims to designate the principles, organization, competences and procedures of inspection over the market on the territory of Kosovo*. The purpose of this Law is to set the criteria and the procedures for organization, competences of the Market Inspectorate, inspection, cooperation of the Inspectorate with other market institutions. In addition to setting legal obligations of public and private entities, this Law also regulates the uniforms and their use by market inspectors, and formal and legal elements of the acts issued by the Market Inspectorate.

**B.3.2.4. Institutional set-up for managing/supporting rural tourism**

**Territory level**

The institutional framework related to rural development in Kosovo*, and consequently economic diversification which includes tourism, is organized at two hierarchical levels – national and local.

At the national level, the following ministries have an impact on rural development:

- The Ministry of Agriculture, Forestry and Rural Development
- Ministry of Economic Development
- Ministry of Environment and Spatial Planning
- Ministry of Culture, Youth and Sports
- Ministry of Finance
- Ministry of Trade and Industry
- Ministry of Economic Development

The primary tasks of the Ministry of Agriculture, Forestry and Rural Development are to develop policies and implement laws for the development of agriculture including also cattle and plant production, rural development and setting of standards for...
maintenance, facilitate the development of credit schemes for support to agriculture, forestry and activities on rural development in the private sector, develop policies for assisting the administration and management of the forestry sector, including protection, activities of reforestation, self-support, fire fighting, fire prevention, disinfection and disinsection, license for tree felling and hunting and fishing control, regulate hunting and fishing activities, supervise the approach of veterinary services, including prevention of other animal diseases, zones and the improvement of herd and poultry quality, develop policies in the field of watering including also the projects for the planning of irrigation, develop policies and implement laws particularly to exterminate insects, parasites, plant diseases or harmful causes, take part in the activities of protection of the environment related to forestry, hunting, fishing and management of water resources, and assist with veterinary issues, phytosanitary control and quality control for animals and animal products that transit through the administrative boundaries and the state of the food and agriculture, plants and plant products. Within the Ministry of Agriculture, Forestry and Rural Development operate two agencies and seven departments. The following are the two agencies of the Ministry of Agriculture, Forestry and Rural Development:

The Kosovo* Forestry Agency is responsible for matters related to the regulation of forests and forest lands, the administration and management of public forest lands and forests in the National Parks of Kosovo*, except those matters specifically assigned by law to another government authority. Kosovo* Forestry Agency is responsible for the implementation of forest-related legislation and AI related to the management of forests and forest lands, supervision of the development of forest resources in Kosovo*, examination of the requirements for granting permits for timber and non-timber cutting issues and issuance of permits under applicable provisions, issuance of logging permits, selection and marking of logs, acceptance of completed work and issuance of logging permits, issuance of permits for harvesting non-wood products. It controls logging, storage, processing and transport of timber, oversees and monitors logging and silviculture activities, to ensure compliance with contract requirements under permits, annual forest management operational plans according to labour standards.

The Agency for Agriculture Development is responsible for the implementation of support programmes for agriculture and rural development and written procedures based on IPARD. It is also responsible for implementing support measures from the national and donor programmes, and in the very near future also from the pre-accession programme for rural development.

During this process, the Agency is responsible for implementing the application procedures, administrative and on-the-spot checks, as well as for approving and executing payments to the beneficiary. The Agency for Agricultural Development aims to link Kosovo* farmers with institutions at the national and European levels, which, through financial support programmes, impact the development of this important sector of the economy.

Through support programmes and transparent and clear procedures, the Agency aims to provide farmers with access to development funds in agriculture and rural development. The Agency works within the MAFRD, responsible for implementing direct payment and rural development programmes. Within the Agency for Agricultural Development, there is the Direct Payments Agency, which is responsible for executing direct payment schemes in accordance with the annual program, evaluating farmer applications, making approvals and authorizations of payments, supporting the preparation of administrative instructions, regulations and support rules in coordination with the legal sector of the Agency, preparing information materials and guidelines for farmers in coordination with them and the Department for Advisory Services, analyzing risk, selecting samples for field control, participating in information campaigns, implementing direct payment-related legislation, preparing reports on the results of support and programme implementation.

The following are the seven Departments of the Ministry of Agriculture, Forestry and Rural Development:

The Department of Rural Development Policy – Managing Authority is responsible for managing
and supervising all operations related to rural development under the coordination of the Ministry of Agriculture, Forestry and Rural Development, coordinating activities of the officers in charge of rural development in field offices of the Ministry, connecting, maintaining relations and coordinating activities with other units within the Ministry, taking part in working groups and teams dealing with analyses, design, planning and implementation of rural development policies, strategies, programmes and projects, initializing projects and programmes to support the improvement of living and working conditions, as well as the development of human resources of the rural population, promoting and supporting the establishment and continuation of on-farm and off-farm activities, as well as working in the direction of the promotion of possibilities for rural/employment revenues, securing necessary support for the organization and mobilization of farmer groups, associations and cooperatives and taking part in the coordination with local and international NGOs.

The Department of Forestry is responsible for proposing, drafting and making policies and development strategies for the forestry sector, implementing the legislation and applicable strategies for the forestry sector, cooperating with governmental and non-governmental organizations as well as with different donors for the development of the forestry sector, proposing, drafting and establishing different projects for the development of the forestry sector, approving and taking decisions for documents/reports, plans and development projects of the forestry sector drafted by different governmental and non-governmental organizations, carrying out a general inventory of forests, inventory of wildlife, inventory of forest pests, organizing, processing and maintaining different forestry statistics, reviewing, supporting various requests for licensing and issuing licenses for the development of different activities related to forestry, organizing and supporting the development of training on sustainable forest management and treatment, supervising the implementation of laws, legal acts, strategies and different projects related to forestry, supervising the implementation of management plans, annual plans of forests, hunting, ecotourism as well as management and use of other natural resources, supervising the implementation of forests treatment with different silviculture measures in cutting, withdrawal, maintenance, systems/erosion protection, afforestation of forests and forest lands, supervising the development of hunting season on animals and wild birds, collecting, maintaining data for the healthy condition of forests, plants, animals and wild birds, proposing measures for the protection of forests, forest lands, animals and birds, biodiversity, landscape, etc.

The Department of Advisory and Technical Services is responsible for organization, coordination and implementation of all activities of advisory services at the Kosovo* level, coordination, organization and support of the municipal informative advisory centres for agriculture and rural development, support of municipal advisors in the specialized areas of livestock, plant production, legal issues, gender equality, social and rural development issues, drafting of programmes and annual plans and mid-term plans for advisory services cooperating with the representatives of all Advisory Centres for Agriculture and Rural Development, preparation of extension materials, good advisory practices, brochures, leaflets, messages and their distribution through municipal Advisory Centres for Agriculture and Rural Development, support the implementation of programmes for agriculture and rural development as well as direct payments through providing consultations and distributing all information on programmes and on implementation, support to farmers in the specialized area of livestock, plant production, legal issues, gender equality and rural development, training of advisors on central and municipal levels – general and specialized fields (plant production, animal breeding, economy, marketing, training on special methods and communication tools for providing advice, organizing of study visits within and outside for exchange of best practice and gaining experience, organizing and holding seminars, demonstrations, agricultural exhibitions, proposing policies for advisory services considering the national plan on agriculture and rural development and requests of farmers and the community, drafting annual, midterm and long-term plans for advisory services for agriculture and rural development.

The Department of Economic Analysis and Agricultural Statistics is responsible for conducting activi-
ties related to research and structuring of economic analyses, conducting activities related to research and structuring of sectoral analyses of the agro-rural sector, providing data and analysis to support economic development programmes supported by the Ministry and preparation of other related measures, preparing of the annual Green Report for the development of structural changes in the agriculture sector, forecasting, organizing and preparing analytical systems required for the work of the Ministry in meeting EU admission requirements and in conformity with CAP and other EU standards and procedures, conducting analysis for the cost of production and cost of investments for certain crops, analyzing food value chain evaluation of MAFRD programmes in line with preparations for EU accession, foreseeing scenarios/perspectives of rural agricultural development, processing and collecting of agricultural statistics, organization and development of FADN and AMIS and A1S.

The Department for Vineyards and Wine is responsible for proposing, drafting and ensuring the implementation of agricultural policies and development strategies for vineyards and wine, proposing, drafting and ensuring implementation of legislation in the field of vineyards and wine, proposing, drafting and ensuring the implementation of production procedures for grapes, wine and other products from grapes and wine and strong alcoholic beverages and quality standards for grape and wine products and other products in accordance with the relevant legislation, providing support in the field of education, training and the provision of knowledge to cultivators of grapes and wine producers for technological, economic, environmental issues and other important fields for the development of vineyards and wine products, building and maintaining the cadastre of vineyards and wine industry, leading the system of production and circulation of grapes, wine, other products from grapes and wine, fruit wines and strong alcoholic beverages.

The Legal Department is responsible for coordinating and participating in the drafting of normative acts in close cooperation with the Cabinet of the Minister, departments and other organizational units from the field of the respective Ministry, finalizing of the draft normative act, drafting normative acts, ensuring compatibility of normative acts proposed by the respective Ministry with applicable legislation in Kosovo* and European Union legislation (EU Acquis), including the preparation of the Statement of Compliance (SC) and Compliance Tables (CT), in cooperation with departments, units or persons responsible, providing legal opinions, required within the field of respective Ministry, cooperating with the Legal Office for the preparation, monitoring and reporting of the legislative programme and other activities related to the process of drafting legislation, identifying problems during the implementation of normative acts, cooperating with the Ministry of Justice to represent the respective Ministry in court, coordinating law enforcement activities with the relevant units of the Ministry and other ministries and the Government, maintaining and updates the register of secondary legislation of the relevant Ministry, submitting secondary legislation to the Legal Office after approval by the Minister, ensuring accomplishment of legal obligations towards the implementation of the Law and other provisions within the field of respective Ministry, drafting proposal decisions, proposal of different materials required by the Secretary and the Minister, performing any other tasks specified in respective legislation.

The main mandate of the Department of Finance and General Services is to provide administrative support to the Ministry of Agriculture, Forestry and Rural Development through designing, planning, supervising and managing the financial aspect and the budget. The Department of Finance and General Services is responsible for providing administrative support to the Ministry of Agriculture, Forestry and Rural Development in proposing policies in the field of public administration and implementing policies related to the administration of the Ministry, managing and maintaining information on the Ministry’s human resources, assisting in the management of the internal organization providing administrative, logistical and information technology support services, ensuring the application of procedures for the selection and employment of qualified personnel in accordance with the legislation in force, coordinating the preparation, implementation, reporting and evaluation of the Ministry’s budget, coordinating timely the implementation of the Ministry’s financial obligations, maintaining IT equipment and
providing IT services, managing the archive system and internal Ministry documents, providing logistics services to the Ministry.

The Ministry of Economic Development is responsible for drafting policies and strategies on the overall economic development of Kosovo*; supporting the development of a market economy, market liberalization in public services and the introduction of private capital in public endeavours, supporting the Government in exercising its shareholder duties in publicly owned enterprises on behalf of Kosovo*, chairing the Ministerial Committee on Publicly Owned Enterprises and preparing governmental debates on issues about publicly owned enterprises; preparing the annual report on the performance of publicly owned enterprises (POE), which will be further presented to the Assembly of Kosovo* by the Government; issuing a group of models and regulations and a model code of ethics and corporate governance, to be used by POEs; preparing draft procedures for the oversight of central POEs and monitor the work of central POE Boards of Directors; preparing and monitoring the implementation of legislation in the sectors of energy and mining, postal services, telecommunications, information technology and oversight of POEs; preparing and implementing strategic documents for the energy and mining sectors, as well as on the energy balance, in accordance with the applicable legislation; preparing policies on energy efficiency and renewable energy sources, as well as relevant action plans for these fields, in compliance with respective EU Directives, and monitoring energy systems.

The Ministry of Economic Development is also responsible for cooperating in the preparation and implementation of international agreements in the sectors of energy, mining, postal services, telecommunications and information technology, cooperating with the Ministry of Finance in creating a favourable environment for the development of investments in the sectors under its responsibility, through the provision of adequate fiscal and taxation policies, promoting activities on reducing environmental pollution as a result of energy and mining-related activities, systematically collecting, archiving, processing and making available geoscientific data related to Kosovo*’s geological resources, in cooperation with other public authorities and relevant institutions, and to provide reports and expert evaluations on geoscientific matters to the Government, as requested, cooperating with other authorities in the matters of mining and minerals, in exercising its functions and responsibilities stipulated in the applicable legislation, ensuring compliance with European standards on telecommunication tariffs and taxes, ensuring the quality of services and technical standards in the field of telecommunication, creating policies for the promotion of competition in the field of telecommunication, conducting other tasks determined by the applicable legislation on the overall economic development in the sectors of energy and mining, telecommunications, postal services, information technology and oversight of publicly owned enterprises, cooperating with the business community and business associations to establish an attractive business environment, performing other tasks in the sector of economy, energy and mining, information technology, postal services, telecommunications and oversight of publicly owned enterprises, performing other tasks assigned to the Ministry of Energy and Mining, and other tasks assigned to the Ministry by the applicable legislation.

The following six departments operate within the Ministry of Economic Development:

The Department of Economic Development Policies and European Integration is responsible for providing support for the harmonization of activities for the European integration process, monitoring and reporting on the implementation of recommendations of the European Commission, providing support in the harmonization of the legislation of this Ministry with the Acquis Communautaire, coordinating activities of the Ministry regarding the financial support from the Pre-Accession Instru-
ment (PAI) and other funds of the European Union, contributing to the exchange of information in the function of the European integration process within the scope of this Ministry, proposing, compiling and providing for the implementation of policy/strategic documents for economic development, providing support to other respective institutions on the preparation of sectoral policy/strategic documents from the sphere of economic development, proposing, compiling and providing for the implementation of instructions related to the form and content of sectoral and cross-sectoral economic development strategies and their monitoring, providing support in the preparation of strategies for the development of the energy, mining, postal, electronic communications and information society sectors, and in their implementation of programmes, preparing and updating, in coordination with respective ministries and institutions, of the database for national economic development, preparing and publishing periodic analyses of economic indicators for national and sectoral economic development, compiling regular periodic reports on the implementation of economic development policy/strategic documents, cooperating with the Ministry of Finance in determining key indicators for the state budget as well as the advantages of public investments, organizing conferences and public debates on topics related directly to the economic development in Kosovo* and beyond.

Department of Energy

The Department of Energy is responsible for proposing, drafting and providing for the implementation of energy sector policy/strategic documents, and compiling regular reports on their implementation; proposing, drafting and providing for the implementation of energy sector legislation; drafting long-term and annual energy balances, and monitoring thereof; and implementing tasks deriving from the Energy Community Treaty.

Mining Department

The Mining Department is responsible for proposing, drafting and ensuring the implementation of policy/strategy documents in the mining sector; proposing, drafting and ensuring the implementation of mining sector legislation; preparing and monitoring community development plans affected by mining activities; providing support in drafting, reviewing and proposing the Management Plan for mineral resource management documents; proposing and drafting mineral resource promotion programmes; managing, updating and maintaining the database on mining and energy activities; processing technical documentation on the generation and preparation of utilisable mineral resource balances.

The Department of Post, Telecommunications and Information and Communication Technology is responsible for proposing, compiling and providing for the implementation policies/strategic documents in the sector of post, electronic communication and information society; proposing, compiling and providing for the implementation of legislation in the sector of post, electronic communication and information society; monitoring and compiling regular periodic reports on the implementation of policy/strategic documents for the sector of post, electronic communication and information society; identifying, proposing and determining national level standards in the sphere of post and telecommunication and information technology; assessing compliance with European standards, including tariffs and taxes, quality of services and technical standards; drafting policies for promoting competition and reviewing consumer needs; assessing compliance with European standards, including tariffs, quality of services and technical standards.

- Supporting information technology and innovation, such as e-Commerce; supporting access to technology and fostering development of information technology and human development systems
- Representing Kosovo* before the European Commission within the frame of the project on monitoring the development of regulation of e-communication and information society sector, the eSEE – electronic South-East Europe initiative, and the bSEE – broadband South-East Europe initiative; and the Regional project for Cooperation in Criminal Justice: Capacity Building in the Combat Against Cyber Crime, funded by the European Commission and the Council of Europe
Legal Department

The Legal Department is responsible for providing legal support in the development of strategic documents and legislation relating to the scope of the Ministry, providing support in the development of primary and secondary legislation relating to the scope of the Ministry, ensuring compliance with the legislation designating techniques and standards relating to the scope of the Ministry, ensuring the harmonization of legislation of the Ministry with the European Union legislation (Acquis Communautaire) as well as with the applicable laws in Kosovo*, providing legal counselling and recommendations related to the scope of the Ministry; upon request, cooperating with the Ministry of Justice in relation to the representation of the Ministry in judicial matters.

The Finance and General Services Department is responsible for managing and maintaining information on human resources of the Ministry, assistance with the management of internal organization, provision of administrative, logistical and IT support, ensuring implementation of procedures on the selection and employment of qualified staff in line with applicable legislation, coordinating the development, implementation, reporting and evaluation of the Ministry’s budget, coordinating timely settlement of the Ministry’s financial obligations, maintaining IT equipment and provision of IT services, managing the archives system and the Ministry’s internal documentation, providing logistical services for the Ministry.

The Ministry of Environment and Spatial Planning of Kosovo* is responsible for the creation and implementation of general management legislation in the field of environment, water, housing, spatial planning and construction. To fulfil these tasks, the Ministry has set up departments, institutes and the Environmental Protection Agency.

The Institute for Spatial Planning within the Ministry of Environment and Spatial Planning is responsible for drafting and revision of documents: Spatial Plan of Kosovo*, Kosovo* Zoning Map and Spatial Plans for Special Areas, including other related documents and assisting the spatial planning sector, offering advice and professional/technical assistance for municipalities in drafting the Development Plans and the Municipal Zoning Map, encouraging and helping to ensure public participation in planning and decision-making processes, creating, organizing, managing and maintaining the central database for spatial planning and SPAK system, dealing with research, collection, analysis and evaluation of spatial information, dealing with the study of experiences and achievements in the field of spatial and urban planning, serving as the centre for practical training for students and other stakeholders in the field of spatial planning and urban management, participating in educational and university post-graduate programmes, including organizing lectures and other events related to the field of spatial planning, cooperating with municipalities, local and international organizations to promote and harmonize the activities in the field of spatial planning in Kosovo* by the international norms and developments, assessing the compatibility of the Municipal Development Plan and Municipal Zoning Map with the Spatial Plan and Zoning Map of Kosovo*, in cooperation with the Department of Spatial Planning, Construction and Housing, performing other professional works in accordance with legal provisions in the field of spatial and urban planning.

The Department for Spatial Planning, Construction and Housing, which is responsible for proposing, designing and ensuring the implementation of documents of policy strategies in the field of Spatial Planning, Construction and Housing, coordinating the assessment of compliance of the Municipal Development Plan and Municipal zoning mapping and compliance with the Kosovo* Spatial Plan and the Zoning Map of Kosovo*, determining terms of construction which are the basis for the preparation of construction documents for constructions within the protected area and constructions of Category III as defined by law, coordinating with municipalities, local and international organizations to harmonize spatial planning of Kosovo* with international and EU norms, identifying and proposing investment and financing needs in the field of Spatial Planning, Construction and Housing, supervising spatial planning, construction, housing and monitoring systems, monitoring and analysing the situation within the scope, preparing plans and proposing the strategies, measures and programmes to improve the situation in the field of housing.
The **Department for European Integration and Policy Coordination** is responsible for providing support in coordinating activities related to the European integration process, monitoring and reporting on the implementation of the recommendations of the European Commission, providing support in harmonizing the legislation of the Ministry with the EU **Acquis**, coordinating the activities of the Ministry for financial support from the Instrument for Pre-Accession Assistance (IPA) and other European Union funds, contributing to the exchange of information in terms of the European integration process, within the scope of work of the Ministry.

The **Legal Department** is responsible for providing legal support in the development of strategic documents and legislation related to the scope of the Ministry, providing support in the development of primary and secondary legislation related to the scope of the Ministry, ensuring compliance with the legislation designing techniques and standards related to the scope of the Ministry, ensuring the harmonisation of the Ministry legislation with the European Union legislation (**Acquis Communautaire** as well as with the applicable laws in Kosovo*), providing legal counselling and recommendations related to the scope of the Ministry upon request, cooperating with the Ministry of Justice related to the representation of the Ministry in legal matters.

The **Finance and General Services Department** is responsible for managing and maintaining information on human resources of the Ministry, assisting the management in internal organization, providing administrative, translation, logistics and information of technology services support, ensuring implementation of procedures for the selection and recruitment of qualified personnel in accordance with applicable legislation, coordinating preparation, implementation, reporting and evaluating the Ministry’s budget, coordinating timely implementation of the Ministry’s financial obligations, maintaining IT equipment and providing IT services, managing the archive system and internal documents of the Ministry, providing logistical services for the Ministry.

The **Ministry of Culture, Youth and Sports** is responsible for supporting and inspiring creativity and cultural creativity, preserving, protecting and presenting the Kosovo* Cultural Heritage, promoting and strengthening the values of culture, youth and sports at national and international levels, institutional capacity development, raising the budget for cultural heritage, culture, youth and sports to the proper level within the Kosovo* Consolidated Budget, functional implementation of legislation in the fields of cultural heritage, culture, sport and youth, representing Kosovo’s cultural identity at home and abroad, supporting national cultural institutions in their fundamental activity and in their reform processes as functional institutions, returning the archaeological and ethnological collection of Kosovo* from Serbia, returning the dignity of artists and cultural creators, supporting the establishment of a book programme in Kosovo*, regulating the status of creators and employees of cultural institutions, creating basic infrastructure at the national and local levels for practising cultural activities in all areas of culture, supporting the process of internationalization of sports, the realization of sports infrastructure and school sports, supporting the Kosovo* Sports Federation and the Kosovo* Olympic Committee’s membership in relevant international institutions and participation in the Olympic Games and other international games, creating appropriate legislation on cultural heritage, culture, youth and sports, supporting the contemporary development and promotion of performing arts, music and visual arts, in order to increase the level and competitiveness of genuine values in the country and in the world; cultural education, creating new jobs through activity, creativity and cultural creativity – Creative Industry, promoting the creative expression of young people through cultural and sports activities, organizing forums and conferences focusing on youth and youth employment and integration into the country’s social and political scene.

The **Ministry of Finance** has to coordinate the development and ensure the realization of a balanced annual budget for the public administration, create multi-annual budgets and long-term public investment programmes in cooperation with public administration institutions, coordinate with public administration institutions and, where appropriate, multilateral and bilateral donors on issues related to financing from donors and grant contribution, ensure the effective and transparent use of donor funds on the agreed purposes, ensure that
all income and other sources of funding from public administration institutions, including voluntary contributions, are registered according to budget rules, ensure the implementation of the tax and customs legislation in Kosovo*, register and report to public administration institutions and the Economic and Fiscal Council on revenues and expenditures of the budget of public administration institutions, oversee public administration instructions concerning their implementation of rules and procedures in force regarding public expenditures, including public procurement without prejudice to competencies of the Office of the General Auditor, support anti-fraud and anti-corruption activities in public administration institutions and raise awareness against fraud in general, ensure the adoption and implementation of accounting standards in public and private sectors in accordance with relevant international accounting standards, promote and change all projects in the area of public-private partnerships, ensure sustainable fiscal policies, enter into public debt in accordance with the legislation in force, conclude bilateral agreements on administrative cooperation in the field of customs and for the elimination of double taxation, coordinate the activities of international financial institutions, ensure the establishment of legal infrastructure for developing the private sector in Kosovo*, ensure the macroeconomic stability of the country through the development of sustainable economic policies, harmonize the policies and legislation in the area of internal auditing, exercise its competencies in the area of financial management. The Ministry of Finance also manages the following agencies:

- Kosovo* Customs
- The Tax Administration of Kosovo*
- Financial Intelligence Unit of Kosovo*
- Central Procurement Agency

The Ministry of Trade and Industry is responsible for the development of trade and industry.

### Regional level

Apart from the Regional Centres for Cultural Heritage in Pristina, Ferizaj, Gjilan, Mitrovica, Prizren, Pejë and Gjakovë, there are no regional institutions in the Kosovo*. However, the primary role of Kosovo’s Regional Centres for Cultural Heritage is the protection of cultural heritage. Two of these centres already drafted certain materials about the cultural heritage within their region. However, tourism or rural tourism are not included in them.

### Local level

Some municipalities, such as Pejë, Suhareka, Dragash, Kamenica, Ferizaj and others designated zones for the development of rural tourism on their spatial planning documents. However, these areas have not been followed up by neither additional strategic documents nor normative regulatory documents that would help municipalities implement sustainable development of those areas.

At the municipal level, some (Pristina, Prizren and Pejë) have Tourist Information Offices, which provide basic information on touristic attractions of the area. The Municipality of Prizren has drafted the Strategic Document and Action Plan for the Development of Tourism. This document has identified the following objectives for rural tourism:

- Full destination of tourism in the Lumbardhi biosphere reserve
- Licensing of host families in rural areas and certification of the Prizren Menu
- Creating conditions for investment in bio-tourism, consisting of organic agricultural production
- Creating a mountain tourist guide with all the popular tourist cultural heritage sites and tourism offerings
- Develop programmes for hiking trails in all seasons

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B.3.3. RURAL TOURISM DEVELOPMENT AND POLICY IN KOSOVO*

B.3.3.1. Brief overview of the status of rural tourism in Kosovo*

Although Kosovo*'s economy has shown steady development since 1999, it is a nation with lower-average salary level and one of the most unfortunate in Europe. It faces financial challenges with restricted monetary access, lopsided exchange characteristics and few job openings, keeping up its macroeconomic security through its reliance on specialized help support from international organizations and financial transfers from Kosovars living in the diaspora.

The essential area remains restricted, with agribusiness contributing with 14.1% to the economy. The unemployment rate of 45% has been the primary factor of relocation to urban and foreign areas. In 2014, the unemployment in rural regions was as high as 40.1%, while in urban territories it was at 28.5%.

The rate is altogether higher among the female (44.4%) than the male population (32%). Agriculture used to be a significant part of the economy with its contribution to the GDP with 25% during the 1980s, which dropped to 14.1% in 2011. This was caused by wasteful cultivating, small plots of land, outdated machinery, absence of appropriate assistance, constrained access to financing, etc. Nevertheless, it stays one of the fundamental segments employing up to 25% of rural residents and providing income for them.

Rural tourism destinations

Popular mountain areas attractive for hiking tourism destinations in Kosovo* are:
1. Gropa e Erenikut in Junik Municipality
2. Brod in Dragash Municipality
3. Boge in Pejë Municipality
4. Rugova Valley in Pejë Municipality

Popular rural areas with small historic towns in Kosovo* are:
1. Hoçë e Madhe in Rahovec Municipality
2. Junik in Junik Municipality

Main factors of rural tourism future development

Several factors influence the development of rural tourism, such as:
1. Tourist attractions
2. Financial factors
3. Level of education of the local population
4. Habits and practices
5. The infrastructure of rural areas
6. Human resources
7. Capital factors

Tourist attractions

Kosovo* has many attractions in the mountains, flatlands, near rivers, etc. for the development of rural tourism. Primary rural attractions with touristic development potential in Kosovo* relate to health improvement, winter sports, cultural and historical, rural hospitality, hunting, fishing, hiking, alpine and scientific research.

Level of education of the local population

The level of education of the local population is a major factor in the development of rural tourism, with the exception of foreign language skills so that the communication between tourists and the local population is more accessible. Assistance in this regard will be the organization of foreign language courses for the local population. Then it is essential to educate and inform the population in the field of tourism, ecology, culture, the behaviour of tourists, etc.

188 Management Plan for National Park Bjeshkët e Nemuna, Kosovo* Environmental Programme (2016/07076), December 2018
Culture, traditions and customs
The cultural level of the local population is at a level that does not meet the needs for contemporary forms of tourism. Among the rural population, there is still no willingness to accept tourists into the family, while visitors would be interested in getting to know more about the lifestyle directly, getting acquainted with the culture of the population, traditions and customs, local food, etc.

Infrastructure development
The infrastructure development of rural tourism is closely related to the level of infrastructure development in rural areas. Here infrastructure means the construction of road network, electricity network, postal, telephone and telecommunication (PTT) network, water supply and sewage, etc.

Rural tourism has many implications for improving the socio-economic situation of the local population:

- Increased presence of tourists in rural areas will increase the economic activity of the local population, such as increasing agricultural production to meet the needs of agricultural production; increased demand for various services for handicrafts, as a result of which there will be increased employment and increased incomes of rural economies
- Increased quality of life in rural areas prevents the migration of rural population towards urban centres, especially the younger generations, who are the necessary labour force in agricultural production. Kosovo*, with its touristic potentials, has the prospect of developing rural tourism but needs investments in infrastructure and superstructure.

Finally, rural tourism development in the Kosovo* presents an untapped potential for the local economy. Rural settlements with the youngest population in Europe, including local produce from agriculture and other economic activities, are a sound basis for the development of a high-quality tourism offer. Increased tourism consumption will affect the growth of local gross domestic product and overall economic development.

Human resources
This aspect refers on one hand to staff in public institutions, especially at the local level. Due to the lack of interest in adequate courses, most of human resources do not meet the necessary qualification profiles. This will have a negative impact on the rural population. The lack of comprehension of laws, programmes and funding undermines the ones directly affected by them.

There is a lack of opportunities or interest of the rural population to gain knowledge and skills in topics which are important for sustainable economic diversification. Availability of trainings might be the only access to this kind of knowledge and skills. An efficient system of support for beginners in rural tourism businesses is needed in the form of:

- Tutoring, consulting, constructive financing and joint marketing strategy
- Development of new managerial and entrepreneurial knowledge and skills – focus on generational change and gender equality.

Capital factors
The development of this form of tourism requires financial support from the state with its instruments for the local population, in order to improve the life of the village and the quality of housing for potential tourists. This financial support is provided through commercial lending on favourable terms, with low interest rates and long-term returns, as well as subsidizing rural lending by government funds allocated to the tourism sector. Lack of funding is not the core problem at governmental and transnational levels. There's a lack of decision making, implementing laws properly and steering financial flows correctly and in line with overall objectives. When the
public and private sectors work together in an organized way, sustainable funding may lead to proper and sustainable developments. Investments must complement coherent social, economic and environmental developments, which would stop the migration of young people from rural areas.

**Main attractors of rural tourism**

Kosovo* has the following development potential in rural tourism: health, winter, cultural and historical, rural, hunting – fishing, hiking, alpine, adventure and scientific research.\(^{189}\)

However, out of the nine potential activities related to rural tourism only health, hiking, alpine have had positive trends in terms of attracting tourists so far.

**Natural attractors**

Popular natural attractors in Kosovo* are Gropa e Erenikut in Junik Municipality, Brod in Dragash Municipality, Rugova Valley in Pejë Municipality\(^{190}\) and Mirusha waterfalls.

**Man-made attractors**

Popular man-made attractors in Kosovo* are Prevala in Prizren Municipality, Brezovica in Shëtrpëcë Municipality and Boge in Pejë Municipality.\(^{191}\)

**Cultural attractors**

Popular cultural attractors in Kosovo* are Hoça e Madhe in Rahovec Municipality, Gračanica Monastery in Graçanicë Municipality, the Deçani Monastery in Deçan Municipality and Peć Patriarchy in Pejë Municipality.

**STATUS OF SERVICES**

In terms of tourist accommodation facilities, according to the Kosovo* Agency for Statistics\(^{192}\) in the year 2018 in Kosovo* there were 453 tourist accommodation entities, most of which hotels and motels.

In terms of tourist accommodation rooms, according to the Kosovo* Agency for Statistics\(^{193}\) in the year 2018 in Kosovo* there were 6,806 tourist accommodation rooms, most of which in hotels and motels.

In terms of tourist accommodation beds, according to the Kosovo* Agency for Statistics\(^{194}\) in the year 2018 in Kosovo* there were 10,710 tourist accommodation beds, most of which in hotels and motels.

According to the Kosovo* Agency for Statistics\(^{195}\) there is a steady increase in the number of foreign visitors. There has been a significant increase in the number of foreign visitors from Poland and Spain.

In terms of regional context, Kosovo* Agency for Statistics has divided their monitoring tourist accommodation figures across the following 7 regions: Gjakovë, Gjilan, Mitrovicë, Pejë, Prizren, Pristhina, and Ferizaj. Out of the 7 regions, only Pejë, Prizren and to some modest extent Gjilan provide tourist accommodation facilities in rural areas. Over the past 9 years there has been a significant increase in the number of visitors in the regions with rural tourism destinations.\(^{196}\) The biggest increase was noted

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189 Refers to scientists exploring archaeological sites, which could count stay over longer periods of times in rural areas as tourists.
190 Peaks of the Balkans and Via Dinarica routes in Kosovo*
191 Ibid
in the Pejë region, followed by the Prizren region, whereas the Gjilan region has sustained a decrease in the number of visitors.

**B.3.3.2. Strategic framework and programmes**

There is a strategic agricultural development document; however, it lacks a clear vision regarding rural tourism. The horticultural part is secured with key documents, programmes and other improvement records. However, these are centred chiefly around momentary objectives, and not long-term planning, which is vital for the development of rural tourism.

MAFRD has drafted the Agriculture and Rural Development Plan 2014-2020 (ARDP), which to date has not been signed by the Minister. The ARDP follows EU requirements and speaks of a decent guide for general improvement; nonetheless, it gives almost nothing or no course to basic Venture Capital (VC) advancement and approaches that could support the chosen sub-divisions. MAFRD is using this document in its programming, while the Green Report serves for insights and the advancement of new projects on annual basis. Typically, MAFRD includes all fundamental partners in the improvement of the annual programme of awards and appropriations; however, technical changes are negligible because they have not identified the areas they intend to support and develop for rural tourism.

**National context**

**Rural tourism development**

Addressing the need for urgent intervention in the field of tourism in Kosovo* has led to the engagement and mobilization of main stakeholders to focus on finding solutions for solving numerous issues that the industry has been facing for an extended period. Kosovo* Tourism Council has been established recently. It is an advisory body, which is responsible for coordinating the activities of institutions developing sustainable tourism policies that would change and improve the current ailing state of the sector. In terms of the national strategic framework and programmes, there is not a single document that deals exclusively with the development aspirations of the Kosovo* Government regarding the development of rural tourism.

Nonetheless, there are various national strategies, in which tourism has been prioritised, such as:

- National Strategy for Cultural Heritage 2017-2027, prepared by the Ministry of Culture, Youth and Sports
- Private Sector Development Strategy 2018-2022, prepared by the Ministry of Trade and Industry
- Spatial Plan of Kosovo* 2010-2020+, prepared by the Ministry of Environment and Spatial Planning

**Lack of strategic development policy dedicated exclusively to rural tourism**

There is no national tourism strategy currently in place in Kosovo*. Private Sector Development Strategy has been prepared, which addresses the development of tourism; however, it does not address rural tourism sufficiently, and in addition, it has not yet been approved by the Government of Kosovo*.

In the draft Private Sector Development Strategy, the Government of Kosovo* acknowledges the potential for the development of winter, mountain, recreational and sports, and cultural tourism, focusing predominantly on:

- Improving and developing the infrastructure that enables the development of tourism
- Preparing tourist maps for each municipality
- Reassessing Kosovo*’s tourism potentials
- Investing in enhancing local gastronomy and its usage as a tourism product
- Promoting and supporting balneary (health) tourism
- Promoting mountain tourism in high altitude tourist destinations, especially in Bjeshkët e Nemuna and Sharr mountains
- Cooperating with local communities in preserv-
Opening tourism websites for the entire territory of Kosovo* and tourist sites separately

Drafting a joint tourism offer with the Republic of Albania for foreign visitors and investors and for Albanian diaspora

Low budget allocated by the central government to farming

The Government of Kosovo*’s (GoK) spending plan designated for the farming segment remains at 1% of GDP or around 3% of the absolute spending plan, which is generous; however, this is not delivering ideal outcomes with regards to commitment to GDP. The MAFRD spending plan for supporting farming was 46 million EUR in 2017, which is better than expected in the Western Balkans, comparative with the size of Kosovo’s horticulture (per hectare and per farmer).

The division has been upheld through direct instalments (sponsorships) and country advancement measures (awards). The two measures are similarly implemented. The absence of spotlight on progressively lucrative undertakings, focusing on all chances without investing efforts in regionalizing generation, has led to poor outcomes and disappointing production outputs, compared to their potential.

The programme is as yet bolstered by the WB Kosovo* Agriculture and Rural Development Project (ARDP), and there have been no substantial changes.

Lack of spatial planning documents for rural areas with tourism development potential

Although the central government has developed spatial planning documents that cover rural areas, they have remained mostly strategic documents. Until now, the Ministry of Environment and Spatial Planning has drafted the following spatial planning documents that also cover rural areas with a potential for the development of rural tourism:

- Spatial Plan of Kosovo*
- Spatial Plan for the Special Zone National Park Sharr and
- Spatial Plan for the Special Zone Mirusha Waterfalls

The above documents provide generic development and restriction conditions but without a concise action and investment plan or development conditions that would enable potential investors to develop the specific area. Areas designated to become rural tourist settlements have not been followed up with regulatory plans, which would ensure balanced development of specific areas.

Until recently, there was only one regulatory plan, which was prepared for the Prevala location in the National Park Sharr, which due to its healing climate and skiing slopes has become a tourist attraction for many visitors from the region. Fortunately, last year, the Ministry of Environment and Spatial Planning also prepared two more regulatory plans for Boge and Gropa e Erenikut areas that had many visitors in the past, which are located in the National Park Bjeshkët e Nemuna. However, both plans have not been approved by competent authorities.

Regional contexts

Apart from West Kosovo* consisting of Pejë, Deçan and Junik municipalities, Kosovo* does not have any other regional development framework or policy concerning regional tourism. The West Kosovo* region represents great potential for the development of rural tourism, because it is located in the Albanian Alps ridge, renowned for fascinating and beautiful nature. Therefore, potentials and suitable conditions are available in this region for the development of different types of tourism activities that prolong tourism not only in certain seasons but all year long. This region is frequently used for tourist activities, such as:

- Climbing, hiking and cycling – recreational hiking and cycling (Kosovo* – Montenegro – Albania 192 km)
- Climbing (56 climbing paths)
• Winter sports – skiing in Boge which has a ski lift and skiing, snowboarding and snow-hiking, provided by the operator of the ski lift, while some local NGOs and lodges provide snowshoes
• Cultural attractions – monuments, stone building (Kulla), museums, mosques, churches and monasteries (Patriarchate), old markets of Pejë and Gjakovë, local town markets and dairy markets
• Health improvement - Baths of Pejë in the Municipality Istog
• Experiencing traditional food – gastronomy as cultural attraction due to the local cheeses and other dairies
• Local artisanal products – traditional old-style carpets and rugs, hats, clothing, musical instruments, filigrees, and home decorations

There are numerous annual events that attract visitors in this area, such as:
• The Animated Film Festival Anibar, lasting for up to 5 days
• Rock music festival Into the Park, 1-day event
• Traditional fair Stay the Weekend, enjoy Pejë, lasting for up to 2 days
• Traditional Games of Rugova
• Youth Camp of Junik
• Mountain bikers
• Walnut festival
• “Zhdjergat” Days of Gjeravica – Junik;
• Traditional music festival “Dervish Shaqa” – Deçan
• Alcohol Desilting Day – Deçan
• Etc.

In 2016, ARDA prepared a Regional Tourism Strategy – Implementation Plan for the West Kosovo* Region. The following activities were planned in all the municipalities of West Kosovo, Pejë, Gjakovë, Deçan, Klina, Istog and Junik:

• Development of sports with a recreational and adventure character in developing mountain tourism
• Establishment of tourist villages in the West Kosovo*
• Researching innovative tourism products in the West
• Development of new hiking and cycling paths within of cross-border cooperation with Albania and Montenegro as part of mountain tourism development activities

Also, expansion of destination management organization activities was planned for DMOs in Pejë, Deçan and Junik.

Local context

Rural tourism development in Kosovo* is still at its early stage. The territories within solid agrarian areas were developed mainly by local communities, investing on their land and there have been no major developments for larger areas. Rural travel industry and arrangements related to rural attractions throughout Kosovo* were first made by benefactor ventures. At this stage, the spotlight was on exhibiting the advantages of rural travel industry as sector for expanding economic development. Improvement of some travel industry items and management (chiefly settlement, food) were contingent upon local goals and fewer endeavours were made to advance travel industry and structures. Involvement with local development through LAGs in Kosovo* is still insufficient to have these entities follow the procedure completely by assembling regional resources, by planning improvement activities in their individual territories and having the ability to adjust/change top-down development strategies. These groups were bound to keep running similar exercises which they started within the span of task execution and for which these groups were prepared. These cases show that ventures which were made at local level could be placed simply because HR capacities were built to oversee and utilize regular and social products of the zones.

The Municipality of Prishtina has drafted its document for the Strategic Development of Tourism; however, it does not include the development of rural tourism.

Overall objectives, as declared in this document, are:

197 Regional Tourism Strategy – Implementation Plan, ARDA, 2016
198 Strategic Development of Tourism, Municipality of Prishtina, 2018
• Increase the number of visitors of all categories, by 100% by 2022, emphasizing those with the most potential
• Extend the average stay of foreign tourists (especially of those who do not stay overnight in Prishtina) by a night or two by developing entertainment and cultural activities in the Prishtina region
• Encourage tourists to spend about 50% more on utilizing Prishtina’s various tourism services
• Generate approximately 3,000 new jobs along the value chain, including tour operators, accommodation units, transport, restaurants, cafés, shopping malls, attractions, etc.
• Develop prerequisites and services that allow for the experience of cultural heritage and information on the country’s history

The Municipality of Southern Mitrovica is a further local level institution, which has drafted a Strategy for Culture and Tourism 2018-2022.

The overall objectives, as declared in this document, are\textsuperscript{199}:
• Inclusion: Increasing participation in cultural life
• Cultural Policies: Reforming the governance of culture
• Cultural Tourism and Cultural Economy: Sustainable development of cultural tourism and the cultural economy
• Promotion: Communication and promotion of culture and tourism in the Municipality of Mitrovica

Southern Mitrovica’s strategic document Strategy for Culture and Tourism 2018-2022, does not have any objectives or action plans for rural tourism either; it focuses mostly on cultural tourism.

\textsuperscript{199} Strategy for Culture and Tourism 2018-2022, Municipality of Southern Mitrovica, 2018

\section*{B.3.3.3. Actions and measures}

\subsection*{Direct financial support}

Financial support in Kosovo* for rural tourism can be achieved directly through grants or through institutional financial intermediaries and international organizations. The type and amount of financing resources vary by the programme depending on the purpose. Financial support instruments are:

1) Grants
2) Loans
3) Venture capital funds
4) Public-private partnerships

Although Kosovo* adopted the Law on Accommodation Tax in Hotels and Tourist Facilities in 2009, this tax has not been properly implemented yet due to the Tax Administration of Kosovo*’s lack of ability to collect it. This is evident, because of the very low budget allocated to the two responsible bodies for tourism, such as the Tourism Division and KIESA, which is at around 100,000 EUR annually, they have limited resources when it comes to the development of their sector.

Despite reasonable accommodation costs, the government fails to generate sufficient revenues generated through the accommodation tax in hotels and tourist facilities. This represents an enormous challenge, which undermines the promotion of activities and the development of strategies for rural tourism. The accommodation tax is the key element in enabling the public sector to finance marketing and promotion of rural tourism capacities in Kosovo*, because the financial resources allocated to central government investments shows that the development of tourism is not yet a top priority to the national economic development, although it is ranked as high priority. MAFRD’s Rural Development and Agriculture Programme 2014-2020 has already foreseen financial support for rural tourism, included in measure 302.4, for:

• Farmers as defined in the Law on Agriculture and Rural Development (No. 03/L-098)

• Natural persons and legal entities by definition of small enterprises (employing up to 9 employees and having a total turnover of EUR 500,000
or less in the last 12 months) as defined in the Law on Support to Small and Medium Enterprises (No. 02/L-5) and medium enterprises operating in the non-agricultural sector in rural areas, registered in the Kosovo* Business Register. Individuals and legal entities established outside the rural areas are also eligible if the proposed investments are in rural areas.

Specific eligibility criteria for sub-measure 302.4:

- Commitment to lead the tourism facility for five years after the investment is completed
- The tourism facility is located in rural areas as defined in the programme

Indicative eligible investments for sub-measure are determined as follows:

- Modernization, extension and furnishing of tourist accommodation facilities with up to 15 beds to meet relevant minimum standards at the end of project implementation
- Construction/renovation of private roads from the lower level public roads to buildings
- Renovation, repair and alterations to construction sites for tourism purposes, especially those of historical and cultural interest, i.e. old basements, mills, traditional houses for the designated area, etc.
- Construction/renovation of facilities and places for outdoor accommodation (i.e. camping sites)
- Improvement of outdoor areas and facilities for sports and recreational activities (for horseback riding, sport fishing, mountain biking, hiking, canoeing, sailing, etc.)
- Upgrading tourism facilities in existing tourist sites for folk events or other tourism support activities
- Investments in farm activities such as hospitality, nutrition, pets, playgrounds
- Marketing investments (promotional materials, websites)
- Market research and promotional packages

However, due to the lack of monitoring of this programme, it is unclear how many investors have benefited from this financial support. The table below shows the evaluation criteria for direct financial support:

<table>
<thead>
<tr>
<th>Type of criteria</th>
<th>Criteria / Category</th>
<th>Grading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Establishing agritourism activity as diversification of agricultural production</td>
<td>The applicant is a farmer ready for diversification</td>
</tr>
<tr>
<td>2</td>
<td>Providing employment in rural areas (job creation is measured in units of full-time equivalent – FTJ)</td>
<td>Creation of over one FTJ (based on the technical proposal project)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Creating 1 FTJ</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Creating 0.5 FTJ</td>
</tr>
<tr>
<td>3</td>
<td>The project is in line with the local development strategy</td>
<td>LAG reference letter confirming that the project is in line with the local development strategy</td>
</tr>
<tr>
<td>4</td>
<td>Ensuring women’s entrepreneurship</td>
<td>Investment is driven by women entrepreneurs</td>
</tr>
<tr>
<td>5</td>
<td>Improving the age structure in rural areas</td>
<td>Young entrepreneurs under 40 years old</td>
</tr>
<tr>
<td>6</td>
<td>Membership in tourism boards/associations</td>
<td>Reference letter from tourism association confirming membership</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
The minimum investment costs for eligible projects under this measure will be limited to:

- For sub-measure 302.1, 302.2 and 302.3: 3,000 EUR
- For sub-measure 302.4: 3,000 EUR
- For sub-measure 302.5: 10,000 EUR

The minimum investment costs eligible for projects under this measure will be limited to:

- For sub-measure 302.1, 302.2 and 302.3: 20,000 EUR
- For sub-measure 302.4: 50,000 EUR
- For sub-measure 302.5: 100,000 EUR

Applicants may submit several different projects within the measure, during the ARDP implementation period; if earlier projects have been completed, i.e. they do not have an active project within the measure when submitting another project. The indicative breakdown of the percentage of the combined entire budget for the 2014-2020 period that is allocated stands at 1,020,287 EUR or 11% of the entire budget allocated for the implementation of the MAFRD’s Rural Development and Agriculture Programme 2014-2020.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>% of indicative budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>302.1 Beekeeping and production/processing and marketing of honey</td>
<td>26 %</td>
</tr>
<tr>
<td>302.2 Processing of herbs, medicinal herbs, forest fruits and collected fungi</td>
<td>22 %</td>
</tr>
<tr>
<td>302.3 On-farm processing and marketing of small-scale agricultural products (vegetables, fruits, herbs, spices, medicinal herbs, fungi, and sheep and goat milk)</td>
<td>27 %</td>
</tr>
<tr>
<td>302.4 Rural tourism</td>
<td>11 %</td>
</tr>
<tr>
<td>302.5 Provision of machinery services to farmers (shared use of agricultural machinery, repair of agricultural machinery)</td>
<td>14 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Direct technical support**

Rural tourism development is an essential part of economic growth. Both natural and social resources should assess enough potential for rural tourism development. On the other hand, settlements are scattered in different types and forms. In this case, the population lives in cities as well as in villages that live in different ways. In villages, the population can organize rural tourism in some areas where geographical conditions are favourable. It is related to the development of tourism based on large areas of land types, water resources, favourable climatic conditions, which favoured the cultivation of crop keeping animals, where their products could be served to tourists in different parts of Kosovo*, with agricultural and livestock products adding to tourist consumption.

Agricultural and rural development have been upheld by individual investments rather than corporate ones. Before the Agriculture and Rural Development Plan (ARDP) was prepared and put in use in 2007, different benefactor activities followed their individual programme goals, and after the adoption of the ARDP 2007-2013, coordination between ventures in the area and the destinations of the ARDP began to improve. For many years contributors upheld agribusiness area, however since 2007 extensive investments were made in extending the travel industry throughout the most part of the country, with interests in safeguarding items with memorable and social significance to the travel industry administrations, interests in housing, local produce, the travel industry foundation, trainings for farmers and rural networks to build up their enterprise aptitudes for the travel industry business, recreational facilities, traveller guides and so forth. Sadly, as an extension measure from the ARDP 2007-2013 was not executed, the travel industry initiatives needed coor-
dination and could not facilitate cooperative energies towards building up the division. After the war, many international organizations have supported the development of rural tourism in Kosovo*, such as the European Union, the Swiss Cooperation Office, the Government of the Netherlands and Cultural Heritage without Borders.

**The European Union**

Since 2009, the European Union has been executing its EU Regional Economic Development Programme (EURED) under IPA assets trying to support development in areas of Kosovo*, by opening work opportunities. A similar programme encouraged the foundation of five Regional Development Agencies (RDAs) in Kosovo* to guarantee the coordination of endeavours for financial development at the provincial level, venture planning, fundraising and guaranteeing the execution of territorial development methodologies. Beginning from 2010 EURED award plans were published by the EU office in Kosovo*, supported by EU and co-financed by the regions which were granted awards for implementation. The EURED programme continues, with explicit goals to make excellent conditions for business development and foundation advancement for small-scale organizations. Activities funded, which fall under the rural travel industry and improve the sector include the following:

- Product development and design, innovation, marketing, environmental protection and other issues for private sector development
- Cooperative production, group marketing and promotion
- Develop, improve and promote tourism. Develop and market targeted tourism packages for selected target group (e.g. hiking, water sports, fishing, winter sports, ecotourism and agritourism)
- Development of regional branding and its use across agricultural and horticultural products like dairy, meat, fruit and vegetable, wine routes etc.
- Increase local/regional added value by promoting processing of local agricultural produce in the region
- Support/create producer-supplier chains
- Provide facilities and services to start up entrepreneurs, including social enterprises, arts and crafts producers and other creative developments and
- Signposting and access to business facilities including tourist attractions

**The Swiss Cooperation Office**

Swisscontact, Riinvest Institute and PEM Consult are implementing the initiative Promoting Private Sector Employment financed by the Swiss Development and Cooperation Agency in Kosovo* which began in October 2014 and ended in November 2017. The point of the task was to help small and medium-sized enterprises (SMEs) working in focused and efficient financial segments, especially expecting to give extended support to the work of women and men.

**The Government of the Netherlands**

CARE International in association with the Municipality of Novobërdë, implemented the initiative on rural travel industry in Novobërdë, funded by citizens of the Netherlands in 2008. The point of the venture was to help the region in drafting its Rural Tourism Development Strategy 2008-2015 (Care International, Municipality of Novobërdë, 2008) which presents regular and social assets existing in this rural zone that could be utilized to grow tourism. This project put resources into opening local offices on the territory and prepared farmers for the travel industry and administrative arrangements and opened space for youth participation and presentation of the offer to guests.

B&B owners were presented with the most proficient method to offer high-quality service and young people working at youth offices (which were recently transformed into Tourist Information offices) were prepared to present the offer to the guests. A number of bicycles were purchased, because the terrain is appropriate for cycling and for the development of cycling in this zone. The guests coming here can taste the local specialties arranged by a network. However, if somebody wishes to, they
can experience the genuine spirit of a country farm family eating supper together with the participating families.

Novobërđe is a multi-ethnic district with Albanian and Serbian people living side by side, bringing the component of social variety to the zone. The initiative attracted numerous public and private entertainers and was the beginning stage of the making of a regional capital in the target region. The neighbourhood on-screen characters, for example, specialist co-ops, makers associations, visitor data focus and local government, present the advantages from a financial, social and political perspective, and the need to make development feasible in the area, however no further activities have been completed yet.

Cultural Heritage without Borders

Since 2001, the Cultural legacy without Borders, a Swedish NGO financed by Sida (Swedish Development Agency) has implemented an initiative to remake social legacy by giving financial benefits to increase the value of Kosovo*’s cultural heritage. Several activities focused on creating and advancing cultural heritage protection regulations in urban and provincial territories, planning to shed some light on the issues of the protection of cultural heritage and limiting construction in the immediate surroundings, to reinforce the important establishments and expert administration of cultural heritage in Kosovo* in line with universal standards. A significant portion of the *kullas* in Junik and Deçan (West Kosovo) were reconstructed, and later adopted for use as offices for the purposes of travel industry and are opened to guests offering traditional foods, workshops and courses, primarily overseen by women who lost their spouses during the 1999 war. *Kullas* are over 100 years old and still used for living. During the Kosovo* war in 1999, more than 33% of the houses were damaged or destroyed.

**Indirect support**

Several development projects have been implemented in Kosovo* by various organizations and institutions, which have largely received international funding. The most common donor agencies for tourism development projects have been the European Union, the German GIZ, the United Nations Development Programme, the United States Agency for International Development, and several other international agencies.

The European Union Office in Kosovo* has given high priority to support Regional Economic Development (RED) in Kosovo* in line with European best practices, and tourism has an important role in regional development strategies. The work towards regional economic development began in 2008 with the launch of preparations for the first technical assistance project to establish an RDA network to cover Kosovo*. Currently, the five Regional Development Agencies implement a dynamic development agenda and have launched several projects in the last three years in the area of tourism development.

As one of the best practices, the European Commission funded a Tourism Development Project called See you in Dukagjin, implemented by Cultural Heritage without Borders. The aim of the project is to contribute to the creation of a basis for sustainable development in Kosovo* and the consolidation of economic regions, creating a framework of regional development and support of economic regeneration, job creation and human resource development in economic regions.

GIZ has supported increasing private sector competitiveness and rural economic development projects. These projects addressed the following areas of intervention:

- Support for product development, qualification, and regional networks, assistance with implementation of Kosovo* tourism strategy, promotion of planning and implementation of strategic projects in regional tourism development in south and east parts of Kosovo*
- Analysis of the transnational tourism potential in the south of the Sharr region as part of the study for international cooperation, promoting

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200 *Kulla* is a residential unit that served as an administrative unit for administering the traditional Code of Lek Dukagjini, mainly seen in the west part of Kosovo*.
community-based tourism development in Shtërpcë with a focus on strengthening year-round tourism and regional integration and promote health tourism in the Kllokot region

UNDP Kosovo* supports the development of tourism in Kosovo* through the Sustainable Land Use Management and Biodiversity Conservation Project in Dragash municipality. In addition, the Trade Aid Project aims to improve the implementation of reforms in favour of trade capacity development measures, with a focus on capacity gaps, and technical assistance for the Ministry of Commerce and Industry. Locally, the project aims to boost productivity, employment and entrepreneurship, with a focus on the southern economic region and working with SMEs. The first project focusing on Dragash aims to improve the livelihoods of local people through the protection of natural resources; promotion of local resources; improving the capacity of farmers and producers; improving energy efficiency; and good governance and gender equality. The Kosovo* Private Enterprise Programme (KPEP) was a four-year activity designed to stimulate Kosovo*'s economy by enhancing the competitiveness of private businesses, with the support of USAID. The USAID-supported KPEP programme was launched in late 2008. Tourism was launched as a key activity for KPEP in early 2009.

Public opinion on available support for rural tourism

According to a recent research on rural tourism, major the following major problems persist:

- High unemployment rate (according to the Kosovo* Agency of Statistics (KAS), the unemployment rate for the first half of 2012 was 28.5% in urban areas, reaching 40.1% in rural areas)
- 45% of the labour force is unemployed
- Outmigration particularly of young people
- Limited access to public services
- Decline in household income from agriculture (MAFRD, 2014) and
- Abandoned agricultural land, mostly pastures due to the migration of landowners to urban centres (MAFRD, 2014)

201 Linking rural tourism to agriculture. Evidences from comparative case studies in Kosovo*, Italy and Spain, Arlinda Arënliu, 2015.
According to GIZ study\(^{202}\), the following strengths, weaknesses, opportunities and threats were identified:

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td>High potential for the development of mountain tourism in remote rural areas and protected areas. Outstanding biodiversity in mountain areas. Human resources with language skills, due to emigration.</td>
</tr>
<tr>
<td>Business Environment</td>
<td>Hospitality with a long tradition offers a good basis for the development of tourism services. Domestic urban population that appreciates nature and the quality of rural life. Quality of life in towns raises the demand for outdoor activities and leisure in rural areas.</td>
</tr>
<tr>
<td>Competences</td>
<td>Communication skills. Tradition and hospitality is important. Authentic tradition. Motivation for business development is high.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Economy Society Technology Environment Legal</td>
<td>Wild nature and attractive landscape. Weekend holidays and day trips near urban centres are raising demand. Eco and cultural tourism are growing. Normalization of international relations.</td>
</tr>
</tbody>
</table>

\(^{202}\) Sector Analysis for the Diversification of the Rural Economy In Kosovo*, Deutsche Gesellschaft Für Internationale Zusammenarbeit (GIZ), 2013
B.3.4. CONCLUDING REMARKS ON RURAL TOURISM DEVELOPMENT
STATUS IN KOSOVO*

Below is a list of issues that undermine sustainable
development of rural tourism in Kosovo*:

- Lack of strategic development policy dedicated
  exclusively to rural tourism
- Low budget allocated by the central government
  for farming
- Lack of spatial planning documents

B.3.4.1. Rural tourism development status

Rural tourism definition & typology in practice of Kosovo*

Kosovo* has potential in the development of the following types of rural tourism:

- Cultural tourism
- Mountain and alpine tourism
- Rural tourism, ecotourism, agritourism
- Active, adventurous and alternative tourism and
- Cross-border travelling.

Unfortunately, neither the current legislation, Kosovo* Government Programme 2017-2021 nor Kosovo* Private Sector Development Strategy 2018-2022 have defined or categorised types of tourism. Kosovo*’s most visited areas are:

- The Sharr Mountains
- The Albanian Alps
- Rugova valley
- Mirusha waterfalls
- Etc.

In terms of natural heritage, the border regions of Kosovo* comprise the main resources that provide a unique natural tourism product, as is the case with the south west region of the Albanian Alps bordering Albania and Montenegro, the south east region of the Albanian mountains. Sharr is on the border with Albania and North Macedonia and northern region of the Kopaonik mountain is on the border with Serbia. Kosovo*’s cultural heritage is also very diverse. Small castles such as Albanian towers, mills and bridges, mosques and churches, Turkish baths, castles and archaeological sites all offer a rich history of the region. Given Kosovo*’s natural and cultural assets, the segments as shown below currently represent the main pillars of the tourism offer:

1. Cultural Tourism. With medieval artefacts included in the UNESCO World Heritage List, with a total of 41 archaeological sites of high importance, with an accompanying nightlife, diverse music scene, with extraordinary hospitality of the locals. Kosovo* has a lot to offer in terms of cultural tourism.

2. Mountain and alpine tourism. With winter resorts for skiers like Brezovica in the Sharr Mountains Kosovo* can strengthen and improve its position as a winter holiday destination. Concerning the provision of tourist services and products throughout the four seasons of the year, the Rugova Valley has already developed a significant number of tourism offers with tour operators.

3. Rural tourism and ecotourism. Bed and Breakfast accommodation is only part of the tourism offer in Velika Hoç (Novobërđë) and some of Kosovo*’s other rural areas. Hotels and villas are available in touristic regions such as the National Park Bjeshkët e Nemuna, National Park Sharr and the Kopaonik tourist region. This type of accommodation is currently part of the local and regional tourism offer, and there are no camping, mobile home/camper van facilities available.

4. Cross-border and regional visits. In recent years, a considerable number of cross-border cooperation projects have been initiated with the neighbouring countries (Albania, Montenegro, North Macedonia) and with countries such as Turkey, which generate an increase in the number of visits and visitors to Kosovo*. Donor projects have been active in creating a branding of the Western Balkans with trekking and hiking and local experiences.

5. Meetings and conferences. Meetings and conferences can be considered as one of the most profitable segments of the current offer. Seminars, conferences and trainings are currently the result of the presence of many international organizations and various companies operating domestically.
Regardless of the lack of institutional assistance and investments in tourism regions, the range of worldwide site visitors staying in Kosovo* has regularly increased from 24,616 in 2008 to 79,234 in 2015. In 2015, 53,057 worldwide visitors were in Prishtina, followed by 12,694 in Pejë and 9,779 in the Prizren region. Tourism employs directly more than 9,000 individuals, which represents 3.5% of total employment, while the 2019 global contribution of tourism to GDP was around 10.4%. Public investment (both human and financial) within the quarter is insignificant. The Tourism Division within the Ministry of Trade and Industry employs only three full-time employees. The Kosovo* Investment and Enterprise Support Agency (KIESA) is the responsible public organization for the promotion of tourism. Both bodies annually commit around 100,000 EUR, which is an extremely small amount of public funding towards the tourism sector.

Tourism today represents a huge opportunity to create more jobs and a spill effects over to other sectors. As such, in most neighbouring countries, tourism is considered a priority sector and is regulated by legal acts and policy instruments in compliance with the EU. Tourism in Kosovo* is developing on a free-market basis, with entrepreneurial initiatives and business risks. However, the number of international travellers visiting Kosovo* has progressively increased from 24,616 in 2008 to 86,032 in 2017. There is no accurate data on the impact of tourism on the GDP of Kosovo*, however, according to the Kosovo* Agency of Statistics, the contribution (only) of the hotel and restaurant sector to GDP is about 1%.

The number of domestic visitors and overnights has fluctuated between increasing and decreasing until 2014, and in 2015 it reached its maximum for the given period. Between 2015 and 2017, there was a considerable decline in the domestic market of more than 24%. On the other hand, the number of international visitors has increased during the whole period with the highest increase 2015-2017, and overnights have also increased during the whole period, by around 13%. However, tourism in Kosovo* is not a developed sector, and the natural, cultural and historical tourism are the most sought out experiences. According to the UNDP report prepared in 2017, at 0.741, the Human Development Index (HDI) of Kosovo* was one of the lowest in the region, next to Albania and Bosnia and Herzegovina, ranking 85th among other world countries.

B.3.4.2. Estimation of the level of rural tourism development achieved in Kosovo*

Natural resources
Kosovo* has many attractions in mountainous, flatland areas, near rivers, etc. for the development of rural tourism for activities related to winter sports, cultural and historical, rural hospitality, hunting, fishing, hiking, and alpinism.

Human resources
The level of education of the local population is a major factor in the development of rural tourism. Human resources are vital to tourism and their mastering of foreign language skills is essential.

Cultural heritage
Kosovo* is renowned for its hospitality and a wide range of cultural traditions and customs, and visitors are most welcomed to get acquainted with the culture of the population, traditions and customs, local food and so on.

Supply chain
Whilst there is a vast offer of accommodation, food serving facilities, there is no categorization and certification for them at the national level, which undermines their use to their full potential.
B.3.4.3. Main legal, institutional and policy gaps and obstacles for the development of rural tourism in Kosovo*

Legal frameworks

Tourism accommodation sector with motels, guest houses and similar types of accommodation is constantly increasing in a wide range of establishments. Regarding the quality of tourist accommodations, there are no clear mandatory minimum standards or guidance regarding the size, facilities and services for each accommodation category. Consequently, potential tourists are unable to determine what to expect from the accommodation prior to booking their choice of accommodation. There are no standards and norms applied in tourism operations, such as:

- Licensing for tour operators and tourist agencies
- Licensing or certification for tourist guides
- Classification of accommodation establishments
- Etc.

To improve the tourism sector, in 2018, the Ministry of Trade and Industry (MTI) and TAIEX consulted with line ministries and private stakeholders in Kosovo*, and prepared an assessment of the existing Law on Tourism. The principal findings of this assessment identified the following legal interventions, which would improve the existing law:

1. Areas of Legal Interventions:
   - Tourism development (strategy, investment)
   - Business organizations and structures
   - Operations (incentives, subsidies, crisis interventions)
   - Spatial definitions (zoning, location, place)
   - Organizations (state, regional, local, public or private)
   - Business standards (licenses, certificates)
   - Quality development (classifications, standards, labels)
   - Human Resource (HR) development (education, skills)
   - Sustainability (environmental standards, renewable energy, waste)
   - Internationalization
   - Marketing, promotion, image building

1. Tourism Organization:
   - NTA – National Tourism Agency
   - NTO – National Tourism Organization
   - KTC – Kosovo* Tourism Council
   - Tourism business associations / Tourist Federation
   - Municipalities – with economy/tourism departments
   - DMO – Destination Management Organization
   - TIC – Tourist Information Centre

2. Business Sector Coverage:
   - Accommodation
   - Food & Beverage
   - Health and spa centres, aqua parks
   - Ski centres
   - Tourism recreational and sports centres
   - Congress and conference capacities
   - Nature and other theme parks
   - Rural tourism
   - Events and festivals
   - Tour operators and tourist agencies
   - Tourism guides;
   - Tourism equipment for rent

3. Business Conditions:
   - Classification of tourism accommodation (mandatory)
   - Tourism service quality and eco-labels (voluntary)
   - Tour operators and tourist agencies TO licenses (mandatory)
   - Certification tourist guides
   - Protection of package travellers – EU Directive

4. Financial Resources:
   - State budget (regular financing)
   - State budget (funding from certain tax revenues, e.g. casino taxes)
   - Accommodation tax
   - Revenues from concessions
   - Project-based resources from donor organizations
   - Contribution of the private tourism sector for special activities (for tourism marketing and promotion)

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*Concept Document in the Field of Tourism, Ministry of Trade and Industry, 2018

Support policies framework

Kosovo* currently does not have a tourism development, marketing strategy or brand development of the tourism sector, including rural tourism. The distinction between an NTA and an NTO lies in their mandate and their composition. Moreover, NTOs every now and then have non-public ownership and the composition of the NTO is usually mixed between public and private entities. Unlike Albania, Croatia, North Macedonia and Serbia, Kosovo* does not have an NTO and consequently, it does not have the institutional inclusion of the private sector to support policy drafting and its implementation.

Kosovo* does not have a comprehensive strategy adopted for the development of the tourism sector. There is a plan to establish the Kosovo* Tourism Council in the future. It would be mandated to coordinate all relevant stakeholders, but it still is not fully operational. The Tourism Council will consist of seven individuals and two observers from the civil society. However, this promotion of tourism also falls within the mandate of the Kosovo* Investment and Enterprise Support Agency (KIESA) which is, among other matters, mandated to promote the potential of Kosovo*’s tourism capacities.

There is an evident lack of strategic planning and investment in the tourism sector, including rural tourism. Promotion and policymaking in this sector have been primarily supported by international donor organizations as listed above. Kosovo*’s tourism is also missing well-researched target markets, effective marketing, and promotion and information services to visitors. Nowadays, due to increasing competition offering a vast array of attractive tourism offers, funding of the NTO and international tourism marketing is an obligation.

Private Sector Development Strategy 2018-2022

The Private Sector Development Strategy 2018-2022, drafted by the Ministry of Trade and Industry, also addresses the development of the tourism sector in Kosovo*. This strategy aims to develop and implement industrial and SME policies to raise private sector productivity, increase investments in industry and enterprises, improve access to quality infrastructure and the implementation of trade policies needed to integrate Kosovo* businesses into international markets, and ensure industrial property rights that will protect investments in innovation, encourage the development of high-value products and provide assurance to foreign participants on the Kosovo* market that their rights are protected.

The Strategy contains the following objectives regarding the development of the tourism sector:

- Strategic Aim #1: Further development of industry sectors, including tourism based on enterprise performance, inter-firm collaboration and business environment policies, composed of:
  - Specific Objective 1.2 – By the end of 2019, the regulatory framework for tourism is amended and enforced
  - Specific Objective 1.3 – By the end of 2019, a new policy framework for tourism is in place

The activities planned by the Private Sector Development Strategy 2018-2022 are:

- By the end of 2019, establish and maintain a database for tourism
- Develop human resources in the tourism sector
- Improve coordination and cooperation with the local government to develop tourism further
- Establish a regular dialogue with the private sector
- Adopt a new strategy for tourism
- Promote yearly Kosovo* products at international fairs and exhibitions on tourism, food, wood, textile and apparel sectors.

National Cultural Heritage Strategy 2017-2027

In terms of tourism development, the Ministry of Culture, Youth and Sports (MCYS) has prepared a National Cultural Heritage Strategy 2017-2027, which is a comprehensive strategy of the Kosovo* Government in the field of cultural heritage, aiming to establish long-term frameworks for the vision and provide solutions based on sustainability principles. The most important aspects of this document...
that relate to rural tourism are listed below:

- Inclusion of cultural heritage in national policies and documents on spatial planning
- Advancing/coordination of legislative measures in the prevention of uncontrolled urban and rural development
- Development, through the implementation of the:
  - Survey of indicators of uncontrolled urban development and definition of measures for urban integration and the treatment of illegal constructions within the municipal plans
  - Mapping of informal settlements and urban/rural unauthorized construction
  - Strengthening the inspection sections in the implementation of the Law on the treatment of illegal constructions
- Inclusion of cultural heritage in the municipal planning documents
- Definition of rural and urban historical zones/centres and their integration into the municipal development planning processes, through the implementation of the:
  - Research and scientific study of the historical development of cities and rural settlements
  - Mapping of protected areas
  - Define the boundaries of centres / historic urban and rural areas based on historical research and mapping of protected areas
  - Developing conservation plans as detailed regulatory plans under the Law on Spatial Planning, and complementation with integrated conservation methodologies that promote fostering creativity and innovation, based on healthy competition.

**Institutional framework**

The tourism administrative institutions have a certain hierarchy of authority. In the institutional context dedicated to the development of the tourism sector in Kosovo*, administrative bodies have been downgraded from the level of government to a division within a department of the Ministry of Trade and Industry. Divisions within ministerial departments are the smallest governmental units that have a significantly low number of people employed and amount of financial resources available.

Consequently, Kosovo* has a negative countrywide priority framework concerning tourism, which contributes to low institutional precedence and finances allocation. The frame of national tourism administration is also a department within the Ministry of Trade and Industry. The administration’s low reputation contradicts the commitment of the authorities, which rank tourism as a vital area for Kosovo*’s financial development for the non-public sector and the overall economy. In other countries in the region, the importance of tourism development is represented by the level of government, and there this sector ranks higher than in Kosovo*.

To date, this branch has developed a national strategy on cultural heritage, the list of cultural heritage sites designated for protection, and created a national archaeological manual. That is a coordination body that was established to advise and provide suggestions to the Ministry concerning the protection and promotion of cultural heritage. It is currently under the Ministry’s Division for Mobility Heritage. This Division is mandated, among other matters, to raise awareness regarding cultural history, conduct archaeological research, and establish Kosovo*’s countrywide series of mobility heritage. Environmental and spatial plans are a central part of tourism development; therefore, the Ministry of Environment and Spatial Planning is involved in the improvement of the tourism sector. The Department of Environmental Protection has already drafted a new Law on Spatial Planning, providing the idea for the introduction of environmental protection regulations, drafting strategic documents pertaining to environmental protection, and defining and providing the reasonability for funding and financing in the region of environmental safety. Weak competences of the Tourism Division in the state administration and regarding tourism industry have undermined the development of rural tourism. They have a tiny budget allocated to either develop or implement long-term policy on tourism or rural tourism. In 2017, the Government of Kosovo* re-es-
established the Tourism Council consisting of 7 members and two observers, representing line ministries responsible for tourism development. However, the Tourism Council had not been operational for a year.

The role of the Tourism Council is to facilitate dialogue and cooperation between private and public sectors, with the aim to propose policies and plans for tourism development, promote the Tourism Council, advise and make recommendations to the Ministry of Trade and Industry and develop standards for tourism and hotel services to enhance the quality of services. Yet, to this day, Kosovo* Tourism Council has been unable to produce any policies and plans for the development of the tourism sector.

Kosovo* does not have a national tourism organization, which would oversee the development of tourism. The national tourism organization would facilitate the formulation and implementation of national tourism policy. It is the adequate agency and instrument for the implementation of a national government’s responsibilities regarding control, direction, development and promotion of tourism of a country/territory.

All countries/territories with tourism potential have a national tourism organization because it plays a leading role in both the formulation and the implementation of the government’s tourism programme. This organization should assume the responsibility for coordinating different activities of public or private bodies interested in tourism development. The national tourism organization may be a ministry department, a directorate general, a department, corporation or board. However, in Kosovo*, there are many independent organizations dedicated to the development of tourism, which operate as NGOs, such as:\n
**The Tourism Association of the Southern Region**

The Tourism Association of the Southern Region is a joint initiative between the Regional Development Agency in the South and the Municipality of Prizren. The association provides services to tourist entities by organizing an exchange and advocacy forum to address the challenges businesses face. At the same time, the association provides capacity building services aimed at developing local businesses by strengthening their professional capacities and integrating tourism into local economic development agendas. Particular attention was given to the exchange of experiences with counterparts in the region in the fields of gastronomy, catering, guides, wines and the like. In addition, the association provides tools for the development of rural tourism by engaging the community in providing services to visitors.

**The PRO IN association**

The PRO IN association was established in 2012 and aims to promote local foods and drinks. It is active in patenting these products, as well as in the capacity building of hotel and restaurant staff. It has 2,500 individual members and 120 businesses from all parts of Kosovo*. The association is trying to establish structured cooperation with the central and local government of Kosovo*, which is a necessary precondition for addressing the challenges faced by the respective businesses.
B.3.4.4. Opportunities for rural development

Institutions perspective

Kosovo*’s tourism policymaking faces a challenge due to the lack of human capacities. This task should be addressed with the aid of the government by improving the role of the institution responsible for the components of tourism coverage and coordination of its implementation across different public bodies and agencies. To date, Kosovo* does not have a comprehensive tourism strategy and the current tourism legislation is not at a satisfactory level. In this context, the development of the tourism sector lags far behind what tourism capacity in Kosovo* could offer. The approximation of Kosovo*’s tourism regulation with EU legislation is not always carried out for the majority of offers for visitors and the regulation in Kosovo* concerning tourism is not absolutely harmonized with the European Acquis. But it requires improvement with a view to improve the level of performance of visitor services and its approximation with EU Acquis.

Service providers view

Lack of capacity is evident within the non-public sector, and in turn, a small variety of tourism products can be discovered in the marketplace regardless of the existing potentials. Rural tourism is considered one of the Government’s priorities for development, which is stated in the Government Programme 2017-2021. Furthermore, the needs are much greater with regards to the construction of infrastructural capacities and training of tourism service providers. Lack of focus is evident in the whole tourism sector. This state of affairs requires strategic and systematic approaches and answers to allow the improvement of tourism on a competitive basis, and a market approach stimulating first-rate services, protecting client rights and openness to global cooperation. The standardization of accommodation and categorization of resorts are still made on a voluntary basis in line with the modern-day legal framework. However, it has been recommended that this practice should reflect high-quality practices used in the European Union in which the non-public zone is instrumental in setting the standards inside the tourism service provider, and similar efforts need to be made for the criminal framework and its approximation to EU Acquis. There is a general perception that the workforce in tourism does no longer meet the requirements of tourism enterprises, because the education offered by the educational does not match the knowledge and skills demanded by tourism enterprises. The vocational training system has not been updated and does not offer specialized training for tourism profiles. Lack of awareness of the significance of tourism is likewise noticed in the desire of tourism profiles as a career.

Currently, a small division under the Ministry of Trade and Industry is responsible for tourism. At the central government level, there is no special department or division dealing with the development of rural tourism, neither at the Ministry of Trade and Industry, Ministry of Agriculture and Rural Development, Ministry of Culture, Youth and Sports or Ministry of Environment and Spatial Planning. Currently, there is no National Tourism Organization, and nearly no local or regional Destination Management Organizations. Kosovo* struggles with a lack of reliable tourism data. National Information Agency does no longer collect statistics on arrivals, visitor spending, traveller centres, attractions, tourism personnel, TO/TAs, and so on.

Some of the most pressing issues that undermine rural tourism are:
- There is no countrywide tourism strategy, no tourism database of resources and destinations
- Environmental issues pose an exquisite threat to tourism improvement; two of the highest risk environmental challenges are waste control and river conservation
- Tourism statistics and infrastructure development are at a very early stage
- There is no systematic tourism advertising at national or regional/local level
- Overall weak infrastructure, especially roads, water supply and sewage at tourism destinations
- Undeveloped curricula for tourism studies, only few professional education possibilities, apart from some non-public training establishments in tourism
• Lack of appropriate and standardized traveller site/attraction maps and signalization
• Cultural heritage suffers from degradation, lack of institutional care
• Weak regional cooperation, mainly amongst vital government ministries, at the presidential level, among governments and the private sector
• Underdeveloped tourism associations with a limited effect on policy improvement
• Uncertainty regarding standards, specifically of accommodation, but additionally registration and licensing of tourism operators and destinations
• Public areas usually do not offer access for people with disabilities, specifically prescribed for traveller destinations

Regional cross-border initiatives
Cross-border cooperation could extend to the fields of environment, climate change adaptation and mitigation, risk prevention and management, tourism and cultural and natural heritage focusing on employment generation. Regional cross-border initiatives along border regions provide an excellent opportunity to activate these areas that are often neglected due to their remote locations. By cooperating with neighbouring countries, the Government of Kosovo* could plan and construct new routes that could attract more visitors in these areas. However, to develop tourism in these areas, it is necessary to create adequate international cooperation and coordination with the governments of Albania and North Macedonia. Unfortunately, to this day, there have been no government-led joint initiatives yet to plan, improve the conditions and fully exploit these areas for rural tourism.

The Governments of Albania and Kosovo* have already established inter-governmental cooperation, however, to this day, they have not prepared a joint strategy for the development of border areas, which have an enormous potential for the development of rural tourism.

B.3.5. PERSPECTIVES AND RECOMMENDATIONS
Systematic and comprehensive periodical change of tourism policy, legislative and institutional framework is vital for Kosovo* tourism, including rural tourism. This would match the market needs that are ever-changing by retaining the competitiveness of Kosovo*’s rural tourism offer compared to other offers from neighbouring countries. This approach consists of adopting a legal/normative framework for tourism development in line with international standards and updating it regularly.

B.3.5.1. Utilizing rural tourism as an effective rural economy diversification tool – strengthening, shortening and greening agriculture-tourism value chains

Designation of rural tourist areas and development conditions in spatial planning documents
The spatial planning authorities should designate areas and development conditions in spatial planning documents for the development of rural tourism, which would determine legal requirements for future developments within those areas. The designation of areas is done to ensure proper and legal use of natural and cultural resources and cross-sectoral and regional cooperation. Above all, this will help the private sector to develop tourism products and invest in the tourism and accommodation sector, whilst resting assured that their investments will not be threatened by other inappropriate developments in the area.

Tourist tax
To provide a system of continuous financial resources that would enable the implementation of tourism policy, the Government of Kosovo* must introduce a tourist tax for accommodation or overnight stay. Taking into consideration the rapid increase of migration to urban areas, the tourist tax would
make up for the declining collection of property tax in rural areas. Most countries/territories generate special sources of funding for the development of infrastructure for rural tourist sites from accommodation or overnight tourist tax. This revenue should be used for financing tourism infrastructure and promoting rural tourism. In most of the countries, this type of tax is collected as a fixed amount, on the top of the price for overnight which is paid by tourists for each overnight in an accommodation establishment. Tourist overnight tax may vary according to different types of accommodation establishments such as hotels, tourist farms, camps and by type of tourists, such as students or pupils, tourists with disabilities, etc.

B.3.5.2. Upgrading policy and legislation

Development of a National Strategic Development Plan for Rural Tourism

In order for rural tourism to develop in a sustainable manner, the Government of Kosovo* needs to develop a National Strategic Development Plan for Rural Tourism, which should identify areas with potential to attract a considerable number of tourists. National Strategic Development Plan for Rural Tourism should focus on various factors that influence the development of rural tourism, such as:

- **Tourist attractions** – Identification of landscape attractions in the mountains, flatlands, river or lake adjacent areas that have the potential for the development of rural tourism
- **Financial Factor** – Determining favourable financial support from the state for the local population, with the aim of improving the quality of life in villages and the quality of housing for potential tourists. This financial support is realized through lending on favourable terms by commercial banks, with low-interest rates and long-term repayment, as well as subsidies for rural economies from government funds allocated to the tourism sector
- **Level of education of the local population** – The level of education of the local population is an important factor in the development of rural tourism, especially regarding the knowledge of foreign languages to make communication between the tourists and the local population easier. Assistance in this regard would consist of the organization of foreign language courses for the local population. Then it is important to educate and inform the population in the field of tourism, ecology, culture, the behaviour of tourists, etc.
- **Infrastructure improvement** – Development of rural tourism is closely linked to the level of infrastructure development in rural areas, such as roads network, electricity network, PTT network, water supply and sewage, etc.

Classification of tourism accommodation establishments

Classification of tourism accommodation establishments provides vital information to interested tourists as it provides guidance to them when booking a holiday. Since there is no uniform regulatory system of hotel classification, such as the one developed by the Hotelstar Union, their hotel classification system that is used in the majority of European countries could be adapted in Kosovo* and implemented partially in line with the local conditions and an implementation period could be defined (together with the transition period from the existing system). In addition to the classification of hotels, there should be a system for motels, guest houses, camps and farmhouses in rural tourism. The classification system must be mandatory for all who offer tourist accommodation.

Licensing of tour operators and travel agencies

To protect consumers and to increase the quality of tourism services provided, the Government must regulate tour operators and travel agencies through a licensing procedure. Basic conditions must be set for tour operators and travel agency licensing based
on the professional offer of tour packages and qualified staff. The EU Directive (EU Directive 90/314/EEC and new Package Directive 2015/2302/EU) must be introduced into national legislation, thus providing satisfactory guarantees by the tour operators and travel agencies in case of their insolvency/bankruptcy.

The introduction of a mandatory system of quality assessment of tour guides, escorts, animators in different areas of tourism is vital to increasing the number of tourists and maintaining good levels of services offered to them. This system must ensure the quality of services delivered to tourists, timely, proper and relevant information, and most importantly the safety and security tourists. A training system for these profiles must be developed and an assessment system introduced in order to certify guides on the national, regional and local levels and in specific fields of tourism mentioned above.

Frequent supervision of touristic operators

The Government of Kosovo* must ensure that tourist operators and facilities offer satisfying experiences to tourists, and this can be achieved by defining competences for the supervision of tourism and hotel activities and by determining disciplinary measures issued by the market inspectorate to respond to irregularities.

B.3.5.3. Improving institutional capacities

The establishment of the Department of Tourism

Rather than having a division with a Ministerial Department, the Government of Kosovo* needs to establish a department dedicated to tourism. Considering the national development strategy and its principal tourism development pillars, the new Department of Tourism should consist of the following divisions:

- Division for cultural tourism, which would become a liaison point between the Ministry of Trade and Industry and the Ministry of Culture, Youth and Sports
- Mountain, alpine tourism, active, adventure and alternative tourism, which would become a liaison point between the Ministry of Trade and Industry and the Ministry of Culture, Youth and Sports
- Rural tourism, which would become a liaison point between the Ministry of Trade and Industry and the Ministry of Agriculture and Rural Development

The establishment of the National Tourism Organization

The establishment of the National Tourism Organization (NTO) is crucial regulating and developing sustainable tourism because it would ensure the implementation of tourism activities such as promotion, policies, and cohesive development, both at the national and local levels, but also with other partners from the public and private sectors. The NTO ought to be also responsible for tourism image building and promotion in the region and abroad. It should be founded by the Prime Minister or the ministry responsible for tourism and it should oversee and coordinate the representation on the board, consisted of founders, line ministries (connected to tourism) and representatives of tourism businesses. NTO should respond to the ministerial Department of Tourism, responsible for defining the vision, objectives, goals and action plan for tourism development to realise the strategic objectives while the NTO should be responsible for the implementation of policies issued by the Department on the promotion of Kosovo* and its tourism internationally. The organization should provide communication, action, implementation, feedback, evaluation and feedback modification regarding the developments and its overall impacts.
B.3.5.4. Recommendations for improvement of public awareness and participation

Once the NTO is established, this institution should prepare improvement of public awareness, participation and promotional (marketing) strategy for rural tourism. Marketing creativity and involvement in tourism product development and the promotion of new destination brands are the best way of improving public awareness – public participation is key. Re-branding should involve the engagement of residents and relevant stakeholders so that it could increase awareness and support for the brand. National branding, partly linked to newly identified or prioritized areas of tourism development in spatial plans and involving new product concepts and market offers to complement the branding of the touristic package, has been applied in various countries/territories. Based on its rural tourist assets, Kosovo* should focus on developing a good branding strategy for mountainous tourism as ideal destinations for skiing, hiking and organic farming, especially considering long term/climate change effects.

The Government of Kosovo* should invest in inspiring marketing initiatives and campaigns based on strategic policy priorities and campaigns that it ought to develop for rural tourism. Considering Kosovo*’s low budget, perhaps it would be worthwhile to promote its rural tourism assets or packages jointly with the neighbouring Albania, Montenegro or North Macedonia, developing cross-border partnerships to utilize social media to tap into the high-growth markets. The promotional package should involve traditional tactical approaches such as working with travel agents and tour operators, the inclusion of travel media and journalists. Another effective strategy is the attendance at local and international travel shows or fairs, although web marketing or creative use of social media remains at the forefront of most tourism marketing campaigns, due to its targeting capacities and reduced costs.

B.3.5.5. Recommendations for improvement of regional (cross-border) cooperation

Due to the fact that most human settlements along the national borders are rural, these areas feature a good possibility to activate rural economies in places which are often overlooked. Rural tourism development is often applied in these regions due to the exceptional and mainly well-conserved nature (high mountain chains and big rivers) and their attractive cultural heritage including multiculturalism. These areas see a lot of movement, because of border crossing points. Then again, to develop tourism in these areas, it is necessary to have adequate cross-border cooperation between the governments of neighbouring countries, including institutions responsible for rural development, spatial planning and tourism. Kosovo* has already two National Parks, Bjeshkët e Nemuna located alongside the bordering region with Albania and Sharr, located alongside the bordering region with North Macedonia.

Therefore, to develop sustainable rural tourism in these National Parks, the Government of Kosovo* must establish a working group with the Government of Albania and North Macedonia so they could work together to create a joint spatial development plan for these areas, which would then pave the way towards much needed future investments by the public and private sector.
B.4. ECONOMIC DIVERSIFICATION POLICIES AND INSTITUTIONS SUPPORTING RURAL TOURISM IN MONTENEGRO

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B.4.1. INTRODUCTION

B.4.1.1. Rural space of Montenegro

Montenegro is situated in South East Europe, with a surface area of 13,812 square kilometres. The total length of the land borders is 614 km. The neighbouring country to the west and partly to the north is Bosnia and Herzegovina (225 km or 36.6% of total land border), to the north and north east, Serbia and Kosovo* (203 km or 33.1%), to the south east, Albania (172 km or 28%) and to the south west, Croatia (14 km or 2.3%). The Adriatic Sea coastline is 293.5 kilometres long.214

According to the last census carried out in 2011 by the Statistical Office of Montenegro – MONSTAT, the population of Montenegro is 620,029. The population density is 45 people per square kilometre on average, making Montenegro one of the most sparsely populated countries in Europe (except for the Nordic countries). According to the Constitution of Montenegro, the capital is Podgorica with a population of 185,937 while the Old Royal Capital is Cetinje with a population of 16,657.215

According to the Law on Territorial Organization of Montenegro216, which has been in force since 2011, the territory of Montenegro is divided into 24 municipalities, with the Old Royal Capital Cetinje and Capital City Podgorica. Montenegro is a single statistical region at all three Nomenclature of Territorial Units for Statistics (NUTS) levels. Further division into local administrative units: LAU1 (Local Administrative Unit 1) is equivalent to Montenegrin local self-governments (23 in total), and LAU2 to settlements, with 1,307 in total (Statistical Office of Montenegro – MONSTAT).

214 Programme for the development of Agriculture and Rural areas in Montenegro under IPARD II 2014-2020
The most frequently used methodology for defining rural areas is OECD methodology\(^{217}\), according to which a community is considered rural if its population density is lower than 150 inhabitants per km\(^2\), while a community is considered urban if population density is above 150 inhabitants per km\(^2\). By the OECD methodology, the entire territory of Montenegro could be considered rural.\(^{218}\)

### Rural areas are classified further at the regional level as follows:

1. **Predominantly rural region** – more than 50% of the population lives in rural local communities
2. **Intermediate regions** – between 15% and 50% of a region’s population lives in rural local communities
3. **Predominantly urban regions** – less than 15% of a region’s population lives in rural local communities

According to OECD methodology, the entire territory of Montenegro could be considered rural. Analysing the three regions (Northern, Central and Coastal) of Montenegro according to OECD methodology, the Northern region, covering 13 municipalities, belongs to predominantly rural regions (59.7% of the population lives in rural local communities), while the Coastal (41.7%) and the Central (20.4%) belong to intermediate regions.

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\(^{218}\) Programme for the Development of Agriculture and Rural Areas in Montenegro under IPARD II 2014-2020

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### B.4.1.2 Rural areas in Montenegro and their socio-economic status

Rural areas are consisted of areas around urban settlements inhabited by the rural population, whose main activity is agriculture. Rural tourism is developing in areas where natural environment is preserved and where a local community with its culture and cultural heritage exists. Montenegro is abundant in areas of exceptional value that represent real environmental oases. Such regions are featured by traditional culture and diversity of cultural heritage. On the other hand, rural areas are affected by the processes of decline and dying of villages.

The economic purpose of agritourism is reflected in the activation of the agricultural population, and in linking agricultural production with tourism. Its role is also important in order to decrease population migrations from the countryside, as one of the major problems of rural areas in Montenegro, but also in the Western Balkan region. The human factor plays an important role regarding the development of agritourism activities.

Rural areas, which are a basic resource for the development of rural tourism, cover about 90% of the territory of Montenegro. According to the OECD methodology, the Northern region comprised of 13 municipalities is predominantly rural (59.7% of population lives in rural areas). Family farms play the most important role in rural areas. According to the last agricultural census of 2010, the total number of farms was 48,870, with 48,824 or 99% family farms, while only 46 companies were engaged in agricultural activity (Census of Agriculture, 2010).

The average farm in Montenegro uses 4.6 ha of agricultural land (Statistical Office of Montenegro – MONSTAT 2011). The main characteristic of family farms is high proportion of older working-age population on the farm and a small number of young people. Aged households cannot be a basis for the development of tourism in the country. Development of agritourism is an opportunity to stop emigration of young people from rural areas and it generally affects a decrease in migration flows. On family farms in Montenegro, 6,717 persons were under 24 years old, which makes 6.83% of the total workforce. On family farms in Montenegro, 23,198...
working-age population is aged 65 and over, which makes 23.58% of the total workforce. The employment of women in agriculture accounts for only 4% of total employment. The main reasons for the lack of interest of women in staying in rural communities are the following: women in rural areas rarely own property, are rarely in the position of farm holders and rarely have the decision-making role on agricultural production and the role of responsibility for the economic risks of farm operations. According to the Census of Agriculture, women represent only 12.87% of family farm holders. Approximately 33.24% of holders are aged 65 or more and they are mostly men. From the standpoint of education of the labour force on family farms in Montenegro, and according to available data, the highest share belongs to people with 4 years of high school (33.74%), of which 66.88% are men and 33.22% are women. The share of people with secondary or higher agricultural education is at the level of 1.47% of the total workforce on family farms. Men with secondary or higher agricultural education accounted for about 72.89% and women for 25.63%. Human resources play an important role in the development of agri-tourism.

B.4.1.3. Rural economy in Montenegro and importance of diversification

Unfavourable conditions for economic activities in rural areas present potential risks for socio-economic relations, reduce the potential for their usage, restrict resources for extended production processes and enable economic security in rural areas, not only in the northern part, but also in the rest of Montenegro too. A big problem is excessive sectoral concentration, which increases the risks to economic security and complicates the processes of their mitigation.

Lack of diversification of economic activities, a priori brings mass unemployment among the rural population, increasing negative migration processes in rural areas and the decline of human capital, which amplifies negative trends under the conditions of the automation of labour in agriculture and reduced number of employees in agricultural enterprises.

The diversification of economic activities is very important, both economically and socially. It is a strategic tool for minimizing the risks to economic security and overcoming negative migration processes in rural areas, because the monofunctional character of the development of rural areas will inevitably lead to migration processes, economic decline and stagnation.

B.4.1.4. Rural tourism and its place in rural economy of Montenegro

RURAL TOURISM – MONTENEGRIN DEFINITIONS AND SCOPE

There is no widely accepted definition of rural tourism. Differences in definitions are due to various factors, such as those related to differences in the definition of rural areas, country specificities and the like.

According to the 1986 Council of Europe definition, rural tourism is a “form of tourism that covers all activities in a rural area, not just activities that could be classified as agritourism, that is, tourism on farms. Rural tourism is also defined as a form of tourism activity that takes place in rural areas and which includes local culture, traditions and economic activities, as well as outdoor activities and experiences that have been achieved in an undisturbed rural setting. The local community plays an important role in providing a rural tourism product” (Smith et al., 2010).

Some authors include in the notion of rural tourism also visits to National Parks, as well as cultural tourism in rural areas. As a niche market, rural tourism obviously implies a number of narrow niches such as ecotourism, nature tourism, agritourism, sports and adventure tourism, gastronomy and wine tourism and more.

Basically, the above definitions correspond to the one given by the OECD in 1994, according to which rural tourism “is a complex activity that takes place in rural areas, which is functionally rural, built on the specific characteristics of the rural world (small business, open space, contact with nature, traditional character), usually locally controlled in terms
of development, which implies the sustainability, that is, the controlled use of resources and the preservation of the nature, culture and generally rural character of the area. Rural tourism includes not only farm holidays, but also a variety of other products, such as nature holidays, ecotourism, walking, hiking, horseback riding, adventure tourism, hunting and fishing”. The Strategy for the Development of Agriculture and Rural Areas 2015-2020 (SDARA) fully accepts this interpretation of rural tourism.

The wealth of nature and cultural heritage of Montenegro in its rural areas has aroused the interest of various groups of tourists, who are looking for something new and something authentic. In this sense, rural tourism creates the conditions to meet the needs of an increasing number of tourists who strive for a healthy lifestyle and seek experiences that include enjoying nature, traditional cuisine, hospitality of farms/households in rural areas, tradition and preserved customs and other authentic experiences.

Based on these characteristics of tourism in Montenegro, as well as the potential of rural areas in terms of development of authentic tourism products, in 2018 MSDT decided to develop a Programme for the Development of Rural Tourism with an Action Plan until 2019 (PDRT).

Rural tourism includes a wide range of different tourism products, of which the following are crucial in Montenegro:

- Agritourism
- Tourism based on activities in nature
- Other products related to rural cultural heritage

RURAL TOURISM IN RURAL ECONOMY OF MONTENEGRO

Tourism is an extremely important component of the national economy of Montenegro. It is a sector the importance of which cannot be quantified precisely due to the lack of statistical data in the field of tourism, especially in the part of rural tourism and tourism in the north of Montenegro, as well as the fact that this sector is related to almost all aspects of society. One of the main functions of tourism is that it directly and indirectly affects the growth of the GDP. Along with strengthening its economic aspect, it stimulates employment, influences job creation, which is reflected in the improvement of the general standard of living. It uniquely encourages the development of complementary activities and contributes to overall GDP.

Considering the existing potentials, especially the natural ones, and the level of development of the tourism economy so far, as well as the strategic orientation of the development of Montenegro as an environmentally friendly state, tourism represents one of the most promising activities in the future economic development of Montenegro through the GDP, GVA, employment and income from tourism.

In 2018 in Montenegro, there were 10.2% more tourist arrivals compared to 2017, while the number of nights spent increased by 8.2%. Out of the total number of overnight stays, 96.2% were foreign and 3.8% were domestic tourists. In the structure of overnight stays of foreign tourists, in 2018, the most overnight stays were realized by tourists from Russia (25.1%), Serbia (24.5%), Bosnia and Herzegovina (9.1%), Ukraine (3.9%), Germany (3.6%), France (3.1%), Poland (2.8%) and the United Kingdom (2.6%). Tourists from other countries realized 25.3% of tourist overnights. In the structure of overnight stays by types of tourist resorts in 2018, the most overnight stays were recorded in coastal towns (94.9%), capital the (2.2%), mountain resorts (1.7%) and other tourist resorts (1.2 %). Low percentage of overnight stays in mountainous areas, that is, in northern Montenegro, is evident.

B.4.2. INSTITUTIONAL AND LEGISLATIVE CONTEXT FOR RURAL TOURISM IN MONTENEGRO

B.4.2.1. Legal framework for rural tourism in Montenegro

Tourism sector

The Law on Tourism and Hospitality defines the overall conditions and manners of tourism activity in the country. It defines who, how and where can design
and market tourism products. The Law on Tourism and Hospitality also defines the types of tourism products/services as well as the system of responsible institutions and their available tools for sector monitoring and sanctions. Tourism services in rural tourism can be provided by companies, legal entities and entrepreneurs, as well as natural persons – farmers, who are engaged in agriculture alone or as members of the family farm.219

According to the Law on Tourism and Hospitality, tourism service providers in rural households shall provide:

- The preparation and serving of hot or cold dishes, drinks or beverages predominantly from one’s own production
- The serving and tasting of wine or other alcoholic or non-alcoholic drinks, as well as local products predominantly from one’s own production in a developed part of a residential or business facility, indoors, in a covered area or outdoors
- Services of accommodation in rooms for rent to tourists, tourist apartments with a maximum of 10 rooms, i.e. 20 beds only for natural persons and katuns, or the camp with a maximum of 15 accommodation units, i.e. for 30 people at the same time, only for the guests provided with services involving food, drinks and beverages (breakfast, half board or full board) predominantly from the household’s own production
- The meals, drinks and beverages served in a village household must be characteristic of the region where the rural household is situated and meet requirements set forth by this Law and the law governing food safety
- Hospitality facilities for accommodation in a rural household must comply with the minimum technical conditions and the conditions for the relevant category, according to the Law on Tourism and Hospitality

Minimum technical conditions, conditions for the category and method of categorization of objects are regulated by the Rulebook on minimum technical conditions, conditions for the category and method of categorization of objects in which services are provided in a rural household, which is categorized as a single entity.

Rural households can be classified into three categories with the appropriate star rating:

- One star (+)
- Two stars (++) or
- Three stars (+++)

Rural households facilities have to fulfil minimum technical conditions and should have: a neat access to the entrance of the buildings, as well as well-maintained areas around the building; be arranged according to the tradition of the rural household location; ensure safe movement of the guests, in terms of the height and size of the building; to provide appropriate way of heating/cooling and ventilation in range of 18.5° C - 24°C; to be connected to the water supply network (public, local, own or other network). On the locations which do not have infrastructural facilities, the household should provide a supply of sufficient amount of clean water; to be connected to a public sewer network, otherwise to provide different wastewater system; it should be connected to the public electricity grid or have an alternative energy source provided according to special regulations with lighting to ensure good visibility in the building; to provide the fire protection system; in line with technical abilities, they should provide a good telephone connection (landline or mobile) and parking places according to the number of guests/accommodation units.

The most important legal act that directly regulates tourism is the Law on Tourism and Hospitality. Article 103 of the Law regulates conditions related to the provision of catering services in a rural household. The catering services in rural households should include:

- The preparation and serving of hot or cold dishes, drinks and beverages predominantly from one’s own production
- The serving and tasting of wine or other alcoholic or non-alcoholic drinks, as well as local products predominantly from one’s own production in a developed part of a residential or business facility, indoors, in a covered area or outdoors
- The meals, drinks and beverages served in a vil-
Agriculture and rural development

Law on Agriculture and Rural Development (LARD) regulates the planning and development of the agriculture, objectives of the national agricultural policy, planning, monitoring and evaluation of the national agricultural policy direct payments (subsidies), the overall rural development and sectoral state aid.

In accordance with this Law, farmers go through a registration process in the Register of Agricultural Holdings and in accordance with that can receive grants from the MARD of Montenegro.

Ministry of Agriculture and Rural Development covers a wide range of activities related to agriculture, fisheries, water management, forestry, hunting and the timber industry, as well as rural development issues.

The Ministry of Agriculture and Rural Development recognized the significance of rural tourism in all strategic documents, including the Strategy for the Development of Agriculture and Rural Areas 2015-2020 (SDARA) and IPARD II Programme 2014-2020.

In 2013, MARD issued the first Public Call for Diversification of Economic Activities in Rural Areas (Rural Tourism) and this initiated the first major activities that influenced further promotion and development of rural tourism in Montenegro. During the period from 2013 to 2018, a total of 5 public calls for support for rural tourism development were published by MARD through the Agrobudget.

From the point of view of rural tourism, MARD implemented this measure to support the diversification of the economic activities of agricultural holdings, offering non-refundable support for the adjustment of accommodation capacities and putting them into function for the development of tourism and generating additional income for agricultural holdings in rural areas.

The Ministry of Agriculture and Rural Development has been launching public calls for support to mountain katun adaptation since 2015. Through this public call, farms can receive support for mountain katun adaptation and regulation of water supply (reconstruction of existing watering places, reconstruction of existing livestock feeding systems, and purchase of plastic cisterns as an alternative to natural water sources). Since 2018, in addition to the above investments, the procurement and installation of solar panels has been supported.

Also, the accreditation of measure 7 “Diversification of farms and business development” through the Agriculture and Rural Development Programme under IPARD II 2014-2020 will be completed in the coming period, followed by the publishing on the first IPARD public call for measure 7.

Support measures related to agricultural production are extremely important for ensuring the volume and quality of agricultural products, which is one of the essential elements of supply in rural tourism. Regarding rural development, there has been increasing support for agricultural holdings in recent years. In 2020, through the Agrobudget, support to farmers will be implemented through 57 measures, in three different areas of support:

- Agriculture
- Fishing
- Operational programmes

B.4.2.2. Spatial plans and rural tourism

National/territory level(s)

In accordance with the Law on Spatial Planning and Construction of Structures\(^{221}\), planning documents in Montenegro are:

- The Spatial Plan of Montenegro
- The General Regulation Plan of Montenegro

The Spatial Plan\(^{222}\) is the highest national long-term integral strategic development document that aims to ensure organization, protection and management of the territorial space of the country as highly important and limited national treasure. Together with the Law on Spatial Development and Construction of Structures, they regulate the system of spatial development in Montenegro, the manner and requirements for the construction of structures, as well as other matters of importance for spatial development and the construction of structures. As it is defined in the Decision of the Parliament, the Spatial Plan is valid until 2020, and will soon be replaced.

The General Regulation Plan of Montenegro is a planning document that defines in detail the goals and measures of spatial and urban development of Montenegro, taking into account the specific needs arising from regional specificities, elaborates the objectives of spatial planning and regulates the rational use of continental and sea areas, in accordance with economic, social, environmental and cultural and historical development.

The General Regulation Plan of Montenegro covers the northern, central and coastal regions, as well as the area of National Parks and areas protected by UNESCO.

The coverage of the region is determined in accordance with the law governing regional development, excluding the areas of National Parks and areas under UNESCO protection.

The coastal region, in addition to the scope in accordance with the law governing regional development, is divided into the territorial sea and the exclusive economic zone, in accordance with the law governing the sea.

For the centre of a local self-government unit, the General Regulation Plan of Montenegro must contain a detailed urban planning solution.

For the spatial development of rural areas and to encourage their sustainable development, while respecting geomorphological differences (mountainous, coastal, etc.), as well as regional and traditional features (compact or broken type, occasionally or permanently inhabited), the General Regulation Plan of Montenegro presents the basis for rural planning.

According to the Spatial Plan, if not sufficiently diversified, the tourism offer is measured by existing potentials and tourist motives. Tourism is obviously lagging behind in the Northern region, although there are fantastic natural conditions for the development of conventional forms of winter and mountain tourism as well as for numerous types of alternative tourism. To summarize, alternative i.e. newer types of tourism, are not sufficiently developed, especially cultural, religious, nautical, environmental, etc. Also, in the current plan there are no relations between the Spatial Plan and rural tourism areas in Montenegro.

Regional levels

In accordance with the current Spatial Plan of Montenegro until 2020, three regions are defined in the Plan, which are distinguished for their natural characteristics, the way of spatial use and development, economic activities and different comparative advantages for development:

1) Coastal region (municipalities Herceg Novi, Kotor, Tivat, Budva, Bar and Ulcinj)
2) Central region (municipalities Podgorica, Danilovgrad, Nikšić and Cetinje)
3) Northern region (municipalities Plužine, Šavnik, Žabljak, Pljevlja, Mojkovac, Kolašin, Bijelo Polje, Be-
rane, Andrijevica, Plav, Rožaje and recently the newly established municipalities of Petnjica and Gusinje) However, there are no special and separate plans for those regions.

However, spatial plans for the protected areas covering the areas of several municipalities have been adopted. Those plans are Special Purpose Spatial Plan for Durmitor area, Special Purpose Spatial Plan for Biogradska Gora National Park, Special Purpose Spatial Plan for Bjelasica, Komovi and Prokletije, Special Purpose Spatial Plan for Lovćen National Park and Special Purpose Spatial Plan for the area of NP Skadar Lake. The above spatial plans relate to areas of several municipalities, but not to officially defined regions in Montenegro in accordance with the regulatory framework.

In accordance with the Spatial Plan of Montenegro until 2020, and in connection to tourism development, according to natural conditions, level of development and types of tourist activities, the area of tourism has a recognizable regional differentiation. The need for balancing tourism development with social and environmental requirements is a condition for all regions. All investment applications for larger tourism facilities must be in line with the expected sustainable development assessments, expected economic impact on the region and overall social impact. In protected or planned protected areas, investment in new, additional or extension of existing tourism facilities (hotels, marinas, skiing infrastructure, etc.) can only be conducted on the base of spatial and urban plans for the respective area. So far, there has been no reliable and solid base for the development of protected or planned protected areas, which could provide clear guidelines for particular areas. This also includes provisions for the development, social and environmental capacity and carrying capacity.

As for northern Montenegro, the specific role of mountain tourism is primarily to ensure the creation of potential additional income and employment generation activities, strengthening of rural development, avoiding further migration and protection of the so-called “cultural landscape”, linking development of tourism in the central and northern regions closely with other sectors of the rural economy, in particular agriculture, food processing and handicrafts. One of the most important elements of attractive winter tourism is the surroundings and the atmosphere of the destination. This means the appropriate environmental protection, architecture, physical planning, urban planning, etc. It is especially important to ensure the protection against uncontrolled building activities, as was the case with Durmitor in the past. When planning ski tourism development, negative effects of global warming should be taken into consideration, which will, in the long run, be a limiting factor.

Based on the above-mentioned criteria, in mountain tourism development the following tourist areas have been identified: Durmitor, Bjelasica and Komovi, Morača mountains, Prokletije, between rivers Tara and Čehotina and coastal mountains (Lovćen and Orjen). In the area of Durmitor and Sinjajevina, the development of the following segments of tourism should be particularly supported: 1. Hiking and climbing; 2. Ski tourism, focusing on the slopes of Sijeme and in the area of Mali Štuoc, Savin Kuk, Javorovača; 3. Mountain biking; 4. Fishing, e.g. in the Plav and Šavnik areas; 5. Agritourism, e.g. in the area of Piva and Komarnica; 6. Visiting authentic natural values, biodiversity and ecological particularities offered by mountain landscapes, rivers, canyons, lakes in the NP Durmitor and the Nature Parks next to it; 7. “Active & Extreme”, for example in the NP Durmitor and the river Tara; 8. Religious tourism, for example the church Ružica on Sinjajevina.

The development of tourist accommodation must be handled with extraordinary care because of the limited carrying capacity in this environmentally sensitive area. The development of medium and high standard accommodation must be prioritized, possibly at the expense of existing low standard accommodation facilities. Unregistered accommodation facilities must be registered or closed. The extent and distribution of capacities by municipalities will be defined by the spatial planning documentation and plans for tourism development. Regarding tourism development, use of resources of existing and new energy facilities should be anticipated.

In areas of Bjelasica and Komovi, the development of the following segments of tourism will be promoted: 1. visiting authentic natural resources, various biodiversity and ecologically specific charac-
teristics that mountains, rivers and lakes offer, and especially the National Park Biogradska Gora; 2. Various wellness programmes for improving physical and mental health, using the relaxing influence of the climate and preserved nature; 3. Ski tourism; 4. “Active & Extreme”; 5. Hiking and mountaineering; 6. Mountain biking; 7. Programmes and excursion tours on the relation sea-mountains, which are especially interesting for foreign tourists. In the territory of these areas, in the process of elaboration or amendments to the existing municipal spatial plans, the functional differentiation of certain micro locations, such as Marinkovac, Suvodo-Šiška (which covers attractive high-mountain area of the second chain of Bjelasica with its highest peaks), Jelavica, Jezerine – Ključ – Vranjak, Kolašin (which includes the town and numerous rural and weekend settlements in its surroundings).

The development of tourist accommodation must be planned with extraordinary care, in line with the carrying capacities. The development of medium and high standard accommodation must be prioritized, possibly at the expense of existing low standard accommodation facilities. The extent and distribution of capacities by municipalities will be defined by the updated Master Plan of Tourism Development in Montenegro.

In the area of Montenegrin Prokletije, the development of the following segments of tourism will be promoted: 1. Ski tourism, focusing on Cmiljevica – Turjak, Rožaje – Hajla – Štedin, Plav, Gusinje, Veruša – Mokro; 2. Visiting authentic natural resources, various biodiversity and ecologically specific characteristics that mountains, rivers and lakes offer; 3. Hiking and mountaineering; 4. Mountain biking; 5. “Active & Extreme”. The development of tourist accommodation must be planned with extraordinary care because of the limited carrying capacity in this area. Medium and high standard accommodation needs to be developed.

The area of Morača Mountains covers the area of large and typical surfaces and high-mountain chains at the sources of the rivers Morača, Bijela, Gračanica and Mrtvica, and which will eventually become an important tourist base. Tourist valorization of this attractive space should be expected in the distant future, after traffic opening and infrastructural equipping.

In the area between the rivers Tara and Ćehotina, the development of the following segments of tourism will be promoted: 1. Potential for creating ski tourism; 2. Summer mountain tourism. The development of tourist accommodation must be handled with extraordinary care because of the limited carrying capacity in this environmentally sensitive area. The development of medium- and high-standard accommodation must be prioritized, at the expense of existing low standard accommodation facilities. The coastal mountains have potential, apart from the water-based tourism offer, with hiking and cycling – including e-bikes.

Local levels

Local self-government units (LSGU) are the most important entities that hold the mandate to sustain their overall development through the organization of their spatial territory. Municipalities within their General Urban Plan and Detailed Urban Plans can mark micro or integrate complex units with tourism and hospitality functions. The procedure is long and expensive but considering that urban areas have a certain degree of legal and technical preparedness (outdated, but at least existing urban plans, layers), if the private sector shows some entrepreneurial initiative, depending on the local administrations’ capacities, considerable progress should be expected.

B.4.2.3. Cross-cutting issues and other legislation of relevance for rural tourism

Environment, natural and cultural heritage conservation

In addition to the Law on Environmental Protection as the main law regarding environmental protection that regulates the principles of environmental protection and sustainable development, instruments and measures of environmental protection and other issues of importance for the environment, there are also a number of laws that deal with the nar-

Based on the Law on Environmental Protection, other related laws and by-laws, I, II and III level protection regimes are established on protected natural goods and thus with the resources that they make. The activities that threaten the originality of plant or animal life, hydrographic, geomorphological, geological, cultural and landscape values are not allowed in protected areas, except for actions that maintain the natural balance and fulfill the functions of natural goods, in accordance with the established regime of protection and its significance.

The Law on National Parks regulates the goals, values, areas, borders and regimes of protection, management and sustainable use of 5 National Parks: Durmitor, Biogradska Gora, Skadar Lake, Lovćen and Prokletije. The objectives pursued by this Law are:

- Preservation and improvement of the values of biodiversity, geodiversity, as well as cultural and historical values
- Preservation and improvement of ecologically important areas and diversity of the landscape
- Preservation of the geo-heritage areas
- Conservation and improvement of habitats, habitat types and populations of wild flora and fauna
- Preservation and improvement of the adequate quality of life of people in the National Park through the development of social, cultural and economic activities
- Preservation of cultural and historical heritage
- Preservation of the traditional way of life
- Preservation of natural processes and balance between natural processes and human activity, or sustainable development of the National Park
- Impressive experience of nature for visitors, education, research, sports and recreation

In accordance with the Decision on the amount and method of payment of fees for the use of National Parks, the performance of activities and the provision of services, which determines the amount and method of payment of fees paid by legal entities and natural persons for the use of National Parks. The level of fees is determined depending on the degree of utilization, the benefits that National Parks provide to their users and the market value of the natural assets of National Parks.

Based on this Decision, the payment of entry into the National Parks varies from 1 EUR up to 4 EUR depending on the National Park. In addition to the entry fee, the Decision also defines fees for the use of especially designed terrains for individual purposes (parking, recreation, sports, posting advertisements, setting up entertainment facilities, etc.) and setting up temporary facilities for catering, tourism and trade, etc.

The protection of cultural heritage in Montenegro is based on the Programme for the Protection of Cultural Property, which was adopted on pursuant to Article 128 of the Law on the Protection of Cultural Property, in accordance with the Work Programme of the Government of Montenegro. Recognizing that cultural assets are recognized as an important factor in the national identification and represent a long-term resource for sustainable development, and as such, an important priority for all contemporary state policies, the Programme of Protection and Conservation provides support, funding and co-funding for programmes and projects of importance for the public interest in the field of cultural heritage of Montenegro. One of the main goals of the Conservation and Protection Programme is the balanced development of culture throughout the territory of Montenegro. For the purposes of organized protection, the programme covers projects aimed at improving the state of cultural property, preserving, protecting, valorizing, presenting and promoting cultural heritage. The conservation and conservation programme are financed from the budget of the Ministry of Culture.
Infrastructure

As previously defined, the main legal act on the national level in Montenegro regarding the development of infrastructure is the Law on Spatial Planning and Construction of Structures. What is evident is that the potential for rural tourism is not fully exploited, and that the construction of infrastructure, the formation of products and activities and their marketing should be more intense in the future. A key challenge in the development of rural tourism is the unresolved problem of basic infrastructure in most villages, such as power and water supply, waste disposal, but also inadequate access roads and signalization. In villages where there are households actively engaged in providing services in rural tourism, there is a lack of facilities for different target groups – hiking trails, rural themed trails and the like. In addition, most buildings lack Internet access. Although certain tourism and other regulations require certain tourist infrastructure to perform the tourist activity, in most cases it either does not exist or is in poor condition, and individual rural households are not able to provide it.

The results of a survey of the attitudes of tourists visiting rural areas in Montenegro, done for the purposes of the development of the document Strategy for Development of Rural Tourism in Montenegro until 2019 with Action Plan showed that tourists who visited Montenegro for several days most often gave negative rating to infrastructure (29.4%). The highest average rating for infrastructure development was given by tourists in the central region (3.25). In relation to the total sample, tourists staying in the north gave the highest rating for the clean environment (4.12), while this characteristic was given the lowest rating in the southern region (3.39). In the northern region, progress has been made in infrastructure, while the tourist information system remains a major problem.

Finances

The implementation of agricultural policy measures is regulated by the Law on Agriculture and Rural Development. In the field of agriculture, Montenegrin farmers can access various support programmes providing significant incentives for the improvement and modernization of agricultural production:

- Agrobudget
- MIDAS
- IPARD-like
- IPARD II programme

In the period from 2013 to 2018, five public calls were completed from the Agrobudget for the renovation of facilities and procurement of equipment dedicated for tourism and catering purposes, with up to 50% of eligible costs. Farmers who intended to provide services in the field of tourism had the opportunity to adapt tourism facilities (bathrooms, kitchens, tasting rooms) or to purchase equipment necessary for providing services (inventory) up to a maximum amount of 10,000 EUR. All calls implemented by MARD supported a total of 46 applications (or 36 agricultural holdings, which reported tourism activity, mainly through the improvement of accommodation facilities on the farm, totalling 147,439.88 EUR. “Farm diversification and business development” will be supported in the future, implemented through the MIDAS 2 project (as an IPARD-like project) and the Agriculture and Rural Development Programme under IPARD II 2014-2020 - the IPARD II programme (approximately 3 million EUR for the 2015-2020 programming period).

Ministry of Agriculture and Rural Development also provides support that indirectly contributes to the development of rural tourism, which is implemented through the Agrobudget. The measure for rural development and construction of rural infrastructure is implemented in cooperation with municipalities, aiming to improve the living conditions and quality of life in rural areas, creating conditions for the development of agriculture and other sectors related to agriculture, such as rural tourism. Support is provided to improve rural infrastructure, adapt and/or reconstruct existing roads, water supply, electricity grid development and the like.

Also, in 2017, the MARD, in cooperation with the International Fund for Agricultural Development (IFAD), launched a project worth around 13 million EUR for cluster creation and rural development, which is being implemented in seven Montenegrin municipalities (Nikšić, Šavnik, Žabljak, Bijelo Polje,
Mojkovac, Petnjica and Berane) and refers to the improvement of water supply infrastructure, irrigation systems, local rural roads, all with the aim of improving life in rural areas and creating preconditions for increasing added value on the farm.

It should be emphasized that, since 2015, a Public Call for Support for Investments in Mountain Katun Adaptation has been published, on the basis of which farms that keep livestock at katuns during the summer have the opportunity to receive support for the adaptation of huts and regulate water supply. In 2019, support was provided for 27 beneficiaries, who received support in the amount of 31,734.35 EUR. In the previous period, in cooperation with the Ministry of Economy (MoE) and local governments, since 2011, MARD has allocated more than 200 solar panels to agricultural producers.

Table B3-2. – Support measures in Montenegro for agricultural holdings – Agrobudget

<table>
<thead>
<tr>
<th>Number</th>
<th>Measure(s)</th>
<th>Amount in 2016</th>
<th>Amount in 2017</th>
<th>Amount in 2018</th>
<th>Amount in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>Funds provided in the Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Agricultural development, rural development and fisheries</td>
<td>14,817,328.28€</td>
<td>15,300,000.00€</td>
<td>16,797,500.00€</td>
<td>19,627,500.00€</td>
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<td></td>
<td>Contribution for International Projects (IFAD)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>500,000.00€</td>
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<tr>
<td></td>
<td>Implementation of food and feed safety measures</td>
<td>N/A</td>
<td>N/A</td>
<td>349,000.00€</td>
<td>349,000.00€</td>
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<tr>
<td></td>
<td>Implementation of animal health measures</td>
<td>1,211,400.00€</td>
<td>1,380,000.00€</td>
<td>1,414,000.00€</td>
<td>1,614,000.00€</td>
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<td></td>
<td>Implementation of phytosanitary measures</td>
<td>190,018.42€</td>
<td>220,092.50€</td>
<td>227,000.00€</td>
<td>227,000.00€</td>
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<tr>
<td></td>
<td>Total I. Funds provided in the Budget</td>
<td>16,218,746.70€</td>
<td>16,900,092.50€</td>
<td>18,787,500.00€</td>
<td>22,317,500.00€</td>
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<tr>
<td>II.</td>
<td>Donations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support for investments in agricultural holdings (EU / IPA)</td>
<td>N/A</td>
<td>6,100,000.00€</td>
<td>5,900,000.00€</td>
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<td></td>
<td>IPARD II Program</td>
<td>N/A</td>
<td>5,000,000.00€</td>
<td>10,000,000.00€</td>
<td>20,000,000.00€</td>
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<tr>
<td></td>
<td>The IFAD Project</td>
<td>N/A</td>
<td>1,000,000.00€</td>
<td>703,300.00€</td>
<td>520,000.00€</td>
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<td></td>
<td>Technical support to capacity building of institutions – EU/IPA project</td>
<td>N/A</td>
<td>N/A</td>
<td>800,000.00€</td>
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<td></td>
<td>Total II. Donations</td>
<td>N/A</td>
<td>12,100,000.00€</td>
<td>17,403,300.00€</td>
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<td>III.</td>
<td>Loan funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support for investments in agricultural holdings (MIDAS additional financing)</td>
<td>N/A</td>
<td>N/A</td>
<td>1,435,000.00€</td>
<td>1,900,000.00€</td>
</tr>
<tr>
<td></td>
<td>Institutional development and strengthening of Montenegro’s agriculture (MIDAS 2)</td>
<td>N/A</td>
<td>400,000.00€</td>
<td>1,900,000.00€</td>
<td>4,420,000.00€</td>
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<td></td>
<td>The IFAD Project</td>
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<td>N/A</td>
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<td>Total III. Loan funds</td>
<td>N/A</td>
<td>400,000.00€</td>
<td>3,765,000.00€</td>
<td>7,100,000.00€</td>
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<tr>
<td></td>
<td>Total Agrobudget</td>
<td>16,218,746.70€</td>
<td>29,940,000.00€</td>
<td>39,955,800.00€</td>
<td>52,367,500.00€</td>
</tr>
</tbody>
</table>

Financing the investments of farmers is also available through the Investment Development Fund (IDF), commercial banks and microfinance institutions. The Investment Development Fund of Montenegro was founded by the adoption of the Law on Investment and Development Fund of Montenegro. Broadly defined activities and objectives of the Fund allow their concretization in several areas of activity, each of which should be emphasized: support for the small and medium-sized enterprises (credit and warranty support) support
in addressing infrastructure and environmental projects, promotion of exports and employment. The Fund provides support through direct credit arrangements, and loans to recipients through commercial banks, with which IDF has established cooperation. Beneficiary of credits are micro, small and medium-sized enterprises and entrepreneurs, in all forms of organization in accordance with the Law on Business Organizations, as well as persons who work in the manner defined by the rules of the activity they are engaged (artisans, agricultural producers, etc.).

Financing through commercial banks is characterized by high interest rates and unfavourable conditions for farmers. The level of collateral depends on the investment required: mortgages without burden and constraints are acceptable under the bank conditions (the value of the mortgage must be at least 1.5 times higher than the amount of the loan). The additional collateral is possible (collateral other legal entities and natural persons, pledges...) depending on the assessment.

Education

The general Law on Education in Montenegro regulates the organization and conditions for performing educational work in the fields of pre-school education, primary education, secondary general education, vocational education, special needs education and education of adults.

The formal education of tourism personnel is regulated by the Law on Vocational Education and the Law on Higher Education.

The Ministry of Education is responsible for the formal education system (pre-school and primary education, primary and secondary education, vocational education, special needs education) and non-formal education (adult education).

In the field of adult education, the Ministry is responsible for: adopting the legal framework and strategic documents, licensing organizers of adult education, adopting programmes and supervising the implementation of the law by organizers of adult education.

Centre for vocational education performs the following tasks in the field of adult education:

- Tasks regarding the design and development of non-formal adult education systems and the promotion of various forms of lifelong education and learning
- Work on the development of adult education programmes (vocational training programmes, retraining programmes, vocational training programmes for employees and other programmes) and exam catalogues based on which the acquired knowledge, skills and competences are tested in the Examination Centre and with the organizers of adult education
- Advisory for organizers of adult education, employers and citizens
- Tasks of monitoring and determining the quality of work of licensed organizers of adult education
- Tasks of preparing and organizing andragogical training and professional development of teaching staff working in adult education

The Examinations Centre of Montenegro performs the assessment of the knowledge, skills and competences of the participants in the process of gaining national professional qualifications and key skills. The examination is carried out by the Examination Board, on the basis of examination catalogues. The examination board consists of licensed examiners. The Examinations Centre performs the following tasks:

- Announces a public call for examiners
- Implements the training programme for the examiner
- Proposes to the Ministry of Education persons who have fulfilled the conditions for obtaining a license to work as examiners
- Establishes a list of examiners
- Prepares the examination of candidates’ knowledge, skills and competences in accordance with the examination catalogue
- Conducts a process of assessment of candidates’ knowledge, skills and competences
- Makes decisions on the success of the passed exam
- Establishes an Appeals Committee, in the event that the candidate submits a complaint to the decision on success of the exam
Food safety and quality standards

The Law on Food Safety defines the central competent authority; coordination and communication; improving the management chain, especially in the event of an outbreak of food, human, animal or plant health hazards; adequate training of employees in particular areas. The Law prescribes the conditions for food and feed safety, the obligations and responsibilities of food and feed business operators, as well as other issues of importance for the safety of food and feed, for the protection of the life and health of humans, the environment, consumers and effective functioning of the market. Also, this Law applies to all stages of production, processing and distribution of food and feed.

The key institutions in this area in Montenegro are:

- Ministry of Agriculture and Rural Development (Phytosanitary Administration, Veterinary Administration)
- Ministry of Health (Healthcare Sector)
- Directorate for Inspection Affairs (Human, Animal, Plant and Forest Health Protection Sector)

The entry into force of this Law created the basis for the gradual implementation of EU rules in this area and the adoption of about 70 by-laws (ordinances, orders, instructions, etc.) necessary for its implementation and harmonization with EU regulations. The mentioned regulatory framework regulates issues related to food hygiene, animal feed hygiene and the hygiene of products of animal origin, additives, nutritional aromas, consumer information on food, microbiological criteria for food safety, conditions for derogations regarding the construction of facilities for small-scale production, and a number of instructions and rules.

In addition, a Rulebook on Food Hygiene was adopted, which lays down general rules at all stages of the food business of animal origin, not only during production but at every next stage of processing, until supply to consumers. It covers factories, restaurants, shops, markets, catering establishments, all food handling operators, whether the food is processed or not.

During 2016, a categorization of facilities opened according to previously valid regulations was carried out, with regards to EU standards, and this year their detailed assessment was made. All of these facilities, 180 in total, are classified into three categories.

The Law on Food Safety defines the obligations related to the establishment of the HACCP system. The HACCP system must be established by all food producing and processing entities.

Law on Quality Schemes for Agricultural and Food Products prescribes the manner and procedure of establishing quality schemes for agricultural and food products, as well as evaluating the conformity of agricultural and food products with the specification of those products.

According to regulations, agricultural and food products can be protected as designation of origin, geographical indication and traditional specialties guaranteed. In these cases, the protection proce-
dure is initiated by a producers’ group. From 2018, producers have been able to add value to their products and improve product placements with the following labels: Higher Quality, Mountain Product and From My Farm. Request for these the registration of these labels can be submitted by one producer, which significantly facilitates application and obtaining the label.

The following agricultural products are protected by geographical indication or designation of origin: Pljevaljski sir, Crnogorska Stelja, Crnogorski govedi pršut, Crnogorski pršut, Durmitorski skorup and Kolašinski lisnati sir, Njeguški pršut. Pljevaljski sir represents a special type of cheese with a specific production method from the geographic area of the municipality of Pljevlja. Crnogorska Stelja is smoked sheep meat without bones, Crnogorski pršut is traditional Montenegrin prosciutto - smoked pork meat, Durmitorski skorup is a milk product, a specific type of cream from the geographic area of Durmitor – encompassing areas of the municipalities of Žabljak, Pljevlja and Plužine and Kolašinski lisnati sir is a specific type of milk product – layered cheese from the geographic area of the municipality of Kolašin and its surroundings. Also, activities for the initiation of the protection procedure for two more recognizable and quality Montenegrin products, honey and olive oil, have intensified.

In 2018, the Ministry of Economy, the Ministry of Agriculture and Rural Development and the Chamber of Economy have launched a project Kupujmo domaće (Let’s Buy Domestic Products) with the aim to improve the position, visibility and placement of Montenegrin domestic products.

**Health and risks management**

The field of protection and rescue in Montenegro is regulated by the Strategy for Disaster Risk Reduction, the Law on Protection and Rescue, the Law on Local Governance and plans for protection and rescue against different types of natural and man-made hazards.

The Ministry of the Interior, Directorate for Emergency Management, oversees rescue and risk management, disaster protection and emergency remediation management. This enables unified prevention, preparedness and response to natural, technical, technological, and other disasters.

According to the Law on Protection and Rescue, three levels of management and coordination of protection and rescue are established: national, local and entrepreneurial. In addition to the resources of the operational units at those levels, the protection and rescue system in Montenegro relies on the human and material resources of state administration bodies, local self-government units, companies, and other legal entities and individuals, who are obliged to deploy their resources in the events of disasters and major accidents. The resources of the Armed Forces of Montenegro and the Police Directorate have also developed certain capacities for assistance in case of disasters.

The protection and rescue operations are carried out based on Protection and Rescue Plans by government bodies, local government units, companies, private businesses and other legal entities and natural persons. The Ministry of the Interior proposes national plans for adoption by the Government. Municipal plans and entrepreneurial plans, and plans made by other legal entities and entrepreneurs, are subject to the approval of the Ministry of the Interior. The protection and rescue plans are based on risk assessment studies.

According to the new legislation, the National Plan for Protection and Rescue from Earthquakes and the National Plan for Protection and Rescue from Fires were adopted in December 2018. In addition, there are municipal plans for protection and rescue from floods, for protection and rescue from fires, for protection and rescue from earthquakes, and entrepreneurial plans for protection and rescue from fires.

The Strategy for Disaster Risk Reduction with Dynamic Plan of Activities for the Implementation of...
the Strategy for the period 2018-2023 identified the following hazards:

- Geological hazards (earthquakes, erosions, landslides, etc.)
- Hydro-meteorological hazards (floods, flash floods, meteorological storm, thunderstorm, hailstorm disasters/storm, vortex atmospheric phenomena, snow, blizzards, snowdrifts, frost, heat, tropical waves, cold waves, stormy, devastating winds, cyclones and anticyclones, fog, droughts, wildfires and forest fires)
- Biological hazards and natural phenomena and hazards at sea
- Industrial accidents and accidents during road transport of hazardous substances
- Railway accidents and accidents at sea
- Accidents in air traffic
- Nuclear and radiological accidents
- Fires in public-purpose and energy facilities and installations
- Air and chemical pollution
- Risk management planning

The Law on Protection and Rescue (Official Gazette of Montenegro, No. 13/07, 32/11 and 54/16) consists of provisions related to conducting preventive, operational and recovery activities as well as measures to mitigate and reduce risks of hazards. Plans for protection and rescue against different types of natural and man-made hazards at 3 levels (national, local, and company level) include preventive, operational and recovery measures which have to be carried out by protection and rescue actors.

The Directorate for Emergency Management, through the Operational Communication Centre (OCC 112), receives information on the occurrence of a hazard and using standard operating procedures, informs the competent authorities and other participants in protection and rescue.

The municipality is responsible for informing the public. OCC 112 collects data from municipal services and bodies involved in protection and rescue activities. Directorate for Emergency Management or the Operational Protection and Rescue Headquarters give official statements on the state of emergency.

Through projects supported by the EU, UN and other international organizations, the Directorate for Emergency Management has carried out campaigns for raising the awareness of citizens. The target population were children, school students, people with disabilities and citizens in risk prone areas. The Directorate for Emergency Management organizes visits of OCC 112 and presentations in schools to raise awareness.

The National Training Programme for operational units for protection and rescue – first responders consists of two levels: basic and specialist level. Each level is divided into theoretical and practical parts. According to the Law on Protection and Rescue all operational units for protection and rescue are required to be educated and trained for all main hazards in Montenegro.

Due to the lack of a national training centre, many training sessions were conducted through various types of projects with the support of the EU and other international organizations. Trainings and exercises for protection and rescue actors organized under EU-funded projects include IPA CP I, IPA CP II, IPA FLOODS, NEIFLEX, DIRECT, SVAROG 2017, ADRIATIC 2018, IPA DRAM, and under the IPA CBC programme with Serbia, Albania and Bosnia and Herzegovina. The Department for Weather Forecast, within the Institute for Hydrometeorology and Seismology (IHMS), provides daily operational weather forecasts, based on the official prediction materials of the European Centre for Medium-Range Weather Forecasts (ECMWF Reading – London).

In case of extreme weather, warnings are issued with the EUMETNET (the Network of European Meteorological Services) in the Meteolarm (Alert Europe for extreme weather) system. The Meteolarm system is an integrated system, which consists of national weather services, which warns of extreme weather situations. Within the system, online alerts for extreme weather are issued based on forecasts.

For managing and coordinating protection and rescue activities, Montenegro formed the Coordination Team for Protection and Rescue for the terri-

223 http://www.meteolarm.eu
tory of Montenegro and Municipal Protection and Rescue Teams for the municipalities. The Coordination Team for Protection and Rescue includes all relevant ministries/municipal bodies for protection and rescue and non-governmental organizations (NGOs). The team is headed by the prime minister at the national level and by the president of the municipality at the municipality levels. In those teams, coordination and response is more efficient.

Companies, other legal entities and entrepreneurs performing meteorological and hydrological measurements and observations have the obligation to supply available data and relevant information. A centralised collection of information and data on all types of risks is done OCC 112, which is obligated to inform relevant stakeholders and citizens to undertake preventive and operational measures.

Montenegro has bilateral agreements on cooperation in civil protection with Albania, Greece, Slovakia, Ukraine, Slovenia, Serbia, Turkey, North Macedonia, Croatia, and Bosnia and Herzegovina. Memorandums of cooperation were signed between Ministry of Internal Affairs of Montenegro and competent institutions from Italy, Russia and Armenia.

Montenegro is NATO Alliance Member, a Participating State in the Union Civil Protection Mechanism, and member of the regional initiative DDPI SEE. The Directorate for Emergency Management and Ministry of Foreign Affairs are responsible for Host Nation Support. Customs are responsible for implementing border-crossing procedures together with the Cross-Border Police. The Red Cross is responsible for receiving and delivering humanitarian aid.

Monitoring and control

Inspection-related activities in the tourism sector are performed by the Inspection Directorate of Montenegro, that is, a special Department for Tourism Inspection within the said institution.

The Department for Tourism Inspection performs tasks related to: inspection of the implementation of laws, by-laws and other regulations in the field of tourism and catering, undertaking and executing administrative and other measures and actions in order to eliminate identified irregularities and to conform with the business regulations; issuing misdemeanour warrants, filing motions to initiate misdemeanour proceedings, filing criminal and other appropriate charges (initiating proceedings before competent authorities); giving initiatives for amending laws, other regulations and general acts and proposing measures to improve the situation in this area of inspection; preparation of analyses, reports and information within the scope of work of the department; cooperation with other administrative bodies, institutions and economic entities; as well as other activities within the competence of the department.

B.4.2.4. Institutional set-up for managing/supporting rural tourism

There is no universal model for managing rural tourism. In all cases of successful development of rural tourism, the key to success has been in the formation of networks and cooperation of various actors from the public, private and civil sectors. However, the key success factors are related to the proximity of large agglomerations, which primarily stimulate rural tourism with domestic tourist demand.

It is important to emphasize that the existence of institutions that manage the development of rural tourism and provide support is necessary, but institutions cannot help if there is no entrepreneurial spirit on one hand and tourist interest on the other, and in areas where tourism is severely underdeveloped, leadership is needed.

In the current situation, despite the lack of an adequate system for managing the development of rural tourism in Montenegro, this type of tourism is still developing independently, stimulated by increased market interest, with the help of the existing incentive system and the support of some regional organizations. However, the complexity of the activities that need to be undertaken to initiate integrated development of rural tourism in Montenegro, implies that these activities need to be undertaken by an organization that will take responsibility not only for the implementation of measures foreseen in PDRT 2019, but also for other activities
needed due to different changes and events in the internal and external environment, and indicated by the monitoring and evaluation process. The nature of the measures envisaged is such that it is necessary to ensure the integration of different rural tourism actors from the public, private and civil sectors. After all, this connectivity is a precondition for structuring, through an integrated approach, the rural tourism experience in a way that makes it attractive and accessible to potential visitors. An integrated approach implies an inevitable mix of tourism, agriculture, nature and culture, as successful rural tourism products build on these bases.

To summarize, existing institutional setup for rural tourism of Montenegro, in terms of development, marketing and sales, does not have the necessary synergy that is achieved through wider integration of actors.

**National level**

The key national actors are the competent ministries (MSDT and MARD), supported by national tourism marketing activities, carried out by the NTO. Strategic activities are planned, coordinated and further directed through the Rural Tourism Working Group, which is a permanent body. In addition to representatives of MSDT, MARD and NTO, this group should include representatives of municipalities, representatives of regional development agencies, a representative of the Public Enterprise for National Parks of Montenegro, representatives of civil society organizations focusing on rural development or rural tourism development, a representative of the Chamber of Commerce Montenegro, representatives of the Montenegrin Tourism Association from agencies dealing with the organization of this type of tourism in Montenegro, leaders of rural tourism development that the competent ministries consider to be members of the group, as well as representatives of national tourism associations, and representatives of NGOs addressing rural tourism issues. For reasons of efficiency, the number of permanent members of the Working Group should not exceed 25 persons.

The Ministry of Sustainable Development and Tourism (MSDT) is the national authority responsible for tourism development through its directorates. Regarding the regulatory framework, it is evident that there is a comprehensive framework that regulates rural tourism development issues, directly or indirectly.

Additionally, Ministry of Agriculture and Rural Development (MARD) has recognized the importance of the rural tourism sector in all strategic documents, above all, the Strategy for Development of Agriculture and Rural Areas 2015-2020 and the IP-ARD II Programme.

Considering the field of economy, Chamber of Commerce of Montenegro is a national body, without any regional departments within its system.

**Regional levels**

In Montenegro, regional bodies in the field of agriculture and rural development including rural tourism is undeveloped. However, there are several organizations that have regional character and are acting on regional level in different fields.

Considering the field of rural development, the most important regional-level stakeholder is the Network for Rural Development of Montenegro, an NGO established in June 2012. The Network has 23 organizations from all the municipalities of Montenegro. Their major partner is MARD followed by MSDT, as well as LSGs from Montenegro. They are one of the founders of the Balkan Network for Rural Development and a member of the PREPARE network.

Additionally, the Regional Development Agency Bjelasica, Komovi and Prokletije (RDA BKP) was formed in December 2009, with support of the Austrian Development Agency (ADA). The mission of RDA BKP is to enhance the development of Bjelasica, Komovi and Prokletije region, and municipalities within the region, through close cooperation with local stakeholders in public and private sectors, increased absorption of EU funds, and creation of employment and income generating opportunities through the development of tourism and agriculture sectors, in alignment with national and local strategic development plans.
FORS Montenegro – Foundation for the Development of Northern Montenegro is a regional development organization founded in 2006, as a non-profit NGO. FORS Montenegro implements projects in cooperation with local authorities, ministries, civil society organizations, educational and health institutions, protection and rescue services, cultural centres and organizations, tourism organizations, etc. The main goals of FORS Montenegro are socio-economic development, environmental protection and civil society development.

Advisory services are available to agricultural holdings through municipal advisory services which act also as regional services and state advisory services. The obligation to establish a system of agricultural advisory reform is one of the main elements of the reform of the Common Agricultural Policy. Harmonization action and organization of advisory services is required in accordance with the Council Regulation (EC) No. 1305/2013. The Agricultural Advisory Service carries out its activity as public authority through regional centres (Bar, Berane, Cetinje, Nikšić, Bijelo Polje, Herceg Novi, and Podgorica) as Advisory Service for Plant Production, and (in Podgorica, Pljevlja, Bar, Nikšić, Berane, and Bijelo Polje) as Livestock Selection Service. Also, in recent years, five agribusiness centres in Montenegro opened in the following municipalities: Žabljak, Šavnik, Pljevlja, Mojkovac and Petnjica. Advisory services provide support in technical and technological improvement of farms and technical assistance to farmers in order to increase profit from farming and supplementary activities on farms, providing expert advice, instructions and practical advice from in the fields of agriculture, transfer of technical knowledge and skills required for developing and maintaining the value of the rural environment and sustainable development, participate in the preparation of development plans for farms and rural areas, support the process of establishment of various associations and provide information and publish activities for the development of agriculture and rural areas.

Also, considering business incubators, part of them are locally based, such as business incubators in Bar and Cetinje, but there are also part of business incubators and innovation centres that support the field of agriculture and rural development such as Innovation and Entrepreneurship Centre Tehnopolis from Nikšić, and Regional Business Incubator Berane.

Innovation and Entrepreneurship Centre Tehnopolis is a strategic project of the Government of Montenegro to establish the Science and Technology Park of Montenegro. Tehnopolis was founded by the Ministry of Science of Montenegro in September 2014.

IPC Tehnopolis works on the development of micro, medium and small enterprises and the development of the local community based on research, development and implementation of new technologies, growth based on knowledge and commercialization of innovations, as well as on establishing more intensive cooperation between the scientific community and the economy, targeting the field of agriculture and sustainable rural development as one of the important development fields. Tehnopolis has a strong foundation provided by its strategic partners – the Ministry of Science, the Ministry of Agriculture and Rural Development, the Municipality of Nikšić, the Investment Development Fund and the Institute of Ferrous Metallurgy. Tehnopolis is a place where you can find the information and support you need to develop a business idea and start a private business, information related to running a business, and the ability to raise funds. Tehnopolis is also engaged in promoting and developing entrepreneurship, that is, establishing new and developing existing enterprises at local and regional levels, promoting and developing scientific and research results in order to enhance the business of the enterprise, as well as participating in the implementation of various development projects.

There are also several cooperatives, agricultural associations and similar organizations working at the regional level, such as the association of cattle breeders, the association of Pljevlja cheese producers, several associations of honey producers, associations of olive producers from Bar and Tivat, agricultural cooperative Vrbica, associations of organic fruit producers, tourism cluster Montenegro, Agritourism cluster Montenegro, and several NGOs working on the regional level.

Considering the facts, the marketing function of regional rural tourism products should be taken over by the NTO, in cooperation with the RDA, as the
RDA BKP covered a large number of activities falling within the domain of marketing.

**Local level**

At the local level, there are currently local tourism organizations (LTOs), and one local action group (LAG) under establishment, which includes several municipalities. The model predicts that LAGs play a significant role in the future of rural tourism (although their role is much broader). These are places where the interests of all actors in the field of rural development, and in particular rural tourism, at the local level can be brought together and aligned.

Local tourism organizations predominantly focus on marketing activities in their administrative areas, but despite the existence of annual marketing plans, there are no significant developments in the field of destination management. On the other hand, it is not a feature of LTOs alone. Insufficient capacities in this respect represent a long-standing problem of the entire system of local destination marketing in the region (in Montenegro and neighbouring countries/territories), and are caused by inadequate human resources structure, often with insufficient knowledge and experience in marketing and management, more than modest financial resources, and insufficient knowledge of budgeting techniques. Therefore, special attention should be paid to this segment within the activities that LTOs are undertaking in order to take an active position in creating a value chain in rural tourism. An additional aggravating circumstance is the unequal power of individual LTOs resulting from the economic and/or market power of the destinations themselves, which is related to the volume and power of tourism business in individual towns/municipalities (for example, destinations in the coastal region have much larger budgets than those in the central and northern regions).

Their role in bringing together civil sector initiatives is of particular importance, which in recent years have proven to be very active in the areas of interest for tourism development in rural areas. Through this form of organization, clusters in the fields of rural development and agritourism can clearly articulate and more easily realize their activities. LAGs are able to concentrate on local issues and interact with representatives of the public, private and civil sectors to find the right solutions. However, it is certainly not necessary to wait for the establishment of LAGs, but in the current situation, municipal or inter-municipal rural development councils should be formed as the beginnings of LAGs, primarily in order to speed up the process of problem-solving and the use of development opportunities, and to link different actors with the aim of forming broader support for rural tourism development.

Here, they are local holders of accommodation and catering, clusters and associations of agricultural producers, various sports, mountaineering, fishing associations, as well as LTOs. The model provides for interaction and alignment at all three levels, while operational product development is handled by RDAs, local government representatives from the secretariats dealing with rural development, NTO marketing units and LTO parts dealing with visitor information.

There are 23 LTOs in Montenegro. Their activities are mainly related to the promotion and information sharing in the field of tourism and about the tourism offer at the local level. LTOs provide more or less information on nature, sites, trails and routes of interest to tourists visiting rural areas on their websites, while it is more difficult to find information on accommodation in households and there is no possibility of online reservation of accommodation.

In Montenegro, there are other organizations focusing on tourism, especially rural tourism at regional and local levels, with particular emphasis on the activities of civil sector organizations in this domain.
B.4.3. RURAL TOURISM DEVELOPMENT AND POLICY

B.4.3.1. Brief overview of the status of rural tourism in Montenegro

Rural tourism destinations in Montenegro

Montenegro has an abundance of resources and potentials for the development of various forms of tourism, with particular emphasis on nautical, health, rural, ecotourism, mountain, sports and recreational, cultural, religious and event tourism. When it comes to the potentials and resources for the development of rural tourism and its related forms such as ecotourism and mountain tourism, the distribution between the regions is different. In 2011, the MoE produced a Resource Map which, among other things, provided an overview of resources of importance for tourism, classified by region. The offer itself in the field of rural tourism in Montenegro should be viewed from the aspect of several elements, such as accommodation capacities, infrastructure, products, i.e. the offer of the tour operator.

The most common systematization for classifying rural tourism destinations in Montenegro is the following:

- Traditional, popular holiday destinations
- Rich agricultural areas
- Remote areas
- Mountain or forest locations
- Protected areas
- Rural areas with small historic towns

**Traditional, popular holiday destinations.** Being an ecological state offering exquisite natural conditions, Montenegro counts on the promotion of the tourist trade as another chance for development. The country is known for its rich architectural and cultural heritage, diversity of landscapes and climates, and well preserved rural natural environment. Montenegro can be presented as a destination offering a variety of attractions and year-round tourism is possible by publicizing its varied features.

Statistically, the most visited tourist destinations in Montenegro in the last few years are five national parks (Durmitor, Lovćen, Biogradska Gora, Skadar Lake, Prokletije) and the towns on the coast (Kotor, Budva, Perast, Ulcinj). National parks have particularly developed potential for rural tourism development (Durmitor, Biogradska Gora and Prokletije), given the authenticity of natural values, biodiversity and the ecological specificities of these areas.

The traditional, popular holiday destinations have some key tourism products created with rural tourism:

- In Montenegro, especially in the northern rural region, there is great potential for the development of mountain tourism, especially hiking and mountain biking, Active & Extreme (e.g. in Durmitor NP and the Tara River). For the development of mountain tourism, rafting on the Tara and Lim rivers and the canyons and the tour of the caves (Đalovica Cave) are especially attractive.
- The area of Bjelasica and Komovi is suitable for the development of wellness tourism.
- Rural tourism (e.g. in Piva - Komarnica area) is developing on eco-katuns, in ethno-and eco-villages.
- Religious tourism can be developed in view of the cultural and historical heritage that exists in the northern area: Piva Monastery, Dobrilovina and Pljevlja, Hussein Pasha Mosque, Ružica Church on Sinjajevina, Morača Monastery and others.
- Cultural and recreational tourism have great potential to develop in Cetinje and Skadar Lake
- The rich historical heritage of the central region can be seen in the village of Njeguši, at the foot of Lovćen, in the old capital Cetinje, on the Crnojevića River, in the small fort Žabljak and on the shores of Skadar Lake (fortresses, monasteries, fishing settlements).
- Sports and recreational tourism is developing in the mountainous areas of Durmitor, Sinjajevina, Bjelasica, Komovi and Prokletije. In the area of Durmitor and Sinjajevina, further development of ski tourism is planned, with an emphasis on...
the slopes of Šljeme and Ivica (towards Bukovića), as well as the areas of Mali Stuoc, Savin Kuk, Javorovac. Also, ski tourism will be promoted in the Bjelasica and Komovi areas and in the Montenegrin Prokletije (locations: Cmiljevica - Gurjak, Rožaje - Hajla - Štedin, Plav - Gusinje, Veruša - Mokro).

Rich agricultural areas. According to OECD methodology, the entire territory of Montenegro could be considered as rural. Analysing the three regions of Montenegro (northern, central and coastal) according to the OECD methodology, the northern region, covering 13 municipalities, belongs to predominantly rural regions (59.7% of the population lives in rural local communities), while the coastal (41.7%) and the central (20.4%) belong to intermediate regions. Agricultural areas in the northern part of Montenegro present the centres of Montenegrin rural tourism, having in mind that agriculture is the most developed in the north of Montenegro. The north is rich with imposing canyons, snow-capped mountain peaks even during summer months, exciting caves and beautiful lakes.

Rural tourism is one of the key products in the following tourist destinations in Montenegro, which can be considered as remote areas: rural part of northern Montenegro (parts of Durmitor National Park, Piva mountain, Sinjajevina, Ljubišnjaja, canyons of the Tara and Piva rivers, etc.), rural part of eastern Montenegro (Prokletije National Park, Komovi, Bjelasica, large valleys of the river Lim), etc.

Despite the fact that all mentioned rural areas have mountain tourism centres, their obstacles include small population and poor roads. A key challenge in the development of rural tourism in remote areas is insufficiently developed infrastructure. Although certain rules and regulations are required to carry out the tourism activity, in most cases it either does not exist or is in poor condition, so the individual rural households are unable to provide it.

Mountain or forest locations. The northern region is the centre of Montenegrin mountain tourism. It is the largest region in Montenegro, and it is characterized by high mountains and continental climate, with harsh winters and a lot of snow. Three national parks are situated here – Durmitor, Biogradska Gora and Prokletije, together with two nature parks – Piva and Komovi. This shows that this region houses some exceptional natural values, a lot of fast, mountainous rivers, glacier lakes, challenging mountain peaks, it is rich in coniferous and deciduous forests and numerous pastures and green meadows.

Rural tourism is one of the key products in the following tourist mountain and forest destinations:

- Durmitor National Park, centred around the mountain village of Žabljak, is a paradise for nature lovers and outdoor enthusiasts. Situated in the Dinaric Alps, the park includes the high-altitude peaks of the Durmitor Massif, 18 glacial lakes and the Tara River, home to the world’s second deepest gorge. Skiing and snowboarding are the main activities in winter, while white-water rafting, camping and hiking attract visitors in the warm-weather season. The park’s wildlife includes 163 bird species, mammals ranging from wild boars to brown bears, and the most varieties of butterflies found anywhere in Europe. Seven zones of the National Park are included in special protected areas (ICUM): Uncut forest of fir, Black pine at Crna Poda, Canyon of...
Sušica, Region of lake Barno, Region of Zabojsko lake, Canyon of Tara, Milling stream. The large number of 314 protected animals in Montenegro, including 163 bird species live in Durmitor area.

- The Biogradska Gora National Park, wedged between the Tara and Lim rivers in central Montenegro, features shimmering lakes, swift-running streams, lush green meadows and one of the few remaining primeval forests in Europe. Although it is one of the smallest of Montenegro’s national parks, Biogradska Gora offers the greatest diversity when it comes to flora and fauna, including 500-year-old trees. Most visitors head to Biogradsko lake, a large glacial located in the heart of the park. The recent development of the nearby town of Kolašin makes it a popular base for tours of the park.

- Prokletije National Park, this grandiose mountain massif, with its beauty and uniqueness attracts attention of all visitors, especially tourists. The relief is jagged, with numerous peaks, gorges, steep slopes, alpine-like river valleys and other natural phenomena. There are several zones in the National Park Prokletije: Karanfiško-Bjelička zone (most rugged part of the area, with numerous peaks over 2,000 m.a.s.l.); Visitorska zone; Bogićevec zone; Bor and Kofijača zone; Stratačko-Zavojiska zone.

- Nature Park Piva is located in the far northwest of Montenegro, on the border with Bosnia and Herzegovina. The first park of its kind in Montenegro, it has international importance because it connects the National Park Sutjeska (Bosnia and Herzegovina) and the National Park Durmitor. It occupies an area of almost 32,500 hectares. The mountainous landscape dominates. In addition to Piva Mountain, the regional park Piva includes three more mountains: Bioč (2,397 meters), Maglič (2,386 meters), Volujak (2,336 meters). The relief is varied, with pastures and forests alongside the mountainous terrain, and deep cut canyons of Tara, Piva Sušica, as well as mountain lakes: Crkvičko, Small and Big Starčevsko, Trnovačko and Pivsko. Water comes through snowmelt, rainfall and from certain springs. In lakes of Piva we can find representatives of characteristic endemic species: triton and newt. Bears, wild boars, capercaillies, roe deer, foxes can also be found in the Regional Park.

- Regional Park Komovi is stretching in the southeast part of Montenegro, between the mountains Bjelasica and Prokletije and the rivers Lim and Tara. Besides Durmitor and Bjelasica, Komovi are the most impressive range in the Dinaric mountain system. Diverse and unique flora and fauna, numerous clear mountain springs and rivers, many cultural monuments, churches and monasteries, as well as the warmth of the people who live under Komovi cannot leave you indifferent. Also, for the admirers of mountain-eering and hiking, there are marked trails for that type of tourism offer.

Protected areas. In Montenegro, there are several categories of legally protected areas that are available for various forms of tourism, the most important of which are National and Nature Parks (National Parks: Durmitor, Biogradska Gora, Skadar Lake, Lovćen and Prokletije and Nature Parks: Komovi, Piva, Dragišnica and Komarnica, Orjen and Ulcinj Salina). Also, two different areas in Montenegro are under UNESCO protection:

- Durmitor National Park and canyon of Tara (since 1980)
- The Natural and Cultural and Historical Region of Kotor
Main factors of rural tourism future development

Factors are resources that do not currently attract many tourists and have not been prepared for them but have the potential to be developed and attract many tourists. They include three different elements:

<table>
<thead>
<tr>
<th>Factors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural factors</td>
<td>3.8</td>
</tr>
<tr>
<td>Human factors</td>
<td>2.5</td>
</tr>
<tr>
<td>Capital factors</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total (weighted average)</strong></td>
<td><strong>2.9</strong></td>
</tr>
</tbody>
</table>

1. Natural factors
2. Human factors
3. Capital/Financial factors

The lowest grade has been given to capital factors due to limited financial access in Montenegrin rural areas.

Natural factors

Although Montenegro is a relatively small country (with an area of 13,800 km²), it is characterized by a landscape of true beauty, rightly described as wild beauty, with the diversity that is hard to surpass: alternating high mountains and deep canyons, broad plains, rivers, lakes and a picturesque coast. Diversity is very important, and Montenegro offers different forms of rural tourism in terms of climate, structure and essence. The structure of the purpose of the territory of Montenegro is dominated by forests and agricultural land, with significant share of arable agricultural land. Despite the relatively small space available, Montenegro has an abundance of significant spatial resources, which are often not adequately valorized. The coast and the mountains, because of their proximity, are regarded as a whole, which can be characterized as the main comparative advantage of Montenegro in the wide variety of the competition in the tourism market. The vegetation is rich in species, depending on the altitude. With all other benefits, climate is a crucial prerequisite for the successful development of tourism. Its geographical position, the sea and the mountains helped create a very diverse climate in Montenegro. Therefore, there are several climate zones: Mediterranean in the south, modified Mediterranean climate in the Skadar basin and the plains, moderate continental climate in the ravines and valleys and mountain climate. Winter rainfall is heavy on the coast, while the mountains are suitable for all kinds of winter sports. Durmitor and Bjelasica offer the best conditions for winter tourism, as well as Prokletije. Accessibility during the winter season is somewhat difficult, due to weather conditions. The Municipality of Budva with Bečići is currently, qualitatively and quantitatively, the most important tourist resort on the coast. Animal life Montenegro is also diverse and rich. Owing primarily to its natural beauty and favourable geographic and other climate conditions, as well as the efforts and achievements of providers of tourism services, Montenegro developed in a relatively short period of time compared to competitor destinations in the Mediterranean, reaching an international level of service quality and exceeding expectations when it comes to the evaluation and protection of natural resources, sustainability and innovation.

<table>
<thead>
<tr>
<th>No.</th>
<th>Natural Factors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Durmitor National Park</td>
<td>4.5</td>
</tr>
<tr>
<td>2</td>
<td>Biogradska Gora National Park</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Prokletije National Park</td>
<td>3.5</td>
</tr>
<tr>
<td>4</td>
<td>Lovćen National Park</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Skadar Lake National Park</td>
<td>4.1</td>
</tr>
<tr>
<td>6</td>
<td>Sinajevina mountain</td>
<td>2.6</td>
</tr>
<tr>
<td>7</td>
<td>Ljubišnja mountain</td>
<td>2.4</td>
</tr>
<tr>
<td>8</td>
<td>Tara river</td>
<td>4.2</td>
</tr>
<tr>
<td>9</td>
<td>Nature Park Komovi</td>
<td>3.6</td>
</tr>
<tr>
<td>10</td>
<td>Nature Park Piva</td>
<td>4</td>
</tr>
<tr>
<td>11</td>
<td>Boka bay</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3.7</strong></td>
</tr>
</tbody>
</table>

Human resources

There is a lack of knowledge and skills among service providers in rural tourism, primarily among rural households. This problem is easy to solve through organizing trainings and education, with an aim and idea of training being pre-defined. On the
other hand, well-organized education and trainings for larger groups are only part of the solution. A mentorship approach is necessary, and it is not possible without forming advisory mobile teams and field interventions. The development of this type of tourism requires personal contact. On the other hand, there is a social and population component in the development of rural tourism, both in terms of the rural population’s lifestyle and in terms of the support to young people who want to return to the countryside to work in agriculture and tourism.

<table>
<thead>
<tr>
<th>No.</th>
<th>Human Resources</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>1</td>
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<tr>
<td>2</td>
<td>Technical skills</td>
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</tr>
<tr>
<td>3</td>
<td>Level of salaries and employment conditions</td>
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</tr>
<tr>
<td>4</td>
<td>Cultural traditions</td>
<td>3.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2.9</td>
</tr>
</tbody>
</table>

The efforts to connect agriculture and tourism, i.e. the countryside and tourism in Montenegro so far have had relatively limited results, resulting in a relatively small number of rural households opening for tourists compared to the potentials available in the rural areas of Montenegro. The causes are definitely multiple, but the key problem is the lack of leadership in the segment of rural development and tourism development, and also insufficient understanding of the needs, possibilities and capacities of the existing and potential service providers by tourism policy makers at the local level. The existence of different local strategies has proven to be an insufficient basis for development and a poor guarantee of success. From an institutional point of view, it is essential to define clear action measures at national and local levels concerning the development of rural tourism.

**Capital factors**

The global demand for high quality destinations combining superb natural resources and exciting activities with excellent infrastructure and services offers a unique opportunity for Montenegro to use what it has in the best way possible.

In the Mediterranean, natural resources may only be protected through high quality tourism. To attain this goal, the following measures need to be undertaken:

1. Improve accessibility of Montenegro
2. Enhance utility infrastructure
3. Develop new high-quality accommodation facilities
4. Upgrade existing accommodation facilities
5. Enhance the quality of service in tourism
6. Harmonise establishments with the surrounding (blending with the natural environment)
7. Establish a “clean image” of Montenegro

<table>
<thead>
<tr>
<th>No.</th>
<th>Capital Factors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financial capital: Credits access</td>
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<tr>
<td>2</td>
<td>Level of entrepreneurship</td>
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</tr>
<tr>
<td>3</td>
<td>Air infrastructure</td>
<td>2.5</td>
</tr>
<tr>
<td>4</td>
<td>Road infrastructure</td>
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</tr>
<tr>
<td>5</td>
<td>Rail infrastructure</td>
<td>1.5</td>
</tr>
<tr>
<td>6</td>
<td>River infrastructure</td>
<td>2.5</td>
</tr>
<tr>
<td>7</td>
<td>Potentials to attract capital</td>
<td>3.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2.5</td>
</tr>
</tbody>
</table>

**Financial access**

The Ministry of Agriculture and Rural Development (MARD), as an umbrella institution, proposes laws and other legislation, proposes system solutions in agriculture, defines agrarian policy and undertakes measures for its implementation. MARD proposes, to the Government, the scope of incentive measures and schemes for agriculture and rural development (Agrobudget) along with a number of other documents, regulations and enactments that are necessary for the harmonious operation of the Agricultural Sector.

State support for the development and implementation of agricultural policy is executed through the annual Agrobudget. The Agrobudget includes a set of measures and support schemes aligned to agricultural policy priorities framed within the national strategy and programme of MARD. For easier monitoring of indicators for the analysis of the
agrarian policy, the budget is monitored by policy types and groups of measures as follows:

- Market price policy measures
- Rural development measures
- Support to general services in agriculture and social transfers
- Measures for the development of fisheries

Apart from MARD and other ministries’ funds, development fund programmes are designed to stimulate investments in underdeveloped areas, SMEs, agro-industry and similar purposes, in order to increase the potential for activating rural potentials. Also, many cross-border projects funded by some EU programmes provide financial support. But, some of the small operators are not able to fulfil the conditions to access the funds (necessary documents, application procedure, etc.). Institutional capacities in the field of rural development in Montenegro are not developed enough, even though there is awareness of the importance of their strengthening. The underdeveloped institutional framework directly affects the difficult access of the rural population of Montenegro to physical capital, financial and other services, technologies and the market.

### Infrastructure

When it comes to road infrastructure, the underdeveloped road network is the result of limiting factors that hinder or restrict functional interconnectivity within Montenegro, as well as its connectivity with the immediate surroundings. Namely, unfavourable topography and geological structure of the terrain, mountain passes with difficult transitions, severe seasonal shifts in the use of road infrastructure, limited budget resources, and lack of private initiatives in the road sector, complicate the construction and maintenance of transport infrastructure. A particular problem is the maintenance of roads in rural areas that have not been invested in for years, and the lack of funds for the construction of bypasses, since main and regional roads passing through cities, especially during the tourist season, affect the creation of significant traffic congestion, which generally slows down traffic.

Regardless of the limiting factors for the development of road infrastructure, many activities have been carried out in the past period to improve the road network, its overall quality and safety level. In the end, the realization of the Bar-Boljare motorway will provide communication and increase the attractiveness of the northern region for both living and development of entrepreneurship and investment.

Rail traffic in Montenegro is not satisfactory either regarding density or network quality. Given the connection with the Port of Bar, and poor road traffic, the railway is an important factor in the development and positioning of Montenegro in the region. Railway infrastructure rehabilitation projects are underway.

The current capacity of the airport is meeting the needs of Montenegro at the moment, and development plans have been defined. It should be considered and, if there is real interest, some of the existing but inactive airports (such as the one in Berane) should be activated, through private-public partnership. The possibility of new flights, especially to the northern region, would make the tourist attractions of the region more accessible. The restrictions are related to the lack of financial resources and possible less investor interest in the current financial crisis.

With the development of marinas, and especially with the realization of the Porto Montenegro project, Montenegro has enrolled in the nautical map of the world, which makes a significant contribution to the development of rural tourism in the hinterland of coastal cities in Montenegro.

In Montenegro, there is evident need for improvement of village infrastructure in order to reach necessary preconditions for sustainable rural development. Major problems considering village infrastructure are inadequate local roads, with a lack of maintenance, especially during the winter season. Additionally, the energy network is not developed to the required level, with frequent power outages. Further development should be done through investment in autonomous sustainable energy sources, depending on the characteristics of the territory. Water supply and waste collection network almost do not exist, even though MARD, together with local municipalities and international donors, invested significant funds in further developing the water supply network in villages in the northern region.
Main attractors of rural tourism

The main attractors in Montenegro are divided in three different groups:

<table>
<thead>
<tr>
<th>Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural</td>
<td>3.8</td>
</tr>
<tr>
<td>Man-made</td>
<td>4</td>
</tr>
<tr>
<td>Cultural</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>Total (weighted average)</strong></td>
<td><strong>4</strong></td>
</tr>
</tbody>
</table>

1. Natural
2. Man-made
3. Cultural

Natural attractors

In Montenegro there are significant and insufficiently used natural resources and advantages that represent the potential for growth, if they are to be adequately managed. There are major natural attractors for the development of rural tourism, such as 5 National Parks out of which 3 are located in the northern part of Montenegro (Durmitor, Biogradska Gora and Prokletije), with already developed and diversified rural tourism offers.

Additionally, Montenegro is one of the most forested countries in Europe with 60% of the forested area, alongside Scandinavian countries. Mountains, rivers and lakes allow rural tourists to enjoy the diverse natural environment that offers various possibilities (active holidays, nature walks, adventure tourism, etc.).

Water resources in Montenegro represent a natural attractor of major significance for rural tourism development. More than 30 lakes located in the heart of stated national Parks, such as Black lake, Biogradsko lake, Piva lake, Bukumirsko Lake, Trnovačko lake, Zmijinje lake, offer various modalities for rural tourism development. Additionally, rivers and their canyons offer vast possibilities for further development of already developed rural tourism offer, such as rafting and eco-villages and an eco-camp located in the Tara river Canyon, canyoning activities on the river Komarnica located in the municipality of Šavnik.

Man-made attractors:

Man-made attractors in Montenegrin tourism are mostly located and connected to already mentioned and recognized natural attractors.

First of all, major man-made attractors for the development of rural tourism are located in the areas within or the areas bordering national parks, such as Đurđevića Tara river bridge, zipline over Tara canyon, adventure parks in the hearts of national parks Durmitor and Biogradska Gora, rafting camps and ethno-villages showing traditional Montenegrin heritage and history together with cultural monuments that will be described in the next chapter. Together with cultural heritage, important man-made attractors are also religious structures, which represent an additional potential for diversifying the rural tourism offer. The major religious site is Monastery Ostrog, but in the rural areas of Montenegro there is also a large number of similar sites, such as Morača Monastery, Piva Monastery, Đurđevi Stupovi, and a number of small churches located in the remote villages in northern Montenegro.
Panoramic roads with viewpoints are also important man-made attractors in Montenegro. Panoramic roads such as the Durmitor ring, Skadar Lake panoramic road provide additional potentials for remote Montenegrin villages located on the stated roads, such as traditional agro-food and traditional overnights.

Additionally, fortresses located in the remote areas of the National Park Skadar Lake, such as Lesendro and Žabljak Crnojevića fortress, mausoleum on Lovćen mountain and several sites in Cetinje and Nikšić from the Petrović dynasty, represent major man-made attractors in this field.

Cultural attractors

<table>
<thead>
<tr>
<th>No.</th>
<th>Cultural Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Durmitor National Park and the Tara river Canyon (since 1980)</td>
<td>4.5</td>
</tr>
<tr>
<td>2</td>
<td>The Natural and Cultural and Historical Region of Kotor</td>
<td>4.5</td>
</tr>
<tr>
<td>3</td>
<td>Monastery Ostrog</td>
<td>4.5</td>
</tr>
<tr>
<td>4</td>
<td>Mausoleum on Lovćen mountain</td>
<td>4.2</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>4.4</strong></td>
</tr>
</tbody>
</table>

Montenegro has a rich cultural and historical heritage, with 357 sites protected by valid legislation as cultural monuments, some of which are listed on the World Heritage List. The largest number of cultural monuments are sacral, profane, archaeological and fortification, followed by slightly fewer technical, memorial and ethnological, while on the territory of Montenegro there are about ten urban units and old cities. The highest concentration of cultural monuments (just over one-half of them) is in the coastal region. Generally, monuments are in poor condition and in many cases the basic monumental values have been endangered or are unused. Documentation and ongoing research, especially archaeological sites, are not sufficiently developed to be valorized for tourism purposes. No terrain recognition has been performed and an archaeological map of Montenegro drawn up, which should contain an overview of all existing and potential archaeological sites in Montenegro and thus enable their adequate treatment. The undefined boundaries of the protected environment adversely affect the protection of individual monuments, sacral objects and archaeological sites. Increasing and uncontrolled urbanization poses a particular danger, which may undermine the cultural and historical values of the urbanized areas. The cultural landscape, as a separate segment of the immovable cultural heritage, has not been defined and protected by the Law.

Status of services

Hospitality

Hotels and similar facilities (in more or less established destinations), ethno-villages, private apartments and rural households participate in the offer of accommodation capacities. The accommodation offered in katuns and ethno-villages is newer in character and is yet to come to life in some areas (especially in the northern region). The Central Tourist Register of Montenegro contains information on various service providers in tourism of Montenegro, and thus in rural tourism. In this sense, different types of accommodation services whose data are not in the register, which also includes rural households. The reasons for rural households not registering are often related to reg-
istration procedures for engaging in tourism activities. The new Law on Tourism has introduced some changes in these procedures, which present an additional challenge when it comes to knowing the procedures. The Central Register does not provide detailed information on the characteristics of the accommodation offer, so the key issue is the establishment of a unified database of service providers in rural tourism for all regions of Montenegro. This particularly applies to those travel agencies that are still in the initial stages of engaging in this activity and need to get acquainted with all the service providers in rural tourism.

<table>
<thead>
<tr>
<th>Hospitality</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>3.5</td>
</tr>
<tr>
<td>Restaurants</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total hospitality</strong></td>
<td><strong>3.7</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transport</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air</td>
<td>2.5</td>
</tr>
<tr>
<td>Airport Podgorica</td>
<td>/</td>
</tr>
<tr>
<td>Airport Tivat</td>
<td>/</td>
</tr>
<tr>
<td><strong>Air assessment</strong></td>
<td><strong>2.5</strong></td>
</tr>
<tr>
<td>Internal</td>
<td>3.5</td>
</tr>
<tr>
<td>Bus connections</td>
<td>2.7</td>
</tr>
<tr>
<td>Train</td>
<td>2.7</td>
</tr>
<tr>
<td>River Connections</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Internal transport assessment</strong></td>
<td><strong>2.8</strong></td>
</tr>
<tr>
<td>Other</td>
<td>2.5</td>
</tr>
<tr>
<td>Rent a bike</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total transport</strong></td>
<td><strong>2.7</strong></td>
</tr>
</tbody>
</table>

Creating this database would potentially be helpful not only to travel agencies but would also increasingly facilitate the business of service providers in rural tourism in the way that their offer would be more promoted and would become more recognizable on the market, and thus the conditions for their cooperation and networking would improve. On the other hand, there is no single system of reservations where tourists could reserve and immediately pay for accommodation in a rural household. Data received from most of the local authorities from all three regions of Montenegro provided a rough image of the type and number of accommodation capacities in rural tourism, as well as areas that are still not valorized. Another important conclusion derived from the collected data on areas that are not sufficiently valorized is that there is a large number of unused spaces suitable for sustainable tourism valorization.

**Transport**

Some of the recognized weaknesses in the field of future rural tourism development in Montenegro is the lack of transport infrastructure, insufficient prominence of transport infrastructure in rural and mountainous areas and insufficient road development and connections in the rural and mountainous areas. This first of all refers to reconstruction and maintenance of local uncategorised roads in northern Montenegro, which is the necessary precondition for further development of rural remote areas. Opening the priority section of highway Bar-Boljare, local road Lubnice-Jezerine, and by further investing in railway infrastructure, remote rural areas will be accessible and more attractive for valorization in rural tourism.

**Complementary services**

One of the most important complementary services for further development of rural tourism in Montenegro is agritourism. Agritourism and stay in rural households is a product that is yet to be developed, since it is becoming more and more popular on the market. Tourists search for authentic experience of the rural, active participation and contact with the local population. Opening rural households for tourists is in its beginning stages, but the tourists to whom nature-based activities are the primary motive for coming are often accommodated in those households. However, there is an offer of households aimed at those who want to enjoy peace, homemade food and activities within the household. It is positive that tour operators also offer a possibility of accommodation in rural households, *katuns*, ethno-villages, as well as in mountain huts and houses, which gives these offers an element of rural tourism. It should be mentioned that there the number of local tourism agents offering packages or activities related to rural tourism is still small.
From the point of the attractiveness of agritourism offer, it has been proven that households that preserve a traditional style of construction and interior decoration have a higher demand, and those who produce the food on their own for their guests achieve higher net profit. It is exactly in this part that MARD provides continuous support to increase the livestock/cattle fund, sown surfaces, processing of products on farms and similar.

In terms of other products of rural tourism, there are more wine and gastronomic tours offered to tourists, and one of the attractive ones is the ethno-gastronomy tour on Skadar Lake created as a result of IPA project on interregional cooperation between Albania and Montenegro. There is a high number of activities with a potential to become products.

Regarding the nature activity related products in Montenegro, there is a national cycling network and regional and local cycling trails through mountains and rural areas. There are five national marked cycling trails. The network of the so-called “supreme cycling trails” was established as a result of MSDT’s decision to improve the cycling and hiking offer of Montenegro, and mountain areas represent ideal terrains for various offers in the field of active tourism. These trails connect everything – from the mountains, glacier lakes, mountain rivers, Adriatic Sea to the most significant cultural and historical monuments and vivid countryside. Besides excellent infrastructure, certain segments of the trails need to be continuously maintained due to damaged signalization. There are also two regional trails, the Katun Road (orig. Katunski put) and Borderline Heights (orig. Granični visovi) covering the municipalities of Berane, Andrijevica and Plav) and Rikavica Lake - Jošanica. There are local cycling trails on the north in municipalities Andrijevica, Berane, Bijelo Polje, Mojkovac, Kolašin, Plav and Gusinje, Plužine and Pljevlja. There is a great number of hiking trails, and additionally, a developed offer of other activities such as rafting, canyoning and others. Also, there are two supreme trails of the national network of mountain trails for mountaineering: the Central transversal 232 km-long and the Seaside-mountain transversal 187 km-long. The trails are arranged and marked. In addition, it is worth mentioning the regional mountaineering track “Peaks of the Balkans” – orig. Vrhovi Balkana, which stretches over three countries/territories (Montenegro, Albania, Kosovo*) along 134 km and is very attractive and well-visited.

B.4.3.2. Strategic framework and programmes

National context

The key strategic framework documents defining the necessity of diversifying the rural economy and the main directions of this diversification are:

- National Strategy for Sustainable Development until 2030 (NSSD)
- Strategy for the Development of Agriculture and Rural Areas 2015-2020 (SDARA)
- Montenegro Tourism Development Strategy until 2020 (TDS)
- Regional Development Strategy of Montenegro 2014-2020 (RDS)

These documents emphasize that in addition to investments in rural infrastructure, job creation does not result from primary agricultural production. This is dominantly related to tourism in rural areas, considering the natural, cultural and historical features of Montenegro and the potential for the development of rural tourism. On the other hand, it was pointed out that there was a lack of effective support for the diversification of the economy through the development of rural areas and the implementation of clean and efficient technologies (green and blue economy development). Within the framework of sustainable management of resources and incentives for the blue and green circular economy, the above stated documents define that there is a need to preserve rural areas through sustainable rural development and the production of food and wine. One of the priorities is to increase investment in rural development by strengthening family holdings, where employment needs to be increased and rural population retained, with focus on the younger population.

National Strategy for Sustainable Development un-
til 2030 came into force in July 2016. NSSD offers the concept of long-term development of Montenegro based on human, social, natural and economic resources. The development of rural tourism is included in the presented concept of tourism and agriculture development. Namely, in the part of NSSD related to the 2030 Action Plan, social stability and poverty reduction are reflected in the promotion of entrepreneurship and self-employment, i.e. the development of new and flexible forms of youth employment, such as social entrepreneurship, start-ups, rural tourism, urban gardening, green jobs, creative industries, ICT services and online sales. In the context of the state of natural resources, the NSSD includes, among other things, a high-quality rural development programme among the priorities for the implementation of measures. The NSSD emphasizes that, apart from investment in rural infrastructure, job creation does not result from primary agricultural production. This section emphasizes tourism in rural areas, considering the natural, cultural and historical features of Montenegro and the potential for the development of rural tourism. On the other hand, it was pointed out that there was a lack of effective support for the diversification of the economy through the development of rural areas and the implementation of clean and efficient technologies (green and blue economy development). In the context of sustainable management of coastal resources and incentives for the blue economy, the NSSD emphasizes that there is a need to preserve rural areas through sustainable rural development and food and wine production. One of the priorities is to increase investments in rural development by strengthening family farms, where employment needs to be increased and rural population retained, with focus on the younger population.

Agriculture and Rural Development Strategy 2015-2020 was adopted in June 2015 by the Ministry of Agriculture and Rural Development. The development of rural tourism in Montenegro relies heavily on agricultural development and the creation of better conditions and frameworks for the advancement of agricultural production. In order to achieve the primary goals for agricultural development, among which the most important for the development of rural tourism are: enhancing the competitiveness of food producers, improving the standard of living of the rural population and overall rural development while preserving traditional values, it is necessary to provide opportunities for farmers through education and access to national and pre-accession funds for rural development (IPARD) to improve their status and business.

The Strategy states that the link between agriculture and tourism is multilateral. Agriculture and rural development have been recognized as major factors for the development of a green economy in Montenegro, with a focus on creating an integrated agricultural and tourism product that would contribute to reducing import dependency, and in this context, three groups of rural development measures have been defined, one of which relates to the diversification of economic activities in rural areas, reconstruction and development of villages and construction of rural infrastructure. In order to achieve the stated general goals regarding the development of the Montenegrin economy and the diversification of supply, it is necessary to achieve the goals set for individual rural regions. Namely, in order to achieve diversification of the rural economy, it is necessary to invest in the opening of new businesses, craft shops, the improvement of accommodation capacities for the development of rural tourism and the development of entrepreneurship. Also, such development depends heavily on investments in upgrading the rural infrastructure, which will further increase the attractiveness of supply in rural areas, improve living standards and reduce regional disparity. The core of the development of tourism in rural areas is not the creation of entirely new capacities and contents, but the integrated revitalized use of valorized and protected potentials and tourism products, along with the branding programme for rural tourist destinations. In line with the above, the basis of rural tourism in Montenegro is recognized by the use of existing resources through the presentation of tourism offer and products that are created through interaction of agricultural production, tradition, traditional gastronomy and tourist services, in a sustainable way. The Agriculture and Rural Development Programme of Montenegro under IPARD II 2014-2020 (IPARD II Program) was adopted by the European Commission in July 2015 and by the Government of Montenegro in Septem-
The objectives of the IPARD II Programme are to improve employment opportunities in rural areas of Montenegro, as well as to address the main problems and challenges of those areas, i.e. introduce measures and activities that increase the attractiveness of rural areas as places of work and life and reduce the differences between urban and rural areas. In this context, one of the key measures of the programme are farm diversification and business development.

**Montenegro Tourism Development Strategy until 2020**

The development of TDS defines the vision of the development of Montenegrin tourism, which should be based on the concept of wild beauty. In this regard, the strategic goal of tourism development in Montenegro until 2020 is: “By applying the principles and goals of sustainable development, Montenegro will create a strong position as a global high-quality tourist destination; tourism for the population of Montenegro will provide sufficient jobs and growth of living standards, and the state will generate income in a stable and reliable manner”. A number of operational goals and measures, including the development of rural tourism in Montenegro, have been defined to achieve the overall objective. In this regard, the need to create a diversified tourism offer has been recognized for the creation of a tourist destination with a year-round offer that includes, among other things, the development of rural tourism with a particular focus on the development of tourism products such as active mountain tourism, agritourism and wilderness camping. Furthermore, in order to promote Montenegro as a single product, the need for regional integration and the promotion of regional clusters involving rural development is recognized. Therefore, the development of rural, sporting and nature-oriented tourism has been recognized as the basic potential for creating clusters that need to be developed. The Skadar Lake - Cetinje cluster, the Bjelasica cluster and the Komovi Prokletije - Plav Rožaje cluster, as well as the Durmitor - Sinjajevina, Žabljak - Plužine - Šavnik clusters should focus on the development of nature tourism, sports tourism, as well as rural and cultural tourism. As is the case with the strategies presented above, this strategy also recognizes the integration of the tourism and agriculture sectors, and in particular the development of agritourism, as an important factor in future development.

Priority activities related to the development of rural tourism have been defined for the development and promotion of specific tourism products, such as regulating the legal framework in the field of active holidays, defining standards for wilderness camping and country camps, setting guidelines for the development of ecotourism and attracting investments in rural tourism by defining incentive measures to reduce rural to urban migration. The 2013 Tourism Reform Agenda provided a snapshot of the current state of tourism in Montenegro and defined a set of measures and activities aimed at improving and promoting the tourism offer. Also an integral part of the Agenda is the Action Plan for the preparation of the summer tourist season, with proposals for overcoming the limiting factors in terms of planned tourism development. The Tourism Development Strategy is essentially based on the Master Plan for Tourism of Montenegro until 2020, which was adopted in 2001 and represents its innovation. TDS has taken over the strategic recommendations of the Master Plan, with some changes in line with developments over the period between the adoption of these documents. The activities of the Action Plan focus on two directions: the creation of the necessary infrastructural prerequisites for smooth running of the season and overcoming the problems from the previous season and improving the tourism offer. The Agenda recognizes that, in terms of planned and achieved goals, additional efforts at all levels are needed in order to further raise the quality level of the overall tourism offer and associated infrastructure. One of the major challenges in tourism is the insufficient supply of tourism product, which is not sufficiently diversified, as well as its high seasonality. Other forms of tourism are underdeveloped, such as nature-based tourism, rural tourism and cultural tourism.

In 2001, the Government of Montenegro adopted the **Master Plan for Tourism of Montenegro**, which was updated in 2008. Taking into account the intense changes and trends in the tourism sector, this document is revised every 5 years, so the current version refers to the strategic framework until 2020. The Master Plan was developed in coopera-
tion among foreign experts, domestic institutions from the state and local level, foreign institutions involved in the development of Montenegrin tourism, as well as the civil and private sectors.

The Master Plan for Tourism of Montenegro until 2020 is aimed at creating a sustainable, high-quality and diverse tourism product, and the offer should be based on the natural and cultural wealth of Montenegro. The Master Plan recognizes the need to define regional concepts and products, which aim to diversify the total product of Montenegro. Plans and strategic measures are divided into three categories related to the period of their implementation: short, medium and long-term, with the aim of their effective implementation. Finally, through the implementation of the proposed measures and the realization of strategic goals in the field of tourism, this Master Plan is aimed at creating new jobs and increasing living standards, i.e., contributing to the lasting economic progress of Montenegro.

The strategic objective of the Regional Development Strategy 2014-2020 refers to achieving a more balanced socio-economic development of all local self-government units and regions, based on competitiveness, innovation and employment, which can be done through further improvement of priority development areas of Montenegro: i) transport and other public infrastructure; ii) agriculture and rural development; iii) energy; iv) environmental protection; v) competitiveness and innovation; vi) industry vii) tourism and culture viii) education, employment and social policies. In this regard, particular attention should be paid on the implementation of the RDS to the advancement of strategic branches of development, especially for the northern region. A SWOT analysis at the national level shows that there are significant and underutilized natural resources and benefits that represent the potential for growth, if properly managed. This group includes primary sectors (agriculture, forestry), and directly related to the development of food processing industry, wood processing industry, tourism development in coastal and mountainous areas, as well as in rural and urban areas, and renewable energy potentials. RDS recognizes the potential for the development of rural tourism in all regions, emphasizing the importance of rural tourism development in the northern region, primarily because of the abundance of natural resources available for winter and ecotourism development, the production of eco-food and food with protected geographical origin.

In this sense, the development of tourist infrastructure in the northern region is directed towards the development of rural and ecotourism, excursions and cultural tourism, as well as mountain and sports and recreational tourism, while health tourism is in the development stages. Also, the Katun revitalization project, tourist ethno-villages, agricultural katuns, development of agricultural production and opportunities for diversification of activities on farms are of some importance. The main strategic objective for the development of the northern region is to “increase competitiveness, accelerate and achieve sustainable development of the northern region”. Analyzing the strategic plans of LSG units in the northern region, they show that the development goals are mostly related to sustainable development and stimulating economic growth.

The priorities regarding the realization of these goals are mainly related to the improvement of transport infrastructure, energy development, agriculture and rural development, environmental protection, stimulation of private sector development and creation of conditions for increasing competitiveness, tourism development, human and institutional capacity development. Therefore, most of the priority areas relate to sustainable development of the northern region, followed by smart growth (by creating conditions for increasing competitiveness, development of rural and ecotourism, picnic and cultural tourism, as well as mountain and sports and recreational tourism and health tourism) and human resources development, that is, inclusive growth. The strategic goal for the development of the central region is defined as “achieving sustainable economic growth and development and accelerating competitiveness”. In relation to the strategic frameworks defined at the local level, the key development goals in the central region relate to stimulating economic growth, developing infrastructure and valorizing rich cultural and historical heritage. Areas identified as priorities for achieving these goals, defined by the LSGs in the central region, relate to the development of entrepreneurship and the valorization of available knowledge and the enhancement of competitiveness, the development of tourism, ag-
riculture and food industry, the improvement of environmental protection, the development of necessary institutional capacities. “Sustainable economic growth and increasing the competitiveness of the region based on the development of tourism and complementary sectors” is defined as a strategic objective of the development of the coastal region. In relation to this strategic goal, key development goals defined by the LSGs relate to the development of utility and new road infrastructure, the development of tourism and the valorization of cultural and historical heritage. The priority areas defined for achieving these development goals are further accelerated by the development of tourism, development of coastal navigation, encouraging competitive entrepreneurship, development of agriculture and processing of agricultural products, better valorization of marine resources, and development of necessary institutional capacities. In addition, MSDT has issued a set of strategic documents as well as information that recognizes, through recommendations, directly or indirectly, the importance of rural tourism development in Montenegro, the most important of which are: Montenegro 2013 Sustainable Development Criteria and Indicator Tables (to determine the effects of CDM projects), Operational Programme for Component Regional Development 2013-2014 and Strategic Environmental Impact Assessment for Operational Regional Development Programme for IPA Component III.

Sustainable development of rural tourism implies the implementation of the following recommendations contained in the documents presented above:

- A significant number of farms in rural areas (which make up the majority of the total number of farms in Montenegro), dispose of small areas of agricultural land (73% of households own land up to 2 ha). These farms are exposed to high income risk due to increasing competition in the market, reduced employment opportunities and the generation of external income and the devastation of rural areas. For the future economic development of rural areas, in addition to investment in rural infrastructure, it is also important to create conditions for job creation that are not necessarily related to primary agricultural production, where rural tourism has the primary place. This is because a significant part of rural areas of Montenegro has favourable natural, cultural and historical conditions for the development of rural tourism (ethno-villages, hiking, cycling, gastronomic tourism). The potential for new employment also lies in the possibilities of marketing special food products with designations of origin, geographical indications and traditional specialties guaranteed in the hospitality and tourism industry.
- Rural population lacks effective support for diversifying the economy and developing economic activities that respect the principles of sustainability.
- In the context of green economy and sustainable development principles, a great chance is reflected in the further development of nature-based tourism, especially in less developed northern and rural areas, but also in the development of ecotourism (e.g. in the area of Boka Kotorska). Waste collection is provided mainly in centres – urban areas of LSG units, while waste in rural areas (villages and small settlements) is generally not collected but is most often disposed of in unregulated landfills.
- It is necessary to invest more in rural infrastructure (primarily road infrastructure), water supply, healthcare facilities and electricity supply.
- The quality and availability of water and wastewater infrastructure should be improved by providing water supply and wastewater treatment services in line with EU practices and policies in urban and rural areas and establishing effective water and wastewater management systems.
- According to the Strategic Environmental Impact Assessment, one of the chances of development is reflected in better waste management, which will contribute to reducing air pollution. The development and modernization of the railway on Corridor 4, Bar-Vrbnica will reduce the levels of air pollution along the corridor, and most likely reduce the volume of road traffic. Improving this type of infrastructure will lead to better air quality in urban and rural areas.
Regional context

Most of the above listed and described strategic documents refer to the regional level. No specific strategic plans have been developed for three officially recognised regions in Montenegro, central, southern and northern.

However, development guidelines for some non-formal regions can be found within regional spatial plans for the protected areas that cover the area of several municipalities have been adopted. These are the Special Purpose Spatial Plan for Durmitor Area, Special Purpose Spatial Plan for Biogradska Gora National Park, Special Purpose Spatial Plan for Bjelasica, Komovi and Prokletije, Special Purpose Spatial Plan for Lovćen National Park and Special Purpose Spatial Plan for NP Skadar Lake Area. These spatial plans focus on areas of several municipalities, but not to officially defined regions in Montenegro in accordance with the regulatory framework.

Local context

Most of the municipalities in northern Montenegro have local development plans, covering the topic of tourism development in some segment. The key local strategic documents are:

- Strategic Development Plan of Municipality of Mojkovac 2012-2019
- Strategic Development Plan of Municipality of Berane 2012-2017
- Strategic Development Plan of Municipality of Andrijevica 2012-2017
- Strategic Development Plan of Municipality of Pljevlja 2013-2018
- Strategic Development Plan of Municipality of Plužine 2012-2017
- Strategic Development Plan of Municipality of Kolašin 2010-2015
- Strategic Development Plan of the Žabljak Municipality 2017-2021
- Strategic Development Plan for the Municipality of Šavnik 2012-2017
- Strategic Development Plan of Rožaje Municipality for 2014-2020

Among the municipalities in the north of Montenegro, Municipalities Gusinje and Petnjica do not have strategic documents, while the strategic plan of Plav Municipality is under development.

B.4.3.3. Actions and measures

Direct financial support

As already described, in the field of agriculture, Montenegrin agricultural holdings can access various direct financial support programmes providing significant incentives for the improvement and modernization of agricultural production.

The major support programmes are:

- Agrobudget
- MIDAS
- IPARD-like
- IPARD II Programme

Precise information on the intensity of direct financial support from MARD is described within the chapter B.4.2.3.

Rural Tourism Association – Tourism in villages is an organization that gathers agricultural households from all over Montenegro who offer tourism services. The Association was established with an intention to do everything that is possible to ensure that the rural tourism sector, which is at its very beginning here in Montenegro, grows and improves, and to help the families who live in rural areas and work in agriculture, make additional income, as well as a further incentive to preserve Montenegrin villages. There are currently 70 members. They have an official website, with the purpose to help the tourist easily find their way to them.

In the tourism sector, MSDT implements some activities and measures affecting rural households and rural tourism in general. For the second year in a row, MSDT has defined within the Incentive Mea-
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Sure Programme a measure aimed at improving the supply and the quality of services in rural households. The aim of the programme is to improve and develop supply in rural tourism, raise the level of quality of service in rural households, support the sustainability of tourism in these households and improve their competitiveness. The funds planned through the programme support measure can be used to improve and develop the existing supply in rural households for:

- Improvement of quality, sanitary, hygienic and other conditions in existing facilities
- Supply of adequate and dedicated furniture and equipment for accommodation units and tasting rooms
- Improvement of other supply within the farm

The budget for this support measure for 2019/2020 was 50,000 EUR, for which 51 households applied, and due to incomplete documentation, 20 were rejected. Funds were received by 31 households in 15 municipalities (Berane – 8, Andrijevica – 2, Bijelo Polje – 3, Pljevlja – 3, Plav – 2, Kolašin – 2, Herceg Novi – 1, Danilovgrad – 1, Podgorica – 1, Cetinje – 1, Plužine – 1, Nikšić – 1, Žabljak – 1, Petnjica – 2, Mojkovac – 2).

Considering regional and international direct financial support programmes, the main programmes available in Montenegro are listed below.

**RCC – programme designed to create an integrated tourism product at the level of South East Europe**

The RCC coordinated the economies of the Western Balkans in developing a strategy inspired by EU Europe 2020 Strategy, both in terms of addressed issues and the concept of accelerating progress through better cooperation in areas of common interest. SEE 2020 – Jobs and Prosperity in a European Perspective Strategy was adopted by seven South East European economies in November 2013, at a conference of Ministers of Economy in Sarajevo, Bosnia and Herzegovina. Direct participants in SEE 2020 are: Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Serbia and North Macedonia. The programme was designed to create an integrated tourism product in South East Europe 2017-2019, building on this strategy and aiming to help overcome obstacles in the mobility of professionals, improve coordination, create the conditions for investment and similar.

**European Union Strategy for the Adriatic-Ionian Region (EUSAIR) – Pillar 4: Sustainable Tourism Development**

The EU Strategy is based on the Adriatic-Ionian Initiative, launched in 2000 and covering eight countries: four EU Member States (Greece, Croatia, Italy and Slovenia) and four non-EU countries (Albania, Bosnia and Herzegovina, Montenegro and Serbia). Building on previous strategies for the Baltic Sea Region (EUSBSR) and the Danube Region (EUSDR), the Commission is now adopting the Communication and Action Plan for an EU Strategy Focusing on the Adriatic-Ionian Region (EUSAIR). This new strategy also covers the Maritime Strategy for the Adriatic and Ionian Seas, adopted by the Commission in November 2012. EUSAIR aims to enhance the region’s economic growth and prosperity by improving its attractiveness, competitiveness and cohesion. It also aims to protect the sea and the environment and the ecosystems of coastal and continental areas. In addition, the Strategy is expected to contribute to better EU integration for both candidate and potential candidate countries across the region.

**Montenegro’s Cross-border Cooperation Programmes**

Montenegro’s cross-border cooperation programmes are financially supportive of cooperation with the border territories of neighbouring countries/territories (cross-border cooperation) or cooperation of parts or entire countries/territories (transnational cooperation) to address issues of common interest – waste management, provision of services in various sectors, cultural and economic cooperation, tourism, traffic, etc. This European Union initiative exists since 1990, when European Structural and Investment Funds (ESI Funds), more specifically, the European Regional Development Fund (ERDF), was only available to EU Member States through INTERREG programmes. Since 2004, INTERREG programmes have been integrating non-EU countries using the funds available to them: IPA II (Instrument for Pre-Accession Assistance) is currently running from 2014 to 2020.
The specific objectives of cross-border cooperation are:

1) Develop tourism as a key sector of the cross-border economy
2) Promote cross-border trade cooperation as well as access to new markets
3) Re-establish cross-border links between business and trade support organizations to jointly promote cooperation initiatives
4) Maintain good environmental quality of the border regions, as an economic resource, cooperating in environmental protection and exploitation initiatives
5) Strengthen economic and sporting ties between people in order to strengthen interethnic, educational, cultural and sporting links and equally benefit areas of common interest
6) Ensure equal opportunities for all
7) Respect the special needs of vulnerable groups, persons with disabilities and/or national minorities
8) Environmental protection, both natural and human, built by humans for the purpose of sustainable development
9) Building partnerships and working together

In the financial period (perspective) 2014-2020, Montenegro has participated in eight cross-border and transnational cooperation programmes, including five bilateral programmes and three multilateral programmes:

- Montenegro - Croatia
- Montenegro - Bosnia and Herzegovina
- Montenegro - Serbia
- Montenegro - Albania
- Montenegro - Kosovo*

Adriatic-Ionian Cross-Border Cooperation Programme (INTERREG ADRION) is a European transnational programme working to foster cooperation and solidarity, strengthen economic, social and territorial cohesion in the Adriatic-Ionian region between eight partner countries (Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia and Slovenia).

Danube Transnational Programme. The Programmatic Territory of the Danube Programme consists of 14 countries, 9 of which are EU Member States, 3 are candidates and potential candidates for EU membership and 2 are neighbouring countries (including Austria, Bosnia and Herzegovina, Bulgaria, Montenegro, Croatia, Hungary, Moldova, Germany (Baden-Wurttemberg and Bavaria), the Czech Republic, Romania, Slovakia, Slovenia, Serbia and Ukraine (a part of the territory). The priorities defined in the Operational Programme are: Innovative and socially responsible Danube region; Environment and culture of the Danube Region; Better interconnected Danube Region and Better governance of the Danube Region.

Mediterranean programme. INTERREG MED 2014-2020 programme includes 57 regions from different EU countries and three IPA beneficiaries, including Montenegro, Bosnia and Herzegovina and Albania. The priorities defined in the Operational Programme are as follows: Promoting Mediterranean innovation capacities with the aim of “smart” and sustainable growth; Promoting low-carbon strategies and energy efficiency in specific territories of MED programmes: cities, islands and remote areas; Protecting and promoting the natural and cultural resources of the Mediterranean area; Strengthening governance in the Mediterranean area.

Direct technical support

Technical support is offered within the regular services of major institutions such as competent ministries (MSDT and MARD) with related advisory services, supported by national tourism marketing activities, carried out by the NTO. In addition to representatives of MSDT, MARD and NTO, support is provided by representatives of regional development agencies, representatives of civil society organizations focusing on rural development or rural tourism development, and a representative of the Chamber of Commerce.

Indirect support

The development of local infrastructure is an essential element of any effort to realize the growth potential and promote the sustainability of rural areas. It could be considered as the most important indirect support, because rural areas in Montene-
gro are facing different problems such as: low level of development, unemployment, poor rural infrastructure, migration issues, low population density, scattered settlements, etc. Current support for the development of the rural infrastructure is provided both from the national and local level, but due to configuration of the terrain and lack of finances, further support is needed.

Development of the rural infrastructure is a precondition for economic growth. Support to the investments in rural public infrastructure will have a positive impact on the economic and social status of rural area population and contribute to a better quality of life and scaling down of depopulation, since this provides farmers with an easier access to the market. Key issues in this sector are:

- Provision of infrastructure needed for the development of rural areas
- Contribution towards the improvement of living standards for rural population
- Support to public investments necessary to achieve development and environmental aims and increase the attractiveness of rural areas for local and outside investors

Key indirect immaterial support comes from universities, via education and training opportunities. Also NGOs give a lot of support to farmers, via organization of fairs, study trips, trainings, etc. Other public and private bodies also provide different services and support, but it must be noted that their achievements are general, rather than specific.

**Public opinion on available support for rural tourism**

The aim of the survey of the attitudes of tourists visiting rural areas in Montenegro for the purpose of drafting PDRT 2019 was to gain a closer insight into the views of tourists on the current offer available to them in the field of rural tourism in Montenegro. An analysis of the external and internal factors that create opportunities and constraints for the development of rural tourism in Montenegro was made, considering not only Montenegro as a whole, but also its regions and existing and potential rural tourism products. It should be noted that, with regards to the development of this type of tourism, Montenegro is at its early stages, and no major differences in regions and products have been identified yet, that is, most of the internal advantages and disadvantages, as well as external opportunities and threats, are inherent to the whole rural tourism system. Where there are specifics, i.e. where a particular factor does not affect the rural tourism of Montenegro as a whole (national level), it is particularly indicated which strengths, weaknesses, opportunities and threats affect which regional levels (north, central or south), or which of the product groups

**Strengths**

- Authenticity
- Gastronomic offer, tradition and culture
- Abundance of natural beauties
- The diversity of adventure tourism products and offers
- The variety of offer/proximity to the sea and mountains
- Local hospitality
- Traditional Montenegrin products
- EU candidate status

**Weaknesses**

- Underdeveloped awareness of the population on the importance of rural tourism
- The existence of the grey economy
- Inaccessibility of terrain and underdeveloped travel infrastructure
- Undeveloped other infrastructure
- Village depopulation
- Poor sanctioning of improper environmental behaviour
- Lack of knowledge and skills to engage in rural tourism
- Poor link between rural economy/agriculture and tourism
- Local population lack of awareness of incentives
- Inadequate promotion
- Lack of initiative to improve supply and network at the local level
- Inadequate system of information and provision of services to tourists
- Insufficient cooperation between the public and private sectors
Lack of a database with integrated contact information on rural households in all regions of Montenegro
- Inadequate tourism infrastructure
- Insufficient knowledge of procedures relevant to rural tourism

**Opportunities**
- Increasing international demand for nature-oriented tourism
- Growing international demand for new (unexploited) tourist destinations
- Linking to foreign destinations of rural tourism through thematization
- Increased utilization of EU funds and cross-border cooperation
- Formation of local action groups (LAGs) and implementation of the LEADER approach
- Visitor Requirements for the Offer of Authentic Domestic Products
- Visitor Requirements for Organic Food and Spring Water
- Saturation with traditional destinations
- IPARD II

**Threats**
- Further depopulation of the countryside
- The tendency towards the development of mass tourism
- The slow process of building the necessary infrastructure due to high costs
- Insufficiently developed capacities for the preparation and realization of EU projects
- Increasing environmental pollution
- Conflict between development and protection
- Uncontrolled entry of visitors into protected areas which endangers basic natural resources
- Conflicts between sustainable rural tourism initiatives and projects and investment projects in other sectors of the economy
- Reduced opportunity for low carbon tourism
- Stability and lack of capacity of local governments
- Lack of a proactive approach to rural tourism development

**B.4.4. CONCLUDING REMARKS ON RURAL TOURISM DEVELOPMENT STATUS IN MONTENEGRO**

**B.4.4.1. Rural tourism development status**

**Rural tourism status and typology in practice in Montenegro**

The Ministry of Sustainable Development and Tourism, starting from the guidelines set out in the Montenegro Tourism Development Strategy until 2020, is determined to create opportunities for the development of rural areas in Montenegro by adequate strategic policies and continuous activities. Current tendencies on the market and characteristics of tourism demand have a favourable impact on the development of rural tourism, which is confirmed also by World Tourism Organization (UNWTO), which underlines that market trends in tourism are moving in favour of rural tourism.

Tourism development in Montenegro has so far shown its undoubted importance in terms of economic effects, with a total (direct, indirect and induced) contribution to GDP of almost 24%. The figure is supplemented by data on direct employment in tourism, which accounts for 7.6% of employment in Montenegro, that is, total (direct, indirect and induced), which accounts for over 19% of total employment in Montenegro. For these reasons, tourism is in Montenegro is considered a priority and strategic industry.

Rural tourism creates conditions to satisfy the needs of an increasing number of tourists that aspire to a healthy lifestyle and seek experiences enjoying nature, traditional cuisine, the hospitality of farms/households in rural areas, tradition and preserved customs and other authentic sensations. Rural tourism is still underdeveloped in Montenegro, or to be more precise, not all of the available resources for rural tourism development are valorized in a sustainable way. It includes a wide range of various tourism products. It is impossible to determine all the products of rural tourism. There are three gen-
eral groups of products:

- Agritourism
- Tourism based on activities in nature
- Other products related to rural cultural heritage

B.4.4.2. Estimation of the level of rural tourism development achieved in Montenegro

It has been emphasized that in terms of the development of rural tourism, Montenegro is in its early stages. The country stands out with the authenticity of landscapes, the offer and traditional values, the abundance of natural beauties. Foreign tourists still recognize Montenegro as an exotic and insufficiently explored destination and this perspective often represents the reason for the initial interest of tourists. The diversity of products and the supply of adventure tourism is a very important factor that attracts tourists, especially due to the fact that the diverse offer in this segment provides them with a chance to choose and a freedom to create their own content while travelling. The supply in rural tourism in Montenegro is so diverse that it enables them to enjoy both rural and adventure tourism in a relatively small area, but also to experience the seaside component. Traditional, autochthonous Montenegrin products have not been sufficiently branded so far in the context of international trade, but efforts are being invested into making them a brand in the domestic trade. For full recognition, it is necessary to achieve uniformity of quality and a volume of production, and this is only possible by merging smaller producers and achieving their joint presentation on the market. Hospitality of local inhabitants represents an important advantage for Montenegro, since hospitality is of special importance in rural areas, where tourists strive for direct contact with the local population.

Montenegro has a big potential for rural tourism, but it is not fully exploited. Some of the obstacles are: undeveloped awareness of the population about the significance of engaging in rural tourism, the presence of grey economy, inaccessible terrain, i.e. insufficiently developed road infrastructure, undeveloped other infrastructure, depopulation of villages, mild sanctions for inadequate behaviour towards the environment, a lack of knowledge and skills in providing rural tourism services, weak connection between rural economy/agriculture and tourism, the local population is uninformed about incentive measures, lack of institutionalized support to the population to apply for the incentives and to register their households, a small number of rural households in Montenegro that are adapted to the requirements of foreign visitors, inadequate system of informing and providing services to tourists, huge differences in the quality of service in rural tourism, insufficient cooperation between public and private sector, a lack of a database with compiled contact information about rural households in all regions of Montenegro, undeveloped cultural tourism as a form of tourism complementary to rural tourism, inadequate tourism infrastructure, insufficient knowledge of the procedures relevant to rural tourism.

B.4.4.3. Main legal, institutional and policy gaps and obstacles for development of rural tourism in Montenegro

Legal frameworks

Two major laws are regulating the sector of rural tourism in Montenegro, the Law on Tourism and Hospitality and the Law on Agriculture and Rural Development.

The most important legal act that directly regulates the field of tourism is the Law on Tourism and Hospitality. This Law sets out the overall conditions and manners of tourism activity in the country. It defines who, how and where can design and market tourism products/services as well as the system of responsible institutions and their available tools for monitoring and sanctions. Tourism services in rural tourism can be provided by companies, legal entities and entrepreneurs, as well as natural persons – farmers, who are engaged in agriculture alone or as members of the family farm. However, rural tourism is undeveloped awareness of the population about the significance of engaging in rural tourism, the presence of grey economy, inaccessible terrain, i.e. insufficiently developed road infrastructure, undeveloped other infrastructure, depopulation of
not specifically recognised and in addressed in detail by current laws regulating the sectors of tourism and rural development.

In terms of the regulatory framework, it is evident that there is an extensive framework that regulates issues of rural tourism development, directly or indirectly. Besides agritourism, the Law on Tourism and Hospitality also regulates other products in the field of rural tourism.

The Law on Agriculture and Rural Development regulates the planning and development of the agriculture, objectives of the national agricultural policy, planning, monitoring and evaluation of the national agricultural policy direct payments (subsidies), the overall state of rural development and sectors. In accordance with this Law, the holder of the agricultural holding is eligible for incentives, upon applying with the necessary documentation and if they are registered in the Register of Agricultural Holdings.

The Ministry of Agriculture and Rural Development has implemented support measures for diversification of economic activities of farms, offering grant support for the adaptation of accommodation capacities and using them in the function of tourism development and as additional source of income for farmers in rural areas. Support measures that concern agricultural production are extremely important because they provide the volume and quality of agricultural products, which simultaneously presents one of the vital elements of the demand in rural tourism.

Additionally, the Law on National Parks and special purpose spatial plans for national parks are also relevant for the development of rural tourism.

Support policies framework

Recognizing the potentials of rural areas of Montenegro in terms of the development of authentic tourism products, potentials of rural tourism, and additionally the need to systematically define the area of rural tourism at the national, regional and local level, MSDT designed the Programme of Rural Tourism Development of Montenegro with an Action Plan 2019-2021 (PRTD 2019-2021).

The programme starts from the standpoint that that rural space and attractions should not be considered in the narrow sense only as a resource for tourism development, but also as a potential for the development of local communities and rural areas of Montenegro through active participation of different stakeholders in the area of rural tourism and entrepreneurship development in this area along with a clearly defined system of development and incentives at the national, regional and local levels. Therefore, the strategic objective of rural tourism development is directed toward the development of diversified and authentic rural tourism offer of Montenegro that will create a basis for the improvement of the population’s living standard in rural areas and to stop the depopulation of rural areas.

The other main national strategic documents related with rural development are harmonized with EU and international documents:

- Master Plan for Tourism of Montenegro (updated 2008)
- National Strategy for Sustainable Development Until 2030 (NSSD)
- Agriculture and Rural Development Strategy 2015-2020 (SRPRP)
- Montenegro Tourism Development Strategy to 2020 (TDS)
- Montenegro Regional Development Strategy 2014-2020 (SRR)
**Institutional framework**

A particular problem in the development of rural tourism is its complexity. This complexity stems primarily from the complexity inherent to tourism in general (a large number of actors in the provision of services to tourists, i.e. creating a unique experience, inconsistency of administrative boundaries with how tourists perceive the destination), but also from the characteristics related to rural tourism (shared space for agriculture, forestry, protected areas and tourism, dependence of rural product authenticity on the existence of adequate supply of local agricultural products, rural tourism as a form of diversification of the rural economy). Due to this complexity, a multitude of powers emerge. In the case of Montenegro, this is reflected in the strategic competences of two different ministries (MSDT and MARD), local development competences of different municipalities, marketing competences of NTOs at the level of international marketing, and LTOs at the level of local marketing – and missing destination management. The real problem is one of inconsistency of competences, which can be overcome only through the development of appropriate coordination mechanisms that would set general rules and strategic directions for development, as well as harmonize the activities of individual actors, which is one of the recommendations of PDRT 2019.

**B.4.4.4. Opportunities for rural tourism development**

**Institutions perspective**

There is no universal model for managing rural tourism. It is important to emphasize that the existence of institutions that manage the development of rural tourism and provide support is necessary. There are important institutions at the national level mentioned above that are responsible for development policy – these are the competent ministries (MSDT and MARD), and to a certain extent, in the domain of marketing, the National Tourism Organization (NTO).

- Ministry of Sustainable Development and Tourism (MSDT) is a governmental department in charge of the development of tourism through actions and activities of its directorates
- Ministry of Agriculture and Rural Development (MARD) covers within its competences a wide range of activities related to agriculture, fishery, water economy, forestry, hunting and wood industry, as well as issues of rural development
- National Tourism Organization of Montenegro (NTO) is competent exclusively the promotion of tourism offers of Montenegro. It represents an umbrella organization for the marketing of national tourism in Montenegro.

The fact is that institutions cannot help if there is no entrepreneurial spirit on one hand and tourist interest on the other, and in areas where tourism is severely underdeveloped, leadership is needed. On the other hand, the area of rural tourism in Montenegro is still characterized by insufficient networking and coordination. According to this, in cases where development of rural tourism was successful, the key to success was in the formation of networks and cooperation of various actors from the public, private and civil sectors.

**Service providers view**

The success in the development of rural tourism requires the participation of all stakeholders in planning and creation of a tourism product. Individuals, entrepreneurs, small and medium enterprises dealing with rural tourism must possess the necessary knowledge to take on their role in the management process.

Increasing state subsidies to stakeholders in rural tourism, as well as providing favourable loans, would significantly contribute to increasing the offer and quality in rural tourism in all segments: organization, accommodation, food and beverage production and serving, etc.

Further valorization of the authentic and unique live rural tourist attractions such as protected areas and the surrounding areas would significantly contribute
to their valorization, the satisfaction of the owners of the rural tourism facilities and service providers and their motivation to continue and increase their businesses.

Changing the legislation in terms of more friendly and more favourable business environment with significant incentives for rural tourism development especially in northern Montenegro would have a major influence on business improvement of existing service providers, but also on the establishment of new ones.

Regional cross-border initiatives

Tourism in border regions has an opportunity to activate these areas that are often neglected by the state. This kind of tourism development can be applied in Montenegro and, in that way, activate the Serbian border areas. However, in order to develop tourism in these areas, it is necessary to create adequate international cooperation and coordination between two or more states. This can be achieved by various instruments of cross-border cooperation in tourism by engaging neighbouring countries/territories in joint plans and cooperation. The best practice example for such initiatives is the valorization of the Tara river for the purposes of rafting and surrounding services development. The same model should be used especially in cases of this type of cooperation with other bordering countries/territories, primarily Albania and Serbia.

B.4.5. PERSPECTIVES AND RECOMMENDATIONS FOR RURAL TOURISM DEVELOPMENT

B.4.5.1. Utilizing rural tourism as an effective rural economy diversification tool – strengthening, shortening and greening agriculture-tourism value chains

In the context of the existing natural and organizational conditions, as well as the interest of visitors, it can be undoubtedly established that Montenegro has the capacity to develop a complex network of these products, some of which have already advanced in market commercialization. Many of these products have not yet been developed as separate products, but they exist in the form of activities. Most products in the field of outdoor activities are already recognized in the market. Ecotourism is on the increase, which is reflected in the growing trend of development of katuns and ethno-villages in the north of the country or activities such as bird watching in the south. Certain activities, such as horseback riding or sport hunting and fishing, are not separate products, but supplementary activities to other products. Freshwater fisheries have a development opportunity as a complementary offer to the current tourism offer (e.g. in the form of sport fishing), with significant potential for catching, processing and selling the fish from Lake Skadar. Fishing tourism on Lake Skadar and hunting on the lake and in the mountainous hinterland managed by PC Rumija are significant chances for development of these areas and introduction into the official tourism offer. On the rivers Tara (Kolašin) and Lim (Plav with Andrijevica, which will host the European Fly-Fishing Championship in 2019), there is great potential for the development of sport fishing as a complementary offer to rural and mountain tourism.

Products currently undergoing significant commercialization should represent a development base for the development of an integrated rural tourism offer in Montenegro. For this reason, product prioritization is based on these facts. In line with the results of in-depth interviews with key stakeholders from the private, public and civil society sectors, as well as visitor surveys, PDRT until 2019 recommends that Montenegro should focus on several key products that need special attention.

Agritourism and stay in rural households, from the aspect of market value, are not a priority, but from the aspect of realization of the basic goal of rural tourism development it is extremely important to support this product. This product is especially important because many tourists (the group of users of nature-based activities) use rural households for accommodation, food and similar.  

B.4.5.2. Upgrading policy and legislation

As already stated, providing support for rural tourism development and laws enforcement seems to have certain level of issues to be solved, while gaps within the legal framework are not a major problem in rural tourism development. The adoption of the Programme for the Development of Rural Tourism in Montenegro with Action Plan until 2019 will shape the development of rural tourism in Montenegro and upgrade the current policy and legislation.

B.4.5.3. Improving institutional capacities

For a new management system to be effective, it must provide:

- Full financial, administrative and political support of the Government of Montenegro and local governing bodies
- Impact on decisions and decisions of competent institutions and bodies
- Authority to initiate change and receive support
- Full support from the private sector
- Capacity to foster integration of tourism and rural economy (primarily agriculture), i.e. to develop an entrepreneurial and innovative aspect of the offer
- Competent and professional staff (mostly to be trained)

Based on the above facts, the management model of rural tourism in Montenegro can be shown schematically as in the picture below.

![Management model of rural tourism in Montenegro](image-url)
B.4.5.4. Recommendations for improvement of public awareness and participation

The current funds for tourism development need to be increased, but it would be best to support integrated products (other than separate investments in accommodation or equipment etc. without the clear picture of the tourism product and its marketing), as well as establishment of firm linkages of tourism with local food production through short supply chains and local partnerships. To be able to achieve good results with such projects, it is crucial to provide advisory support as much as extension aligned with financial support through NTO and LTOs and their stakeholders and partner organizations at the local level, formal and non-formal educators, those that carry out the activities of promotion and improvement of tourism in Montenegro, etc.

Better utilization of EU funds and interregional cooperation provides a chance to improve the offer of rural areas and a significant transfer of best practice scenarios with the countries/territories in the region. In order to increase the use of EU funds, it is necessary above all to inform the population better about existing funds, as well as train them on writing project applications and finding project partners.

This is especially important in the context of the preparation of applications for IPARD with funds available for the field of rural tourism. The programme of support to agriculture and the development of rural areas IPARD II programme for the 2014-2020 programming period will contribute to the strengthening of agricultural production the products of which are an important input in the rural tourism offer. Also, there may be a significant shift in the range and quality of the tourism offer itself in the rural areas of Montenegro, but it should be kept in mind that many small bidders will not be able to apply for these funds, due to the conditions dictated by IPARD. On the other hand, the majority of rural tourism participants are just small bidders, and this is one of the few sectors that can help them diversify their revenues. In this sense, it is very important to envisage support measures besides the IPARD programme, which will focus precisely on the small bidders.

Serious efforts should be invested in the education of tourist entrepreneurs, as much as in raising public awareness among the potential customers, developing skills for making local partnerships, creating interactive links with southern and central regions and creating and making permanently active and growing practice of conducting local development of rural tourist destinations through establishing and strengthening short and green value chains for rural tourism as much as cooperation with international partners promoting this kind of tourism.

Awareness of rural communities should be raised to the fact that the development of their areas depends on the mobilization of local resources and the diversification of activities. This also implies the creation of a stronger team spirit that directly results from the activities aimed at preserving local traditions, and the activities in this sense need to be undertaken in order to work additionally on removing obstacles in terms of accomplishing cooperation with offer providers or networking.

B.4.5.5. Recommendations for improvement of regional (cross-border) cooperation

Montenegro has a geographically favourable position in terms that it is possible to achieve significant cooperation with the countries/territories of the region in the field of rural tourism and these circumstances are of great importance for the future business of travel agencies, especially in terms of creating an integrated offer.

Tourism in border regions has an opportunity to activate rural economies in underdeveloped part of northern Montenegro. Rural tourism development can be applied in these regions due to the exceptional and mainly well conserved nature (protected areas, high mountain chains and big rivers) and their attractive cultural heritage including multiculturality.

The experience of Europe, however, shows that regional projects of this type can be sustainable only if they pay attention to what tourists really want and how they “consume” such products. It is extremely important that the thematization is done according
to the attractiveness of such products. However, in order to develop tourism in these areas, it is necessary to have adequate cross-border cooperation between two or more states at all levels starting with ministries, primarily those responsible for rural development and tourism to local administrations, through civil and business sectors, since the nature of these regions are shared resources, meaning that they are naturally one destination. Municipalities from border areas can also play a significant role in creating pilot initiatives for this type of cooperation. This can be achieved by various available financial and technical instruments of cross-border cooperation but also requires dedicated support from the highest level in respective national governments and local self-governments.
B.5. ECONOMIC DIVERSIFICATION POLICIES & INSTITUTIONS SUPPORTING RURAL TOURISM IN NORTH MACEDONIA

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B.5.1. INTRODUCTION

B.5.1.1. Rural space of the Republic of North Macedonia – geographical context

The Republic of North Macedonia (RN Macedonia) is one of the smallest countries in Europe, with 2,075,301 inhabitants\(^{226}\) living on 25,713 km\(^2\) of territory. RN Macedonia has a total of 1,767 settlements out of which 34 are legally defined as urban areas – towns and 1,733 as villages.

In RN Macedonia, rural area is defined as an area within the territory of a municipality that has no more than 30,000 citizens, according to the national census, or that has a population density lower or equal to 150 citizens per km\(^2\).\(^{227}\) Out of 81 municipalities in the country, 15 have less than 5,000 citizens, 14 have 5,000-10,000, 21 have 10,000-20,000, 17 have 20,000-50,000, 13 have 50,000-100,000 and only one (Kumanovo) has more than 100,000 citizens. 44% of the entire population in RN Macedonia live in rural areas, which cover 90% of the territory of the country.\(^{228}\) Statistically and for the purposes of regional policy development, RN Macedonia is divided into eight planning regions: Eastern, North-eastern, Pelagonija, Polog, Skopje, South-eastern, Southwestern and Vardar Region, out of which six are predominantly rural and two are intermediate rural (according to OECD definition).\(^{229}\)

The country is landlocked in the southwest of the Balkan Peninsula, neighbouring five countries/territories: Greece (EU/NATO member), Bulgaria (EU/NATO member), Albania (EU candidate for membership/NATO member), Serbia (EU candidate for membership) and Kosovo*.\(^{230}\)

RN Macedonia is predominantly a mountainous country, with mountains and hills covering 79% of its territory, 19% are plains and 2% water basins.\(^{231}\) Half of its territory is agricultural land while 44% of its territory is covered by forests.\(^{232}\) The relief of RN Macedonia’s territory is predominantly occupied by hills and mountains (44%) ranging between 500-1,000 m.a.s.l. RN Macedonia has nearly all soil varieties and types present on the territory of the European continent.\(^{233}\) As a result of its complex geographical relief, the territory of RN Macedonia has three different climate types: mountain, Mediterranean and continental. Average annual rainfall in the country varies between 1,000 mm in the mountains and 600-700 mm in the plains. 50% of the entire territory of RN Macedonia, or 1,261,000 ha, is officially categorized as agricultural land with 2/3 of it being pastures and as 1/3 cultivated agricultural land: arable land, gardens, fields.

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226 State Statistical Office
227 National Law on agriculture and rural development
228 Ibid
229 Ibid
231 According to the UN Resolution 1244
232 National Strategy for agriculture and rural development 2014-2020
233 Ibid
234 Ibid
orchards and meadows. Only 1/3 of the cultivated agricultural land in the country is covered by an irrigation system.

B.5.1.2. Rural areas of RN Macedonia and their socio-economic status

RN Macedonia has a low average population density, i.e. 80 citizens per km², compared with the EU average of 115 citizens per km². Urban centres in the country hold the largest concentration of the population: Skopje with 23%, Kumanovo 4%, Bitola 3.5%, and 24% living in smaller cities with the population under 15,000 citizens. According to the census of 2002, 43.3% of the entire population of the country lives in rural areas. 235 RN Macedonia has 1,767 populated areas with 1,746 of them having no more than 10,000 citizens. 964 of them have a population between 1 and 1,000 citizens and 11% of all the rural population in RN Macedonia lives in these settlements. According to the 2002 census, 151 settlements in the country have no registered residents and 633 have a population lower than 100. A continual trend of population increase is present only in the Skopje region, while all the rural areas in the country face unceasing depopulation. In the period between 2015-2017, 8,289 citizens moved from rural settlements to urban areas.

In 2018, the rural parts in RN Macedonia had 227,193 employed residents with an activity rate of 63.3% and an average unemployment rate of 21.6%. 236 The average size of an agricultural parcel per agricultural economy is 1.85 ha. More than 58% of the agricultural economies (households) process less than 1 ha of land and only 20% of households process parcels in the range between 1 and 2 ha. The EU average reaches 50 ha per agricultural household. Individual (private) operators process approximately 80% of the agricultural land while the remaining 20% is owned/managed by state institutions.

Population in rural areas contributes most significantly to the 4% of illiterate population in RN Macedonia, along with the highest rate of poverty in the country being in the rural areas – 48%. For comparison, urban areas have approximately 40% while the capital Skopje has a 12% poverty rate among its population.

Out of the 1,767 populated places in RN Macedonia, 964 have a population between 1 and 1,000 citizens and 11% of all the rural population in RN Macedonia, lives in these settlements. In the period 2014-2018, 7,764 237 citizens moved from rural settlements to urban areas. The level of education among the rural population is low (no exact data available) and even though in the past decade measures and activities have been undertaken, access to educational system for the citizens in rural areas is still limited and insufficient. 238 Rural areas have poor educational infrastructure (kindergartens, early development centres, elementary schools) and face lack of sufficient number of educational and administrative staff.

The healthcare system, retired people’s facilities and youth socialization infrastructure are also outdated or inexistent. 239 The road infrastructure in rural areas and roads that connect rural areas with larger urban centres (8,566 km) are also poor and outdated. They do not fully meet the citizens’ everyday needs and make transportation of goods and services to and from rural areas difficult or even impossible. The utility infrastructure is also a huge challenge, since only 17.7% of the rural population has access to sewage systems. Electricity grids are well developed in rural areas, with an availability of 99.75% of the rural population. Due to the overall increased possibilities for a better life elsewhere, rural areas face continual outmigration trends. 240

235 National Strategy for Regional Development 2009-2019
237 Ibid
238 National Strategy for Agriculture and Rural Development 2014-2020
239 Ibid
240 Ibid
B.5.1.3. Rural economy of the Republic of North Macedonia & importance of diversification

The GDP of RN Macedonia is estimated at 10 billion EUR while the GDP per capita is estimated at 4,800 EUR. The agricultural sector constitutes around 10% of the overall GDP, with the share of the food processing industry including beverages and tobacco ranging between 3%-4% of GDP. Thus, the agro-food sector (predominantly operating in rural areas) is still one of the most important contributors to the national economy accounting for up to 14% in the GDP. The unemployment rate in RN Macedonia was 36.0% in 2006, decreasing to 20.7% in early 2019. However, the persisting high unemployment rate among young people aged 15-24, (37,472 unemployed) is a huge problem, leading to the young labour force migrating from rural areas to urban centres and abroad. Out of the total number of the employed population (740,648) in 2018, the highest number of employees were engaged in the processing industry (150,820) and agriculture, forestry and fishing (119,337) sectors. The economy in rural areas is mainly presented by small and medium-sized enterprises (SMEs) and micro enterprises that operate (sell their products) on the local/regional markets. The majority of primary agricultural enterprises and the majority of food processing facilities are located in rural areas, due to the proximity to raw production inputs/materials.

Agriculture and income generated by agricultural activities and related processing and service activities still present the main revenue generator for the rural population. RN Macedonia’s average number of active SMEs per 1,000 citizens is 32, making it higher than the South East Europe average of 23, but considerably lower than the EU average of 45. The average number of enterprises in rural municipalities (municipalities that have their administrative centre in a village) is 18, compared with the average of 36 in the urban municipalities. Many efforts to promote economy diversification by boosting entrepreneurship or crafts in rural areas have been strictly limited by the low educational status of the labour force and the lack of professional experience. Instrument for Pre-Accession Rural Development (IPARD), and other national or local support measures have proven that the establishment of a micro, small or medium enterprise is a huge challenge, particularly in rural areas, due to a lack of good business ideas, entrepreneurial skills and knowledge. The majority of new businesses in rural areas are limited by the low income and low purchasing power of the local population as well as the saturation of businesses that require low investment capital (local retailers, restaurants). The initial investment capital is also considered a significant obstacle for the development of sustainable businesses in rural areas.

Most important national strategic and legislative documents recognize tourism as huge potential in rural economy diversification as it can increase the income of the rural population and have positive effects on the preservation and sustainable use of natural resources. Economic (non-agriculture) diversification in rural areas can help the rural population in building new economic activities within and outside the agricultural production process, to create new income and employment possibilities. With an average of 67% left in the local economy out of the total expenditure by tourists, rural (adventure) tourism presents a huge opportunity. Value chains development in this sector needs the establishment of productive partnerships among chain actors (primary agriculture producers, B&B providers, guides, transporters, tour operators, LSGs, protected areas’ management bodies), engagement with support organizations (donors, civil society organizations, State Agency for the Promotion and Support of Tourism), and feedback mechanisms on intervention processes. Rural economy (tourism) stakeholders must employ a broader approach to value chains by using a combination of available and new tools and to seek out more efficient collaboration with key actors within and outside the value chain.

241 State Statistical Office of RN Macedonia
242 National Strategy for Agriculture and Rural Development 2014-2020
244 National Strategy for Agriculture and Rural Development 2014-2020
245 Adventure Travel Trade Association (ATTA): Adventure Travel Trends Snapshot March 2017
B.5.1.4. RURAL TOURISM & ITS PLACE IN RURAL ECONOMY OF NORTH MACEDONIA

Rural tourism – the Republic of North Macedonia definitions and scopes

The National Strategy for rural tourism development 2013-2017 has presented a holistic approach towards rural tourism definition. Its content (Section 3) gives several different definitions for rural tourism (UNWTO, OECD) with a clear intention of understanding rural tourism as integrated tourism and hospitality activities (that can be combined with primary agricultural and forestry sectors) occurring in rural environment. The reality of rural tourism in RN Macedonia is also quite close to ATTA’s core definition of adventure tourism – a type of travel that “encompasses natural, cultural and physical elements”246, which is quite precisely the frame in which rural tourism is marketed and promoted countrywide.

The national Law on Tourism and the national Law on Hospitality are hierarchically the highest documents that define and regulate tourism and tourism services in RN Macedonia. The term “rural” cannot be found in their content, however, both of them consider tourism activities that are designed and implemented in villages and/or the natural environment.

The Law on Tourism, in most of its content, holds quite a broad perspective and describes tourism activity as an economic activity rather than geography or content (type of product) related. Nonetheless, this Law (Article 2) defines “tourism services in villages and ethno-tourism” as type of activity where visitors stay in village households for the purposes of rest and recreation. Also, Article 51 defines quite precisely “tourism services in villages, ethno-tourism and ecotourism” as: renting horses for horseback riding, photo safari, production of homemade handicrafts, souvenirs, instruments and other products and services in a village household. According to the same Law, ecotourism services include stay in areas with specific natural characteristics and protected areas, for the purposes of rest, recreation and sightseeing of natural heritage in a manner that is legally defined, including photo safari, selling and buying natural products. Only registered natural persons can provide these services exclusively using contractually arranged mediation by tourism and hospitality service providers.247

The Law on Hospitality in its Article 27 defines that houses and rooms rented out by natural persons and village households must be categorized by certain standards and by a commission formed by the mayor of the municipality where the tourism services are provided. Article 53 of this Law defines the provision of hospitality services in rural households where one registered service provider can have a maximum of 20 beds or a maximum of 10 rooms. Village households can offer and serve predominantly homemade food and beverages for the maximum number of 50 (daily, without overnight) guests. Village households can organize activities like wine tasting and can let their guests prepare food and beverages on their own, within the facilities they stay in. The Law on Hospitality defines that a village accommodation service provider must obtain a special mark in order to be able to provide tourism and hospitality services, and obtaining this special mark includes (1) official categorization of the facilities, (2) the use of natural materials and incorporation of motives of the local culture in the appearance of hospitality facilities and (3) the food and beverages served in the facilities should be homemade and ecologically produced.

Rural tourism in rural economy of the Republic of North Macedonia

The most relevant institution that measures tourism statistics in RN Macedonia is the State Statistical

246 Adventure Travel Trade Association (ATTA): Adventure Tourism Development Index 2018, p.2

247 As comparison: the definition of ecotourism by the Global Ecotourism Network is much more community-oriented: “Ecotourism is responsible travel to natural areas that conserves the environment, sustains the well-being of the local people, and creates knowledge and understanding through interpretation and education of all involved (visitors, staff and the visited)”, https://www.globalecotourismnetwork.org/what-it-is-not-ecotourism/
Office (SSO). SSO measures national tourism performance and presents it in annual reports containing data on tourists and nights spent as evidenced in the monthly reports of the board and lodging establishments. Additional sources for SSO data gathering are the guest books, which these service providers are legally obligated to maintain. Consequently, SSO does not measure the performance of a particular tourism type or product. They issue monthly and annual reports on the state of play in the tourism sector, with general information, such as the number and type of tourists (domestic, foreign and country of origin), length of stay and type of accommodation.

In 2017, SSO counted 998,841 tourists in RN Macedonia, out of which 368,247 were domestic and 630,594 were foreign visitors. Altogether, they realized 2,775,152 overnights.

Taking into consideration that SSO is the most relevant data source, some of their data can be put into context in order to (at least to some degree) evidence the contribution of rural tourism in the local economy. In 2017, mountain resorts in RN Macedonia had 58,752 annual arrivals, out of which 40,907 were domestic tourists and 17,845 were foreign tourists. Together, they accumulated a total of 136,436 overnights. Houses, vacation apartments and rooms for rent hosted 124,949 guests out of which 124,238 were domestic and 711 were foreign. The same accommodation category recorded 793,667 overnights, out of which 792,312 by domestic and 1,355 by foreign guests.

Additionally, the available official data for the most recognizable rural tourism municipalities in RN Macedonia are the following: in 2018, Kruševo received 15,853 domestic and 2,329 foreign tourists with a total of 51,566 overnights. Resen had 6,905 domestic tourists and 1,085 foreign ones, with a total of 31,644 overnights. Houses, vacation apartments and rooms for rent hosted 124,949 guests out of which 124,238 were domestic and 711 were foreign. The same accommodation category recorded 793,667 overnights, out of which 792,312 by domestic and 1,355 by foreign guests.

Informal economy, would be at least 30% higher.

The average spending per tourist is not measured by any official institution in the country. For the short-term purposes of different development policies planning, this economic category is subject to speculation and theoretical calculations. Some institutions have estimated different tourist spending, depending on the type of products they consume, ranging from 55 EUR to 70 EUR per day, 35-65 EUR per day or even 150-300 EUR per day. As mentioned above, according to the Adventure Travel and Trade Association (ATTA) research, 67% of the average adventure travellers’ (typical consumers of rural tourism products and services) spending stays in the local destination, because the product itself is composed of local services (local accommodation, local food, local guides/animations, handicrafts, dairy producers, horses for riding and other paid activities).

### B.5.2. INSTITUTIONAL AND LEGISLATIVE CONTEXT FOR RURAL TOURISM IN NORTH MACEDONIA

#### B.5.2.1. Legal framework for rural tourism in the Republic of North Macedonia

The national legislation that defines rural tourism, directly or indirectly, includes miscellaneous legal acts from different areas: tourism/economic development, taxation, environmental protection, rural development and agriculture. The laws that are connected with rural tourism are the following:

- Law on Hospitality of RN Macedonia
- Law on Tourism on RN Macedonia
- Law on Camping Sites of RN Macedonia

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The overall tourism sector development in RN Macedonia is regulated by two main laws, the Law on Tourism and the Law on Hospitality. Complementary to them, the Law on Tourism Development Zones, the Law on Establishment of the Agency for Promotion and Support of Tourism, the Law on Camping Sites, the Law on Hiking Trails and the Rulebook (by-law) on the type and the amount of subsidies for support to organized incoming tourism, are also in function.

The **Law on Tourism** regulates the overall conditions and manners of tourism activity in the country. It defines who can design and market tourism products, how and where. The Law on Tourism also defines the types of tourism products/services as well as the system of responsible institutions and their available tools for sector monitoring and sanctions. Regarding rural tourism, in Article 51, the Law defines services in village tourism, ethno-tourism and ecotourism. From the present perspective, this Article gives a pretty narrow frame of what is considered village tourism and ethno-tourism, listing only the following: horseback riding, photo-safari, production and purchase of homemade handicrafts, souvenirs, instruments and other products and services offered within the village household.

The Law on Tourism defines ecotourism as provision of the following services: stay in areas with special natural characteristics as well as protected areas for the purposes of rest and recreation and sightseeing of natural beauties. It establishes that the providers of these services can only be natural persons registered in a special Registry kept by the mayor of the municipality. Prior to the registration, service providers must undergo a categorization process conducted by a special LSG commission, formed by the mayor.

A very important paragraph in this Law (Article 51, paragraph 6) obliges all providers of village tourism, ethno-tourism and ecotourism services to work with intermediaries, based on written agreements with other tourism/hospitality service providers. The purpose of this is to facilitate (bypass) the national taxation rules and procedures that all other businesses must follow. Village tourism, eth-
no-tourism and ecotourism service providers are not registered VAT payers and do not have to issue fiscal receipts for their services. The tour operator that they have the agreement with, does (should do) that on their behalf, charging them an operational commission for this service. This extra charge increases the net price defined by the service provider, so in order to avoid this extra cost and to be more competitive, service providers abstain from working with intermediaries and prefer to operate with cash payments. In many cases, favouring cash and the inability to provide written proof for the services provided (the price paid), significantly reduces village tourism service providers’ access to potential markets (companies, or any other type of legal entities that must prove their spending with receipts and accompanying documents).

The Law for Hospitality has the general objective to define and regulate the type of hospitality services, their supply chain and the (institutional) monitoring and sanctions system. Its Article 4 obliges natural persons providing hospitality services to be registered at the Mayor’s Registry, but also gives mandate to the local self-government to keep updated records of all the hospitality providers on its territory.

The Law on Hospitality defines two categories of facilities for accommodation:\n1) basic: hotels, hotel settlements, apartment settlements, motels, residences, etc. and 2) complementary: inns, camps, private accommodation facilities (houses, rooms, apartments), resorts, mountain huts, etc. Traditional restaurants (meana/меана) must be properly marked with a nomination (emblem) provided by the Ministry of Economy (MoE) after fulfilling precise criteria related to the menu and ambiance. The Law on Hospitality also directly regulates the accommodation and food services that natural persons provide in private houses, apartments and rooms and village households. Article 48 strictly provides that natural persons who rent private accommodation facilities must do so by having a written agreement with a national tour operator. Article 53 defines hospitality services in village households, the maximum number of rooms for accommodation (10) or the maximum number of beds for rent (20), and the preparation and serving of homemade food and beverages for a maximum of 50 daily guests, simultaneously. Village households must provide these services (and additional ones if any, e.g. wine tasting) in a specially arranged and equipped space/venue. Accommodation facilities categorization process, its specific requirements and the overall procedure are also described in this Law.

The Law on the Establishment of the Agency for Promotion and Support of Tourism (APST) defines the scope of work of the APST as main responsible body for the promotion of the tourism sector in RN Macedonia. APST has the mandate to actively promote all tourism potentials and products of the country through measures like fair attendance and organization/co-hosting of familiarization trips for international media and tour operators and direct financial support provision (subsidies) for organized incoming products.

Agriculture and rural development

The Law on Agriculture and Rural Development (LARD) regulates the planning and development of agriculture, objectives of national agricultural policy, planning, monitoring and evaluation of national agricultural policy direct payments (subsidies), the overall rural development and sectoral state aid. According to LARD, the rural development policy has several priorities: improvement of the competitiveness of the agricultural sector, environmental protection and rural areas protection, improvement of the quality of life in rural areas, support to economic diversification and employment possibilities in rural areas, as well as support to the local development of rural areas.

LARD describes particular tools and financial instruments to accomplish these priorities. LARD defines rural areas as areas in which all the settlements have less than 30,000 inhabitants according to the official census, or if their population density is lower or equal to 150 citizens per km². These settlements within rural areas are considered rural communities. Depending on their economy, popu-

255 Law on Hospitality, Article 27
256 Law on Hospitality, Article 19
257 Law on Hospitality, Articles 46, 47
258 Law on Agriculture and Rural Development, Articles 65-87
lation and geographical location, rural communities can fall under three different categories: inaccessible, rudimentary and depopulated rural communities. LARD also defines rural regions²⁵⁹, mountain areas, areas with natural limitations and areas with specific limitations.²⁶⁰ LARD also focuses on the improvement of the quality of life in rural areas and support to their economic diversification through a set of measures²⁶¹, including: diversification of the economic activities of an agricultural economy outside the scope of agricultural activities, support to the establishment and development of micro-enterprises, stimulation of innovative practices and introduction of new economic activities in rural areas and support to the development of rural tourism. Another set of measures²⁶² is described, aiming at the improvement of the quality of life in rural areas, particularly supporting: the introduction and development of IT, utility, market and social infrastructure in rural areas, revival and development of villages, as well as the preservation and improvement of natural and cultural landmarks and traditional values in rural areas.

Support measures for local development in rural areas²⁶³ comprise of the following: the implementation of strategies for local development of rural areas, implementation of strategies for rural development by rural local self-government units, support to the activities of Local Action Groups (LAG) and support to the inclusion of the local population in the overall development of the rural area. Financial support can be provided as three different types: grants for investments, financial assistance and direct payments (subsidies). LARD also provides for financial assistance for the preservation of traditional landscape and architecture, as well as technical support for agriculture and rural development (trainings, organizing fairs, marketing, publishing promotional and educational materials, conducting research and development activities, etc.). Details of each functional measure (purpose, supported activities and financial allocations) are given in chapter B.5.3.3 below.

### B.5.2.2. Spatial plans and rural tourism

#### National level

The Spatial Plan of RN Macedonia 2004-2020 (SPRNM)²⁶⁴ is the highest national long-term, integral strategic development document that aims to secure organization, protection and management of the territorial space of the country as highly important and limited national treasury. SPRNM’s content is divided into three sections: 1) State of play and tendencies in spatial organization, use and management, 2) Objectives of spatial management and organization and 3) Concept for spatial organization, use and protection in RN Macedonia.

The Plan must be implemented through hierarchically lower documents, such as regional and municipal spatial plans or other spatial planning documents. SPRNM Section 3.3 sets the objectives of the development of village settlements/areas: intensifying positive transformation processes in villages; their social-economic development through optimal use of available resources and increased dynamics in their economic development in accordance with market-oriented activities; increase of the level of economic and social inclusion, increase of the level of functional and utility equipment, planned development of village settlements, improvement of the traffic infrastructure and connection of villages with urban areas, and preservation and improvement of natural values and ecological attributes of the space. Section 5.4 defines tourism development and the organization of tourist areas in the country, based on the following potentials: water basins, mountains, spas, areas with natural and cultural heritage, transit corridors, urban and rural settlements and hunting areas. Based on these potentials, SPRNM foresees the following types of tourism: lakeside (3S – Sun, Sea, Sand), mountain winter sports, mountain climate healing, spa, hunting and transit tourism. The Plan defines 10 tourist regions: Skopje-Kumanovo, Sharr-Polog, Mavrovo-Debar, Kicevo-Makedonski Brod, Ohrid-Prespa.

Data found in this document must not necessarily be considered relevant, since they were collected in the period of SPRNM development and in particular cases some of them are even 18 years old (2001).
Pelagonija, Middle Vardar, Strumica-Radoviš, Bregalnica and Kratovo-Kriva Palanka, with a total of 54 tourist zones.

The Law on Tourism Development Zones (LTDZ) is a national level document that aims to improve the economic development of the country by attracting domestic and foreign capital for tourism development, increasing the competitiveness and creating new employment possibilities, using tools like tax reductions, state aid and governmental co-financing of the expenses for trainings and capacity building for the employees in tourist zones. According to the Government of RN Macedonia, in the pilot phase, eight tourist zones were foreseen in Struga, Prespa, Dojran and Ohrid. Feasibility Studies were developed for two locations: Kalista (Struga), with 14 ha to be developed for hotels, villas, apartments, beach and sport facilities and Dojran, with 32 ha including a hotel complex for 1,700 guests, restaurants and bungalows.

Regional levels

In accordance with SPRNRM, complementary regional spatial plans have been drafted:

- Spatial Plan for Skopje region 2005-2020 (draft)
- Spatial Plan for protected areas around Rašče springs
- Spatial Plan for the area around the water accumulation Kozjak
- Spatial Plan for the Treska river basin
- Spatial Plan for Ohrid-Prespa region 2005-2020 and
- Spatial Plan for the East Planning Region 2013-2030 (draft)

The Spatial Plan for Skopje region aims to define a model for rational spatial organization of the region, definition of optimal distribution of activities, physical structures and population on the basis of spatial, functional, economical, technological and environmental criteria of sustainable development, rational use of natural resources and protection and revitalization of established values, securing preconditions for infrastructural systems functioning and integration with the neighbouring regions.

The Spatial Plan for the East Planning Region defines the following possibilities for tourism development: use of renewable resources in accommodation facilities, available resources in the region for developing different types of tourism, enabling diversification of the tourism offer, enabling geo-morphological conditions for the development of a new ski centre on the principle of public-private partnership, construction of Corridor 8 and improvement of the infrastructure, attraction of investments and active role of local-self-government units. The plan has three objectives for rural development: 1) increase the coverage of rural settlements with planning documentation, 2) increase the level of infrastructural development, living standard and decrease differences compared to urban areas and 3) priority development of activities based on local resources use, considering the ecological component and prioritization of environmental protection. The Spatial Plan divides tourism potentials of the region into seven tourist zones with a total of 39 tourist localities.

The Spatial plan for the Ohrid–Prespa region foresees two major orientations: 1) stabilization and intensification of the emitting characteristics of the neighbouring countries/territories that are attracted by this region and 2) undertaking promotional activities directed at other Balkan countries/territories. Some of its most important objectives are the valorization of tourism potentials, intensification of marketing activities and positioning the region as an international destination, calculation and prediction of tourism spending as a key progress indicator, inclusion of cultural and natural legacy in the tourism offer, diversification of spatial areas and development of different types of tourism products accordingly. Considering the territory of the region, this Plan distinguishes the following tourism zones: Prespa, Prespa II, Debrca, Drim-Globočica, Galičica, Jablanica, Struga and Ohrid. The villages Višni, 265 https://vlada.mk/node/2742?ln=sq

266 Spatial Plan for the East Planning Region 2013-2030, Table 89, Tourist zones, localities and types of tourism products.
Gorna Belica, Brajcino, Ljubojno, Velestovo, Šipokno and Skrebatno are recognized as traditional rural settlements that are being transformed into tourist settlements.

From the analysis of the official spatial planning documents (national and regional), it is evident that there is a considerable discrepancy between the national regional policy and the spatial planning. The National Strategy for Regional Development considers different territorial units and develops planning policies based on those units (for ex. Prespa micro region is part of the Pelagonija region, as opposite to the National Spatial Plan where Prespa is part of the Ohrid region). Also, a general conclusion is that after their expiry (2020), the current National Spatial Plan and its subordinate documents should consider an updated context of tourism development more accurately.

Local levels

Local self-government units (LSGU) are the most important entities that hold the mandate to sustain their overall development through organization of their spatial territory. Within their General Urban Plan and Detailed Urban Plans municipalities can mark micro or integrated complex units with tourism and hospitality function. The procedure is long and expensive but considering that the urban areas have a certain degree of legal and technical preparedness (outdated, but at least existing urban plans, layers) — if the private sector shows entrepreneurial initiatives and depending on the local administrations’ capacities — considerable progress should be expected. Municipalities, within their urban areas, can also provide different amenities (e.g. Municipality of Bitola) for tourism-related investments, such as utility tax deduction or deducted land pricing.

Major problems occur in the spatial planning of rural areas, which also falls under the exclusive mandate of LSGUs (if the area is not under some level of protection, then they share responsibilities with the national level entity). Most of the rural areas do not have proper planning documentation thus the overall economic development and diversification (tourism included) is administratively obstructed. The Agency for Financial Support to Agriculture and Rural Development (AFSARD) facilitates the process by publishing calls for financial support for the preparation of planning documentation for rural areas. Some municipalities (e.g. Municipality Novaci) use their own out of order buildings (schools, huts, military watch towers) to utilize them for tourism purposes through public-private partnerships.

B.5.2.3. Cross-cutting issues and other legislation of relevance for rural tourism

Environment, natural and cultural heritage conservation

The Law on Environmental Protection defines the rights and obligations of RN Macedonia and its municipalities, legal entities and natural persons in the process of securing conditions for environmental protection and upgrade in order to enable citizens to fulfil their right to a clean and healthy environment. Measures of the overall environmental protection listed in the environmental protection documents, should be aligned with planning documents in the regional development, science and education sectors, as well as with economic activities based on the use of natural resources, as well as with telecommunication, transport, tourism, spatial and urban planning and land use policies. From a strategic planning perspective, this Law instructs policy decision makers to consider tourism development support measures and tools while preparing local environmental protection action plans. The Law on Environmental Protection also requires the preparation of environmental impact assessment in the process of preparation of all the tourism-related strategic documents. Sustainable development support for rural areas is foreseen within the Programme for Investments in Environmental Protec-
tion.\textsuperscript{271}

The Law on Nature Protection regulates nature protection through the protection of biological and landscape diversity of natural heritage in and out of protected areas, as well as the protection of natural rarities. Nature protection objectives are expected to be reached through the implementation of protection measures, spatial planning and development, monitoring and reporting, public information, strategic planning or support to scientific activities.\textsuperscript{272} Tourism as activity is highly recognized in this legal act, as a favourable sustainable tool that can be used in the overall efforts in nature protection. The tourism component of nature (from a perspective of an ecosystem) is recognized in the non-material gains (cultural services) one ecosystem can offer to any subject.\textsuperscript{273} The Law prohibits any anthropogenic activity in the highlands and highland ecosystems, except sustainable ecotourism activities and traditional stockbreeding.\textsuperscript{274} Also, this Law prohibits any kind of infrastructure development except tourism or stockbreeding-related, construction of sewers, gullies and channels.\textsuperscript{275} According to this Law, the management of national parks should be performed in an integrated manner, including continual improvement of enabling conditions for tourism development within the territory of the parks.\textsuperscript{276} Tourism is also recognized as one of the very few economic activities with no negative impact on the environment and can be performed in active management zones in all protected areas in the country.\textsuperscript{277}

The Law on Waste Management defines waste management, principles and purposes of waste management, plans and programmes, rights and obligations of the natural persons and legal entities related to waste management. The National Strategy on Waste Management, a development document for a period of 12 years, prepared by the MEPSP and adopted by the Government of RN Macedonia, is the highest national document that defines guidelines for the achievement of waste management objectives.\textsuperscript{278}

Complementary documents to the Strategy are: the (National) Waste Management Plan, regional waste management plans as well as local waste management plans and programmes. Legal entities and natural persons who produce communal and non-hazardous waste are obliged to dispose of it by using an authorized natural person or legal entity licensed for waste collection, transport or trade\textsuperscript{279}, and at locations specially designated and marked by LSGUs\textsuperscript{280}, which must be equipped with special waste collection and selection bins.\textsuperscript{281} Installation of these bins is the responsibility of the Mayor and the LSGU.\textsuperscript{282} According to the National Waste Management Plan, LSGUs are responsible to maintain public cleanliness and have the obligation to dispose of the public communal and non-hazardous waste.\textsuperscript{283} This process must avoid environmental, water, air and soil pollution, must not endanger the health of citizens, it should not destroy animal enclosures and habitats, devastate cultural and natural legacy or deform the look of the urban and rural areas.\textsuperscript{284}

The Law on Water aims at the regulation of all issues related to management, use and protection of surface water, water basins, streams, lakes, accumulations, springs, waterside land, waterside ecosystems and enclosures as well as institutional setup for water management and financing. In order to obtain rights to use some of the waters on the territory of RN Macedonia (water rights\textsuperscript{285}) for tourism-related purposes\textsuperscript{286}, natural persons or legal entities need to have a permit issued by the MEPSP.\textsuperscript{287} According to this Law, meeting and maintaining standards for the quality of drinking water\textsuperscript{288} (including in rural settlements), is the obligation of LSGUs and their public enterprises.\textsuperscript{289} The overall funding of the water management and development is composed of water use rate, water disposal rate, National Budget allocation, compensation for sand and gravel digging, rent of public-owned water surfaces and their
surrounding areas and municipal budgets. The monitoring of the implementation of the Law on Water is a shared responsibility between MEPSP and MAFWM.

The Laws on National Parks Pelister and Galičica define borders of the protected areas, size of the territory of the parks, planning documents, physical protection of the territories of the parks, management bodies of the parks and their responsibilities. Each law defines zoning in each park and allowed activities in them. Ecotourism is listed as an eligible economic activity in the active management zones in both national parks. The existing draft Law for the Proclamation of Mavrovo as Protected Area – National Park, also lists ecotourism as an eligible economic activity in the active management zone of the Park.

The Law on Wine includes regulations regarding planning and management of the production potential for wine grapes and wine production, market and wine trading, wine classification, production, labelling and protection of the wines with geographic indications and description as well as wine producers’ associations. MAFWM and the State Agricultural Inspectorate are the responsible entities for monitoring the implementation of this Law. The Law on Wine obliges each legal entity that produces wine (wineries) to employ at least one person with a formal wine or wine growing-related higher education. Natural persons that produce wines must employ someone with formal wine or wine growing-related higher education or have a contract on formal cooperation with a person with this educational background.

The Law on Forests sets out the management, planning, economic activities, growing, protection and keeping of the forests as natural heritage, their use, function, related rights, obligations and financing. The Law defines that forest management also includes the use of forests for tourism purposes. The Law is applicable both to privately and publicly owned forests. All citizens have free access to all forests for recreational purposes except in cases when the forest managing body prohibits access due to biodiversity protection or in the case of potential risks for visitors (e.g. fire). Waste disposal is strictly forbidden in forests. The State Forest Police is responsible for the physical safeguarding of forests. State forests are managed by the National Public Enterprise – Macedonian Forests. MEPSP and the State Forest Inspector have overall monitoring responsibilities over the implementation of the Law on Forests.

The Law on Organic Production regulates the production, preparation, processing, storage, transportation, distribution, marketing, selling, labelling and control of the applied methods of organic production. The Law is applicable to agricultural production, organic food, aquaculture, animal food, plant material and seeds. According to the Law, the Government of RN Macedonia is obligated to draft an annual organic production support programme including specific measures to be funded from the National Budget, loans or donations. AFSARD is the responsible institution for the distribution of funds for this programme. Monitoring of organic production in the country is performed by certification bodies (national or international), authorized by MAFWM. The overall monitoring of the implementation of the Law on Organic Production falls under the mandate of the MAFWM and the State Agriculture Inspectorate.

The Law on Fisheries and Aquaculture defines the management, planning, economy and aquaculture of fish and other water animals in natural waters, fishponds, fisheries and other fish breeding and cultivating facilities as well as the fish trade, institutional setup, protection, registry and evidence and fishery-related associations. The Law defines also fishing areas, fishing zones, fishing territories (ревири) and recreational zones. According to this Law, fishing areas are Ohrid Lake, Prespa Lake
and Dojran Lake. This piece of legislation defines the concession procedures for economic fishing activities, including rights, obligations, deadlines and licensing. The monitoring of the implementation of the Law on Fisheries and Aquaculture is performed by MAFWM and the State Inspectorate for Agriculture.

The Law on Hiking Trails defines the procedures, rules and guidelines for establishment, structure, arrangement, management, monitoring and maintenance of mountain hiking trails in the country. This Law recognizes the National Network of Hiking Trails, including those passing through the territory of several municipalities and protected areas as well as local networks of hiking trails, including trails within the territory of one municipality. The Ministry of Environmental Protection and Spatial Planning is responsible for the definition of the type of the hiking trails network, upon APST recommendation and consultations with the Federation of Mountain Sports of RN Macedonia. The National Registry of hiking trails is prepared and updated by the APST. Local trails that do not pass through protected areas can be set, arranged and maintained by a designated host (for a period between 5 and 10 years), which can be a natural person, a sport association, a mountaineering or cycling club or any other legal entity that has sufficient technical and human capacities and at least three years of experience in hiking trail marking and management, or in mountain tourism. The Law on Hiking Trails recognizes several varieties of mountain trail infrastructure: hiking trails, walking trails, cycling trails, trim trails and specially designated trails for environmental, recreational, educational, athletic, research and speleological purposes. According to the level of difficulty, hiking trails can fall under three different categories: easy, medium and hard. The expansion and maintenance of the national network of hiking trails is financed by the National Budget, the Rural Development Programme and other donations, while the local hiking trails are maintained with funds from the municipal budget or external donations. The State Environmental Protection Inspectorate, the State Forestry Inspectorate, MEPSP and LSGUs are responsible for monitoring the implementation of the Law on Hiking Trails.

The Law on Hunting defines the breeding, hunting, protection and use of game and its parts. It defines further game reproduction procedures, responsible parties, animal species that are completely prohibited to hunt, general hunting schedule/timetable, hunting areas, concessions, and rewards for killed harmful game. The General Hunting Plan of RN Macedonia is valid for 20 years and is defined by the Assembly of RN Macedonia, based on the National Spatial Plan. Local hunting plans are drafted by the MAFWM and are valid for 10 years. The Law on Hunting defines eligible methods of hunting, the issuance of hunting permits, as well as prohibited hunting tools and procedures. MAFWM and the State Forestry and Hunting Inspectorate are responsible for monitoring the implementation of this Law.

Environmental and cultural protection can significantly affect tourism development in a rural destination. Depending on the context and understanding of the local population, certain level of protection can boost tourism movements in a destination, by increasing the attractiveness of the destination, or can make locals move away from tourism entrepreneurship due to complex (hard to understand) procedures or misinterpretation of protection and its purpose. Both extremes can be presented with the following examples: local people at the foot of Sharr and Jablanica Mountains have been resisting for more than a decade the idea of both mountain ranges to become National Parks, even though all the necessary prerequisites exist specific flora, fauna, relief, culture. Furthermore, the parts of both mountains that are on the territory of Kosovo* and Albania are already protected areas. Therefore, once the Macedonian parts become National Parks, their attractiveness will increase significantly, enabling possibilities for multi-country products, joint marketing and bigger income generation from tourism. Another example, Kruševo, the only town in RN Macedonia that has special legal protection as memorial complex, has had a continuous increase in tourist numbers, particularly of foreign tourists. Also the Observatory Kokino and its nearby micro area (predominantly rural) have had a continuous increase in visitor numbers after the site’s recognition by the National Aeronautics and Space Admin-

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302 Law on Fisheries and Aquaculture, Article 11

303 Law on the Proclamation of Memorial Complex Kruševo as Cultural Heritage of Particular Significance, Official Gazette, 95/12
istration (NASA) and its proclamation as cultural area. The latest proclamation (2019) of the village Malovište – the only settlement within the National Park Pelister – as rural memorial complex by the Ministry of Culture of RN Macedonia, will provide a future example of how cultural protection can contribute to local tourism and the economy overall.

Environmental protection, if not corresponding with the (infrastructural) rural context – such as the IPARD requirements to have existing sewage systems in rural areas as the key prerequisite for grant assistance, particularly in Measure 302 – Diversification and development of rural activities – can be an unbridgeable obstacle in the efforts of EU assisted development. Almost no rural village in RN Macedonia has a sewage system, which led to the decommissioning of funds within this Measure.

Infrastructure

The Law on Construction regulates the building, construction, basic requirements, necessary project documentation, rights and obligations of the construction parties, maintenance of the structures built, and other construction related issues. The Law defines specific terms and steps needed for the construction of buildings in inhabited areas and villages. It defines the types of construction buildings and responsible state institutions for issuing construction permits. Related to rural tourism, LSGUs are responsible for housing and complementary buildings, hotels and other accommodation facilities, issuing construction/reconstruction permits, as well as the construction of local roads. The Ministry of Transport and Communication is responsible for the construction and maintenance of regional roads, major wastewater treatment facilities, tourism development zones and permits, as well as construction activities related to cultural heritage.

The Law on Construction Parcels/Land regulates the rights and obligations related to construction land, its development, terms and management and other construction land-related issues. This Law defines possible ownership categories of construction parcels/land, as well as legal possibilities for public-private partnership, concession or rent.

The Law on Spatial and Urban Planning regulates the terms and conditions of the system for spatial and urban planning, types and content of urban and spatial plans, their development, implementation and monitoring procedures. The Law defines special planning categories – urban plans for villages and urban plans for unpopulated areas. Urban plans for villages should undergo public presentations. LSGU Councils are responsible to approve of urban plans for villages and unpopulated areas. If a LSGU does not have urban planning for a certain rural area, the construction activities in that area should be implemented according to a General Act drafted by the LSGU and approved by the Ministry of Transport and Communication.

The inexistence of urban planning documentation for rural areas remains the main obstacle for significant tourism infrastructure improvement. The processes of urban planning documentation preparation are expensive and time-consuming; in ideal circumstances, one can take between 6-12 months. However, in reality these processes take at least 18-36 months. The major obstacles that municipalities are facing are complicated bureaucratic procedures (approvals/comments by responsible ministries on the draft documentation prepared) and unsolved property issues of existing residential buildings on the territory of the settlements designated for urban development.

Regional roads that connect urban areas with rural areas can be reconstructed/built by the LSGUs, upon approval of technical documentation by the Public Enterprise for State Roads (PESR). This was not the case earlier, when PESR had the sole mandate over regional roads. Winter cleaning and maintenance remains the responsibility of PESR. However, if funds are available in the budgets of LSGUs, in particular cases, they can (temporarily) take over these actions. Local roads and local utility infrastructure including waste management are under the mandate of the LSGUs, and the related legal context is not a barrier to progress. Thus, political will, available local funds and preparedness of the local administration remain the key factors that can boost or slow down rural development.

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304 Law on Spatial and Urban Planning, Article 7, 12 and 13
305 Law on Spatial and Urban Planning, Article 24
306 Law on Spatial and Urban Planning, Article 26
307 Law on Spatial and Urban Planning, Article 78
Finances

The Law on Agriculture and Rural Development establishes the system of measures for financial and technical support of agricultural and rural development. This Law foresees achievement of the national agriculture policy objectives through the following measures and instruments: 1) arrangement and support of the agricultural markets, 2) direct payments and 3) rural development. The Government of RN Macedonia drafts an annual programme for financial support to agriculture and an annual programme for financial support to rural development. The Government of RN Macedonia also adopts the multi-annual programme for the use of EU-allocated funds for agricultural and rural development. Financial support for rural development includes three types of support tools and measures: 1) grants for investments, 2) financial assistance and 3) direct payments for rural development.

The Law for the Establishment of the Agency for Financial Support to Agriculture and Rural Development regulates the foundation, mandate, organization and management of the Agency for Financial Support to Agriculture and Rural Development (AFSARD), as well as its sources of funding. AFSARD is responsible for the execution of measures for direct payments in agriculture, interventions in agricultural products market, implementation of production quotas, execution of rural development measures, management of EU rural development pre-accession funds and the implementation of state aid in agriculture.

Access to external financing (loans) is a considerably restrictive factor for rural entrepreneurs. Financial institutions, primarily banks, treat these investments as highly risky, due to the inability to secure them with property mortgages. Rural property and rural real estate have low market value since, in most of the cases, they are not legally backed up with cadastral documents. Even if they are, their market value is not high enough to be a valuable guarantee. The Development Bank of RN Macedonia (DBRNM, a public institution) has released four different loan instruments for upgrade/construction of accommodation facilities, but they are open only to legal entities (companies) and all of them require property collateral or other type of guarantee.

Law on Financial Support to Investments – Economic Growth Plan. An innovative measure/tool that is under the mandate of the Cabinet of the DPMEA. This is not a measure that directly aims at rural tourism, but it might be considered a useful tool for some legal entities (companies) that participate in the rural tourism value chain. It is divided in three pillars, including specific supportive measures like: tax reliefs, grants for new open jobs, joint participation in foreign fairs, B2B meetings with foreign companies, research of foreign markets, capacity building for foreign markets approach, energy efficiency, introduction of EU quality standards, waste management, IT capacities building and support to SME innovations.

Education

The Law on Elementary Education regulates the educational process in elementary schools, including the principles of elementary education as an activity of special public interest. The Law guarantees free education and prohibition from gender, race, religion or any other type of discrimination. This Law secures the right of each pupil to have free transportation from their place of residence to school, if the distance is longer than 2 km. Pupils with disabilities and their escorts have the right to free transportation, regardless of the distance between their place of residence and the elementary school. LSGUs are responsible for the appointment of elementary school principals, while the funding of elementary schools is secured by the National Budget. The funding flow from the Government level to the elementary schools is conducted through intermediary distribution by the LSGUs. The overall responsibility for monitoring of the elementary education process is shared between the Ministry of Education and Science, the State Educational Inspectorate and authorized local educational inspectors.
The Law on Secondary Education defines the organization, functioning and management of the secondary education as part of the overall educational system in the country. Secondary school is free of charge and obligatory for all citizens of the country. The Law prohibits any type of discrimination and intolerance. If a student is not accommodated in a public student dorm, the distance between the place of residence and the secondary school is longer than 2.5 km, and the educational profile is not offered in the place of residence of the student, she/he has the right to free transportation. Secondary school principals are selected via public call and appointed by the School Board, upon written consent by the Ministry of Education and Science. The funding of secondary schools is secured from the National Budget. The transfer of funds goes through the LSGUs. The Ministry of Education and Science, the State Educational Inspectorate, the Bureau for Education Development and authorized LSGU inspectors monitor the implementation of the Law on Secondary Education.

The Law on Higher Education regulates university autonomy, academia freedom, terms and conditions for establishment, statute modifications, rights and obligations of students, financing, development and monitoring of higher education facilities in the country. The Law guarantees autonomy of universities and other higher education facilities and intellectual freedom of the academia community. Higher education facilities are fully independent and autonomous in their management, planning and decision-making. They have financial independence, freedom to choose and engage their personnel and educational staff. Higher education in RN Macedonia can be organized as university, faculty, art academy, higher vocational school within a university and independent higher vocational school.

The funding of the higher education facilities is secured from the National Budget, but also from tuitions, donations and scholarships. If the Ministry of Education and Science detects any violations of the Law on Higher Education, it has the legal mandate to initiate corrective or disciplinary procedures against any higher education entity in the country.

The legal educational setting is not an obstacle for rural development per se. On the contrary, as graduating elementary school is mandatory and every LSGU has the obligation to secure free daily transportation for pupils living 2 km or more away from their school. Nonetheless, the general performance of the national educational system, its setting and its general challenges pose limitations to the improvement of rural tourism development.

Specialized tourism high schools exist only in Skopje and Ohrid (both public) while tourism schools in universities operate in Ohrid (public), Skopje (private), Štip (public) and Tetovo (public). The educational system in general lacks practice, delivering a lot of theory based on learning and repetition. Also, up-to-date and contemporary educational programmes that would support students’ entrepreneurial knowledge, skills and visions are rare. IPARD 2007-2013 had some educational restrictions, requiring from a hospitality facility manager to have hospitality education or certificate in hospitality management training when applying for a grant.

Tourist guides in RN Macedonia must pass a formal process of education and obtain a certificate from a higher education entity, private or public, of passed exams. This certificate, accompanied by a foreign language diploma from a vocational education school, is sent to the Association of Tourist Guides of RN Macedonia, which is the Authorized National Body by the Ministry of Economy for tourist guide licensing. A tourist guide license is valid for 10 years, which can be re-issued upon fulfilling simple technical requirements.

Mountain Leaders in the country must engage in a training programme certified by the Union of International Mountain Leaders Association, including theory and field activities. After the finalization of the programme, they take final exams and after passing them, receive the title International Mountain Leader.
Food safety and quality standards

The Law on Hospitality and related by-laws\textsuperscript{321} are the main regulations on food safety standards that natural persons offering rural tourism services must comply with. In the process of categorization and prior to Decision on Registration, issued by the LSGU and the Mayor, service providers must present to the local administration their detailed menus and beverages (to be offered). Both must be local, homemade and traditional and must be served in a traditionally decorated venue. Hazard Analysis Critical Control Points (HACCP) standards are not mandatory. As part of their marketing philosophy and in order to attract new markets, service operators occasionally comply with other standards and requirements (such as Slow Food).

The Law on Food Safety lays down basic food and animal food safety principles, general and special hygienic food requirements, organizational structures of food safety systems and official food controls. However, related to rural tourism, this Law is neither applicable on primary food production for homemade food use or preparation, nor on handling or storing homemade food.\textsuperscript{322}

The Law on Hospitality defines hospitality services as services for accommodation and services for the provision of food.\textsuperscript{323} It recognizes several types of facilities for food services: restaurants, bars, national restaurant – \textit{meana}, canteens and other food service facilities.\textsuperscript{324} Registered natural persons (rural tourism service providers) are allowed to offer food services in their home facilities.\textsuperscript{325} In rural households, services for wine or rakija tasting and homemade food provision can be offered in a specially arranged part of the residential building, in a closed or covered open space for a maximum number of 50 persons (guests) at the same time.\textsuperscript{326} Guests in rural areas are also allowed to prepare their own meals within the rural accommodation facilities. Authorized inspectors within the LSGU are responsible to monitoring the work and for inspection of registered rural service providers, including their accommodation and food preparation services.\textsuperscript{327}

The Law on Quality of Agriculture Products regulates agricultural markets, quality standards, classification, labelling and informational system for all types of agricultural products (cereals and rice, meat, fruit, vegetables, eggs, bee products and dairy products), protection and registration of geographical or traditional names of agricultural and food products with designations of origin, geographical indications or traditional specialty guaranteed. MAFWM is the responsible institution for issuing these types of designations.\textsuperscript{328} The designation of origin can be added to agricultural products that originate from a particular area or region, which have characteristics that are related to the natural or man-made factors existing in that area or region and if the entire production process is fully implemented in that area or region.\textsuperscript{329} Protected geographical indication can be used for the names of certain agricultural products that originate from a certain place, region or country, that have specific quality, reputation or any other characteristics that can be related to the geographical origin and if at least one of the production processes are implemented in the defined geographical area.\textsuperscript{330} Traditional specialty guaranteed can be used for the protection of agricultural and food products only if they are produced with traditional ingredients and have specific quality, reputation or any other characteristics that can be connected with the tradition.\textsuperscript{331} The responsible institution for monitoring the implementation of the Law on Quality of Agricultural Products is the MAFWM.

Health and risks management

A comprehensive, integrated national risk management system does not exist in RN Macedonia. The integrated emergency number (112) on the territory of the entire country is expected to start func-

\begin{itemize}
  \item \textsuperscript{321} Official Gazette of RNM, No. 169/14
  \item \textsuperscript{322} Law on Food Safety, Article 3
  \item \textsuperscript{323} Law on Hospitality, Article 2
  \item \textsuperscript{324} Law on Hospitality, Article 19
  \item \textsuperscript{325} Law on Hospitality, Article 40
  \item \textsuperscript{326} Law on Hospitality, Article 53
  \item \textsuperscript{327} Law on Hospitality, Article 58
  \item \textsuperscript{328} Law on the Quality of Agricultural Products, Article 141
  \item \textsuperscript{329} Law on the Quality of Agricultural Products, Article 142
  \item \textsuperscript{330} Ibid
  \item \textsuperscript{331} Law on the Quality of Agricultural Products, Article 143
\end{itemize}
tioning from 2020. So far, only one emergency number for mountain rescue exists, 13-112, covering the area of five western municipalities: Ohrid, Struga, Vevčani, Resen and Debrca. As adventure travel products continually take bigger portions of the overall tourism offer, this issue becomes a significant obstacle to fast progress. Partial post-accident response (not preventive) systems that operate on a limited territory (Skopje, Vodno, Matka and Ohrid, National Park Galičica) do exist, having limited reach, voluntary members and insufficient equipment and funds. The Centre for Crisis Management is the overall coordinator of the national risk management system along with the Ministry of Interior, Ministry of Health and territorial fire departments. In specific situations, these institutions lack the necessary knowledge to respond (e.g. mountain rescue). Therefore, trained and equipped teams are specifically engaged (Red Cross teams, mountaineering clubs or private rescue teams consisting of mountaineers or mountain guides). Some pioneer steps, supported by EU funds, have been taken to develop and organize a sustainable risk management system, with cross-border territorial coverage.

Starting from 2020, as a public private partnership, a first response, search and rescue (SAR) system with a Helicopter Emergency Medical Service (HEMS) will be established on the territory of the entire country. It will include two privately owned helicopters to be put on disposal when emergencies occur and to be used for search and rescue as well as for fast and immediate transportation of injured persons.

Monitoring and control

In RN Macedonia, there is no specialized regulatory body (inspectorate) that would be responsible for monitoring and control of the tourism sector. According to the Law on Tourism, the Ministry of Economy and Local Self-Government has the mandate to perform tourism related monitoring. On the national level, the State Market Inspectorate, operating within the Ministry of Economy, is the responsible body to regulate and monitor the implementation of 39 trading and market-related laws, including the legislation related to the tourism and hospitality sector. The State Market Inspectorate has 11 branches that cover the whole country. In order to make the inspection and regulation implementation more efficient, the Government of RN Macedonia has initiated a procedure for the establishment of a specialized Tourism Inspection.

The State Environmental Inspectorate (SEI) performs inspection and monitoring over the application of technical measures for the protection of air, water, soil, flora, and fauna from degradation and pollution, protection of geodiversity and biodiversity, particularly natural heritage (National Parks, monuments of nature, park forests, ornithological reserves and other areas protected by law), protection of the ozone layer, environmental protection from noise pollution, protection of non-ionizing radiation in protected areas and prevention of ecological disasters.

State Forestry and Hunting Inspectorate (SFHI). SFHI is a legal entity, operating under the mandate of MAFWM responsible for inspections, monitoring and controlling the implementation of the Law on Forests, Law on Hunting, Law on Forest Tree Species Reproductive Materials, Law on Plants Protection against Pests and Diseases and related by-laws. SFHI monitors and controls an area of 1,002,892 ha of state- and privately-owned forests and forest lands, including 141,566 ha of full forest areas, 176 special forest management plans and 249 hunting areas. SFHI is organized in one Sector for Forestry and

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332 https://www.alsat-m.tv/mk/statement of the Mayor of Ohrid and Red Cross Ohrid Secretary
333 Ohrid Lake Region – Safe Destination for Adventure Travel, EU IPA CBC MK-AL 2014-2020 project
334 161th Session of the Government of RNM
335 Section IV, Monitoring
337 https://vlada.mk/sednica/76
338 http://arhiva.mzsv.gov.mk/node/22
Hunting and five regional branches/departments covering the whole country.

**The State Agricultural Inspectorate (SAI).** Since 2013, this institution has represented an independent legal entity with full operational autonomy. It has the mandate to monitor and control agricultural land and parcels, production and trading of plant protection products, seeds, fertilizers, cattle and livestock, food, fish, genetically modified organisms, wine, tobacco, flowers and decoration plants, organic products and bee farming. SAI controls the natural persons and legal entities that receive agriculture-related financial support, equipment and facilities where agricultural products are processed, agriculture mechanization and transport vehicles, production processes, the implementation of good practice protocols, business offices, business documentation (electronic and hard-copy) and licenses. SAI monitors and controls export and import of agricultural goods as well as phytosanitary controls.

**Local self-government units** and their authorized tourism inspectors have the mandate to monitor the implementation of the Law on Tourism and Law on Hospitality, with a special focus on the oversight of tourism and hospitality service providers listed in the Registry of the Mayor, including rural and ethno-tourism activities.\(^{339}\) The Ministry of Economy and the State Market Inspectorate have the mandate to monitor and inspect the work and implementation of the tourism related legislation by LSGUs (Mayor and Council). In particular cases they can suspend some of their tourism-related authorities.\(^{340}\)

**B.5.2.4. Institutional set-up for managing/supporting rural tourism**

The institutional set-up for the development, regulation and support of rural tourism is complex and it exists at each level of government/society. It includes various contributors covering specific topics on national, regional or local levels:

- Government Committee for Tourism Development
- Deputy Minister responsible for Economic Affairs (DPMEA)
- National Council for Regional Development
- Ministry of Agriculture, Forestry and Waste Management (MAFWM)
- Ministry of Environmental Protection and Spatial Planning (MEPSP)
- Agency for the Promotion and Support of Tourism (APST)
- Agency for Financial Support to Agriculture and Rural Development (AFSARD)
- Ministry of Economy (MoE)
- Agency for Support to Agriculture Development – National Extension Agency (NEA)
- Ministry of Transport and Communication (MTC)
- Inter-sector body for rural development
- IPARD Monitoring Committee
- Council for Agriculture and Rural Development
- National rural network
- Council for Innovations and New Technologies in Agriculture
- Centres for Regional Development Planning (CRDP)
- Local self-government units (LSGU)
- Civil society organizations (CSO)
- Donor community in RN Macedonia
- Educational institutions
- Tourism chambers
- National Parks
- Commercial banks
- Development Bank of RN Macedonia
- Fund for Innovations and Technology Development (FITD)

**National/territory level**

**Government Committee for Tourism Development.** Established in 2011, this informal policy level body has been chaired by the Prime Minister and co-chaired by the Deputy Prime Minister for Economic Affairs (DPMEA) and the Minister of Finance. The Committee members are the ministers of economy, transport and communication and culture, the Deputy Minister of Economy, the State Secretary in the Ministry of Economy, the Head of the Tourism
Department in the Ministry of Economy, Directors of APST and Agency for Foreign Investments and Export Promotion, as well as representative from the Ministry of External Affairs. This Committee used to have monthly meetings and depending on the agenda, its sessions were attended by representatives from tourism chambers, academia, tourism stakeholders and other tourism related experts. Since 2014, no Committee Session has been called for.

Deputy Minister responsible for Economic Affairs (DPMEA) is responsible for the overall coordination of all the economic sectors in RN Macedonia, as well as donor coordination along with the Secretariat for EU affairs. Since 2014/15, the Cabinet of the DPMEA acts as the national counterpart (coordinator) to the EU and the World Bank in the largest tourism donor programme ever implemented in RN Macedonia – the Local and Regional Competitiveness Project. 341

National Council for Regional Development. An inter-governmental body chaired by the DPMEA and consisted of eight ministers – local self-government, culture, transport and communication, finance, economy, labour and social policy, environment and spatial planning, agriculture, forestry and water management, the President of the Local Self-Government Association and presidents of the eight planning regions in RN Macedonia. The National Council for Regional Development is responsible for the distribution of funds from the annual National Regional Development Programme, including funds specifically allocated for rural areas with specific development needs and villages. Upon Council recommendation, the Government of RN Macedonia has adopted an official list of rural areas with specific development needs, for the purposes of national regional development policies.

Ministry of Agriculture, Forestry and Waste Management. The national institution in charge of the development and implementation of rural development policies and legislation in RN Macedonia. Responsible for the implementation of the Law on Agriculture and Rural Development and coordinator of financial and technical measures and programmes for agriculture and rural development. Through the Inspectorate for Agriculture, MAFWM is responsible for overall monitoring and control in the agriculture and rural development sector.

Ministry of Environmental Protection and Spatial Planning (MEPSP). The national institution responsible for the monitoring of environmental protection, protection of the water, soil, flora, fauna, air, ozone layer, protection from noise pollution, radiation and of biodiversity, geodiversity, as well as for the protection of National Parks and other protected areas. MEPSP has the mandate to restore polluted environmental areas, propose measures for solid waste treatment, as well as to take care of spatial planning and the spatial information system.

Ministry of Economy. The most important state institution responsible for tourism legislation and development policies in the country. Within its organizational structure, MoE has a special Department for Tourism Development as well as a State Advisor for tourism related issues. MoE is responsible for the drafting and implementation of the Annual Programme for Tourism Development as well as for the preparation, coordination and implementation of tourism legislation. Along with the State Market Inspectorate, MoE acts as the main regulator and controller of the tourism sector. When it comes to tourism in village (rural) areas, MoE has a limited (intermediary) mandate, since LSGUs are directly responsible for this type of tourism products.

Agency for Financial Support to Agriculture and Rural Development. Also called the Payment Agency, is part of the EU – IPA Rural Development funds distribution system. AFSARD has the mandate to implement the IPARD programme through financial measures as well to implement the national Programmes for Agriculture and Rural Development (national subsidies). AFSARD operates as an independent legal entity.

Agency for the Promotion and Support of Tourism. An independent national institution, responsible for the design and implementation of tourism promotion in RN Macedonia through different marketing measures such as fair attendance and the preparation and dissemination of promotional materials. APST is the main implementer of the National Programme for Financial Support of Incoming Tourism to RN Macedonia, by giving direct subsidies to tour operators. APST distributes such subsidies according the Rulebook on the type and the amount of subsidies for support of organized incoming tour-

341 http://lrcp.mk
ism. All tour operators that organize trips to RN Macedonia are qualified to apply for state support and partial compensation of their costs. State subsidies are allocated to different types of programmes: 1) programmes that include a stay in RN Macedonia with at least three overnights in registered accommodation facilities, 2) organized group travel with specially rented buses, planes, trains (at least 10 seats), 3) organized group travel with regular airlines, trains or buses (at least 10 persons in a group), 4) combined tour – organized group travel using a combination of two transport vehicles as the main means of transportation (airplane, bus or train) and 5) round trips (with a minimum of one overnight in another country and 10 persons in a group) including two overnights in RN Macedonia and use of organized transportation by airplane, bus or train. 342

Agency for Support of Agriculture Development – National Extension Agency. NEA is the first and only decentralized national institution (located in Bitola) with the mandate to assist and advise rural citizens in order to improve the overall agricultural sector performance. NEA has its key role in increasing the absorption of subsidies in national agriculture and rural development programmes, by providing direct support and guiding the farmers through the application process. NEA is also responsible for agriculture and rural database development and update.

Ministry of Transport and Communication. Within its rights, MTC does not have a direct mandate over the tourism sector in RN Macedonia, but considering its responsibilities, it can significantly influence tourism development countrywide. MTC has a key role in infrastructural development of the country (construction of regional roads and motorways, urban planning of the RN Macedonia-owned land and provision of permits for type A buildings). More importantly, MTC is the responsible institution for the management (concession) of airports, the introduction of new flight connections and provision of subsidies to low cost carriers. MTC is the national counterpart for the country’s biggest donors (World Bank, International Monetary Fund and European Bank for Reconstruction and Development) responsible for the assessment and distribution of their infrastructure-targeted grants or loans.

Council for Agriculture and Rural Development. The Council is an advisory body formed by the Government of RN Macedonia 343 with the mandate to act as an inclusive social partner in agricultural policy development. The members of the Council are presidents of subsector groups, representatives of agriculture and food processing associations, chambers of commerce, academia and science, consumer associations, LSGs and environmental protection associations.

IPARD Monitoring Committee. Specialized body formed by the MAFWM with the mandate to monitor the effectiveness and quality of the IPARD II Programme implementation. It consists of 11 governmental representatives and 14 civil society and academia representatives responsible for monitoring the achievement of the programme objectives, mainly through measuring IPARD progress including its financial indicators, as well as through an oversight of programme management and control systems. The IPARD Monitoring Committee has a key role in vertical and horizontal information sharing and coordination including the most relevant programme stakeholders and contributors.

Inter-sector body for rural development. An informal inter-ministerial body formed by the Government of RN Macedonia 344 with the main purpose to assist in integrated policy development. It is chaired by the State Secretary in MAFWM and composed of representatives from the ministries of agriculture, finance, economy, local self-government, labour and social policy, environment and spatial planning, transport and communication, the Secretariat for European Affairs, AFSARD and ASAD. Depending on the agenda, representatives from other state institutions/agencies as well as representatives of agriculture and rural development social and economic partners can participate in its work.

National Rural Network (NRR) 345 is a national platform with the purpose to enable partnerships with all relevant stakeholders in rural areas, in order to facilitate the process of planning, implementation of economic diversification policies and rural tourism in South East Europe.
and monitoring of the National Rural Development Strategy. NRR operates as an umbrella organization and has 79 members, with direct involvement of 1,500 people with an impact on at least 80,000 citizens in rural areas of RN Macedonia. NRR is member of the European LEADER Association for Rural Development (ELARD), PREPARE-Partnership for Rural Europe and Balkan Rural Development Network (BRDN).

Council for Innovation and New Technologies in Agriculture. Responsible body as defined in the Law on Agriculture and Rural Development, with the main purpose to assist in the management and distribution of financial support allocated for technical assistance in agriculture and rural development. This Council is composed of a representative of the Office of the Prime Minister, representative of DP-MEA, a representative of agriculture academia and representatives from the ministries of agriculture, finance and economy, AFSARD and ASAD.

Regional levels

Centres for Regional Development Planning (CRDPs) are regional state entities that have the mandate to implement national regional policies as described in the National Strategy for Regional Development and each planning region’s Development Programme. Eight regions exist in RN Macedonia, with regional councils, composed of all the mayors of the CRDP’s founder LSGUs, as their direct policy makers. All eight CRDPs in RN Macedonia have a designated priority/measure within their development programmes that focuses on agriculture and/ or rural development. Main sources of funding of CRDP activities (projects) are the Ministry of Local Self-Government (National Regional Development Programme), MAFWM, AFSARD and EU (IPA-CBC programmes).

Local level

Local self-government units. Municipalities are the key stakeholder and shareholder on the local rural development policy level. They are responsible for infrastructural, social, educational and environmental improvements in rural areas. LSGUs have a particular role in rural tourism development as they have the mandate to organize, categorize, regulate (some of them even have a specially designated local tourism inspector) and collect tourist taxes (80% of the accommodation taxes at 40 MKD / 0.65 EUR per overnight goes directly to the local budget while 20% goes to the national budget). Current legislation allows municipalities to create their own tourism investment support policies and fast forward their tourism development by becoming more competitive investment destinations.

Cross local/national level

Civil society organizations (CSOs) are the key “soft” contributors to the overall rural development system. They are dynamic progress drivers and respectable knowledge holders. Some of this sector’s most recognizable representatives are the Federation of Farmers of RN Macedonia, Local Action Groups (LAGs), the Rural Coalition Kumanovo, the Tourism Cluster of South West Macedonia EDEN, the Tikveš Wine Routes Foundation and the Rural Development Network (RDN).

LAGs should become the main stakeholder in LEADER approach implementation. In 2018, according to the regulations in the Law on Agriculture and Rural Development, a total of 13 officially recognized LAGs were registered by the MAFWM. The RDN was established in 2010, with the purpose to enable a structural approach in the mobilization of rural communities, making them more important stakeholders in rural policy development and implementation. The RDN aims at internationalizing the transfer of know-how, through membership in PREPARE-Partnership for Rural Europe, BRDN and ELARD.
**Donor community in RN Macedonia** is a major contributor and supporter of the overall development processes as well as an essential sector (rural/tourism) supporter. As the country progresses to its EU and NATO membership, the number and presence of foreign donors has been reducing. The European Union, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Regional Rural Development Standing Working Group in South East Europe, United Nations Development Programme, Swiss Development Cooperation, World Bank, USAID and Swedish International Development Cooperation Agency have remained among the strongest promoters of rural development in the country.

**Educational institutions.** In RN Macedonia, there are two public tourism and hospitality high schools, one in Skopje and one in Ohrid and three tourism university schools, Ohrid (public), Skopje (private) and Stip (public). Several other high schools (general education schools, technical high schools) have tourism-related programmes: SABA – private high school, Academy for Business Administration in Bitola, Moša Pijade high school in Tetovo, Sveti Naum Ohridski in Makedonski Brod, Mitko Pendjuliski high school in Kratovo and Naum Naumovski Borče high school from Kruševo. High schools train and teach mainly tourism technical staff (chefs, waiters, bartenders, pastry cooks) while the universities educate future holders of tourism and hospitality managerial positions. Universities, both public and private, are authorized by the MoE for training and certification of tourist guides, tour operator managers and tour associates.

**Tourism chambers.** Private sector stakeholders in the tourism sector in RN Macedonia are associated with three major legal entities: the Economic Chamber for Tourism, the Economic Chamber of Macedonia (Catering Industry and Tourism Association) and the National Association for Incoming Tourism. Their mission is to articulate the needs of their members and to be public decision makers’ counterpart in policy design and implementation. Tourist guides and International Mountain Leaders are associated in formal collectives also: Association of Tourist Guides of RN Macedonia and Macedonian Association of International Mountain Leaders (being full-time member of the Union of International Mountain Leaders).

**National Parks** in RN Macedonia are one of the most important attractions that possess crucial factors for rural tourism product development, marketing and commercialization. All three (Pelister, Mavrovo and Galičica) have active rural settlements within their territories. According to the restrictions enlisted in their Decisions on Proclamation and the Law on Nature Protection350, the National Parks are important shareholders in rural (tourism) development processes. The National Parks share the responsibilities for the protection and management of their protected values together with the relevant LSGUs and the Ministry of Environmental Protection and Spatial Planning. The National Parks’ development vision – sustainable tourism services provision vs. wood cutting and trade – as well as regular and effective communication and cooperation with the rural communities within the Parks’ borders can significantly contribute to rural tourism development.

**Commercial banks.** Having total available funds (active assets) of 7.5 billion EUR351, out of which more than 2 billion allocated for loans, 14 commercial banks in RN Macedonia can act as financial supporters of the overall rural development. Bureaucratic procedures, low value of rural properties and lack of quality business plans present a somewhat impassable obstacle between private sector business initiatives and the financial sector. In cooperation with the Development Bank of RN Macedonia, several financial instruments have been developed for agriculture/tourism and hospitality sectors and put into function. USAID and the MEPSP have developed and implemented joint mechanisms for partial bank guarantees for farmers and food processors’ business loans.

**Development Bank of RN Macedonia.** The national financial institution with the objective to promote export through providing investment credits and other forms of support to small and medium-size enterprises, as well as through providing insurance of claims based on performed export against short-term commercial risk. Applicable for the private sector in rural areas, DBRNM operates the following financial instruments: Agricultural Credit Discount Fund, Loans for Production, Processing and Export...
of Agricultural Products, European Investment Bank Credit Line, ICL Revolving Credit Line, Special Credit Guarantee Scheme and DBRNM Credit Line. The last four instruments are finance facilities for purchasing, building and adaptation of small accommodation capacities not exceeding 70 beds with up to 3-star rating.

**Fund for Innovations and Technology Development (FITD)** aims to encourage and support innovation activities in micro, small and medium-size enterprises (agriculture and tourism sectors included, location of establishment and operation irrelevant) in order to achieve more dynamic technological development based on knowledge transfer, development research and on innovations that can contribute to job creation, economic growth and development. FITD’s priorities and objectives are improved access to financial support for innovation and technological development as well as promoting and encouraging innovation activities in RN Macedonia. With calls providing up to 5,000,000 EUR in contributions for the potential private sector applicants, FITD must be granted a high-level contributor role.

### B.5.3. RURAL TOURISM DEVELOPMENT AND POLICY IN NORTH MACEDONIA

#### B.5.3.1. Brief overview of the status of rural tourism in the Republic of North Macedonia

**Rural tourism destinations in North Macedonia**

**Traditional, popular holiday destinations:** Urban areas, the city of Ohrid, the capital Skopje, Kruševo and Bitola, are the main visiting zones for domestic and international guests in rural areas of RN Macedonia. Skopje and Ohrid are an inevitable part of any itinerary that includes RN Macedonia, either as a single destination or as part of a Balkan tour.

Up to 2/3 of guests in rural areas come initially to Skopje or Ohrid. The most important tourism assets are located in these areas: museums, archaeological sites, cultural monuments, hospitality and accommodation facilities, transportation, guides. When it comes to domestic travellers, urban areas, being most economically, demographically and educationally advanced in the country, act as main emitting zones for rural areas. These travellers engage in very time-limited (in most of the cases one-day) trips, mostly concentrated around weekends and national holidays.

**Rich agricultural areas.** Due to the specific geographical composition of RN Macedonia, agricultural areas that are recognizable rural tourism destinations are located in the central parts of the country. The western parts are mountainous areas, where cattle breeding and dairy production, with very basic farming and land processing, generally represents the agricultural sector. The central and southwestern parts of RN Macedonia, including the middle and lower Vardar river valley, Tikveš region, Demir Kapija (canyon), eastern and central Mariovo area and Pelagonija plain are recognizable for their wine tours, biking, cultural tours, kayaking, regatta, rock climbing, bird watching, 4x4 off-road touring and hunting. In recent years, the Vardar valley and Demir Kapija region — apart from the wine production and wine culture being their central attractiveness factor for domestic and international tourists — have started to develop and market new offers that include rural tradition, outdoor and adventure activities like hiking, sport and traditional instructor-guided rock climbing. The number of “garage” family-owned wineries located in rural areas that understand that, apart from the basic wine production, tourism-related activities can generate additional income, has started to grow. Middle-sized wine production wineries have also improved their capacities and there are serious preparations underway so it can be expected that in 2020, the first winery in the Demir Kapija region will offer spa services within its accommodation facilities. With funds from the National Budget, new climbing routes were established in Demir Kapija, ready to be used by professional and amateur enthusiasts.

352 [http://www.fitr.mk/inovacii/#toggle-id-2](http://www.fitr.mk/inovacii/#toggle-id-2)

353 Estimation based on semi-structured interview with service providers and tour operators
and for guided hiking. Tikveš and eastern Mariovo regions have long traditions for being some of the most important biodiversity and rare birds nesting hot spots in the country. Several incoming agencies in the country already sell bird-watching tours that include two or three-days stays in the region of Demir Kapija canyon, Tikveš and Mariovo. The Vardar river and Tikveš lake have also started to open up on the touristic map with one-day regattas, and tandem kayaking activities, combined with wine tasting and cultural sightseeing of the Stobi Locality and the Polog Monastery (accessible only by water).

Remote areas. Remote rural communities spread throughout the entire territory of RN Macedonia, with their specific ethncial, cultural, natural and economical characteristics. Villages Vešala, Bozovce, Žirovnica, Jance, Galičnik, Nezilovo, Omorani, Gorna Belica, Malovište, Zovik, Staravina, Brajcino, Gari, Lazaropole are some of the most recognizable rural destinations, even though they are fairly remote from an urban area or a motorway. Considering modern tourism trends and understanding of how tourists perceive accessibility, even some urban settlements in the country can be categorized as remote areas (Berovo, Kruševo). Tourism products in these destinations focus on local tradition, crafts, local food, hiking, trekking, SUV tours, biking, herbs gathering, horseback and donkey riding. Most of these areas are bordering with another country/territory (Albania, Kosovo*) so some of them are en route of some well established cross-border/international products that even include green passes. Some of these products have become very popular in the international community and gained respectable visibility and promotion.

Mountains and protected areas: Most of the territory of RN Macedonia, especially its western parts, is covered by mountains and mountain ranges longer than 200 km. RN Macedonia has three National Parks: Pelister, Galičica and Mavrovo with a total area of 116,000 ha. Despite their natural and cultural heritage, all National Parks include live and active rural communities (58 in total), such as Malovišta, Galičnik, Jance, Žirovnica, Velestovo, Rostuše. These rural settlements are pioneer hubs of tourism diversification products like hiking, trekking, horseback riding, wine tasting, ski adventures, culinary classes, 4x4 off-road trips, mountain and road biking, kayaking, and paragliding. Complementary to these destinations are nationally/internationally protected areas like: Nature Reserve Ezerani, UNESCO Prespa Biosphere Reserve, Sharr Mountain area, Jablanica Mountain, Ohrid Lake, towns of Kavadarci, Demir Kapija end their surroundings, Kruševo, Berovo, as well as the villages of Vevčani, Brajcino, Ljubojno, Stenje, Omorani, Dihovo, Zovik, Kuratica. Caves (Presna, Vrelo) and canyons (Matka, Skopje and Crna Reka Mariovo) can also contribute to the rural economy diversification process, however, at this stage of (tourism) development, they are not ready to offer competitive and attractive tourism experiences.

Rural areas with small historic towns. In the case of RN Macedonia, this category should be considered reversely: “historic towns with their rural areas”. Ohrid, Bitola, Resen and Kruševo fall under this category, as their historical legacy is protected with a lex specialis, to make them more attractive and boost their competitiveness. Ohrid has been protected by UNESCO since 1980, Bitola old town centre by national legislation since 2015 and Kruševo by national legislation since 2012. The town of Resen is the biggest settlement in Prespa UNESCO protected Biosphere Reserve. Altogether, these destinations welcomed 357,241 domestic and international tourists in 2018. Their rural areas act as complementary destinations, usually for one or half-day excursions, including traditional food, crafts, outdoor activities, sports activities and soft/medium adventures. In this manner, they have developed a symbiotic relationship: towns as destinations can offer an optional variety of programmes for their guests, i.e. extending their stay and increasing their spending, while rural communities benefit by gaining additional income through diversification of their local economy.

354 APST project Development of Rock Climbing and Its Utilization in Tourism, implemented in 2018
356 State Statistical Office, Mak Stat Data Base; Municipality of Ohrid official statistics
Main factors of rural tourism future development

Natural factors: The relief of the RN Macedonia’s territory is dominated by hills and mountains (44%) ranging between 500 and 1,000 m.a.s.l. North Macedonia has nearly all soil varieties and types present on the territory of the European continent. As a result of its complex geographical relief, the territory of North Macedonia has three different climate types: mountain, Mediterranean and continental. The average annual rainfall in the country varies between 600-700 mm in the plains and 1,000 mm in the mountains.

Human resources: RN Macedonia has at least 15 settlements (Kruševo, Ohrid, Berovo, Resen, Kavadarcı, Demir Kapija, Dihovo, Kuratica, Jance, Galičnik, Vevčani, Malovišta, Brajcino, Žirovnica, Stenje, Radža) with local citizens professionally engaged in rural tourism activities. These people are authentic carriers of the local traditions, passed from generation to generation, which are in most of the cases the main attractiveness factor and core tourism activity (donkey riding, preparation and tasting of traditional food and beverages, local sightseeing and historical legacy presentation/interpretation). In most of the cases, these people possess a certain level of preparedness, skills and knowledge to develop and market competitive programmes. However, the continual migration trends seriously threaten the essential capital these rural areas. Further policies for creating an enabling environment for undertaking tourism entrepreneurial initiatives and further education and skills upgrade must be designed and implemented, by all relevant parties: local decision makers, the national ministries, the civil sector and the donor community.

Capital factors: Rural areas have very limited access to free investment capital in terms of credit and face severe restrictive liquidity conditions. Main reasons, especially for the small rural accommodation owners and other providers, are due to the complex procedures, unfavourable loan conditions and lack of the information on how to obtain financial means under fair conditions. There are some governmental and private funds available (MAFWM, IPARD, Ministry for Economy, Development Bank of RN Macedonia, local and regional development projects, commercial banks) aiming at overall rural development, including rural tourism. Rural tourism operators lack detailed and timely information about credit availability, or they are not capable of meeting the conditions to access available funds. Due to low business performance of the tourism sector – according to the indicators and criteria defined by loan providers – rural tourism is usually not considered a sector with enough liquidity and credit capability.

Infrastructure: The traffic infrastructure in RN Macedonia includes road, rail and air structures.

Road infrastructure: There are two international corridors passing through RN Macedonia – X (north-south, E-75) and VIII (east – west). Corridor X, con-

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<th>NATURAL FACTORS</th>
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<td>1. National Parks (Pelister, Mavrovo, Galičica)</td>
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<td>2. Osogovo Mountains</td>
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<td>3. Buševa Mountain (Kruševo)</td>
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<td>7. Kozuv Mountain</td>
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<td>8. Nidže Mountain</td>
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<td>9. Stogovo Mountain</td>
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<td>10. Belasica Mountain</td>
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<td>11. Matka Canyon</td>
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<td>12. Ohrid Lake</td>
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<td>13. Prespa Lake</td>
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<td>14. Climate</td>
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<td>2. Potentials to attract capital</td>
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<td>3. MAFWM development instruments</td>
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<td>4. Local and regional competitiveness project</td>
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<td>5. IPARD</td>
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<td>6. Ministry of Economy financial instruments</td>
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<td>7. Foreign donor instruments</td>
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<td>Total</td>
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National Strategy for Agriculture and Rural Development 2014-2020
necting Skopje with Demir Kapija and Gevgelija (wine production regions) was completed in 2018, while corridor VIII that connects Skopje with the western, where tourism is more developed, is under reconstruction and upgrade (section Kičevo-Ohrid). Major roads in the eastern part of RN Macedonia are generally in better condition than those in the western, while local roads that lead to the most potential rural tourism destinations are in poor condition and poorly maintained.

**Rail infrastructure:** In 2015/2016, RN Macedonia upgraded its railroad infrastructure by buying and putting into function six new civil trains. In addition to that investment, an EU-supported initiative provided funding for the reconstruction and upgrade of 10 most important railway stations in the country. Nonetheless, the general impression is that the railroad infrastructure cannot be considered a useful tourism asset, as railway network is insufficiently developed, the existing railway infrastructure, particularly tracks, are old and limited to slow/moderate speeds, the schedule is somewhat inconvenient, and the service is often poor (with delays).

**Air infrastructure** is represented by two international airports, one located in Skopje and one in Ohrid. Both airports operate under concession given to foreign corporations, which have in the past decade undertaken serious actions on their reconstruction. Both airports provide their services to regular carriers but also to low cost carriers, which is crucial for the development of the tourism sector in the country. Skopje and Ohrid airports are connected with 52 regular, seasonal and charter lines, connecting RN Macedonia with all of its important destinations: Netherlands, Turkey, Poland, Czech Republic, Germany, France, UK, Finland, Sweden, Denmark, Belgium, Israel, USA, Canada and Australia.

**Infrastructure factors assessment**

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<tr>
<th>INFRASTRUCTURE FACTORS</th>
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<td>1. Corridor X</td>
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<td>2. Corridor VIII</td>
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<td>3. Regional roads</td>
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<td><strong>Total</strong></td>
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**Tourism stakeholders:** Tourism development is inevitably connected with stakeholders who act as the “software” of tourism development processes. Considering the complexity of the sector, stakeholders can be divided into three very basic groups: public sector and policy decision makers (ministries, local self-governments, and governmental agencies), private sector (incoming agencies and tourism service providers, accommodation and hospitality service facilities, transportation, guides, animators) and civil sector (NGOs, LAGs). The quality and effectiveness of the stakeholders’ outcomes is a very important factor for the overall tourism development. Continual education, knowledge sharing, cooperation and networking are of essential importance for competitive product development and marketing.

**Main attractors of rural tourism**

**Natural attractors:** The UNESCO protected Biosphere Reserve Prespa including the UNESCO protected Ohrid town and Ohrid Lake, National Park Galičica, National Park Pelister and Prespa Lake as well as the National Parks Mavrovo, Sharr Mountain range, Jablanica, Jakupica and Malešev Mountains – their biodiversity, cultural heritage, landscape and their rural settlements have the leading role in the development and implementation of rural tourism products. Their best-sellers include mountain hiking, mountain biking, horseback riding, donkey and 4x4 safari, tandem paragliding, ski touring, free ride and culinary classes. These locations do not act as a hub that is a primary target of visit, but in most cases, they simply contribute to larger travelling programmes/itineraries, including single destination trips (RN Macedonia) or, most usually, tours (RN Macedonia, Albania, Kosovo* or Greece). The average length of stay in these destinations is around 2.5 days, mainly due to a limited and not competitive offer. Potentials for future development should include ski and snow activities, rock climbing, cave exploration, soft adventures like kayaking, then hunting, api-therapy, yoga and bird watching. Tikveš region, with its wine production culture and tradition, can also be perceived as attractive with somewhat developed products and wine routes.
## Natural Attractors

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<tr>
<td>Jakupica Mountain</td>
<td>3</td>
</tr>
<tr>
<td>Kozuv Mountain</td>
<td>2</td>
</tr>
<tr>
<td>Nidže Mountain</td>
<td>3</td>
</tr>
<tr>
<td>Stogovo Mountain</td>
<td>3</td>
</tr>
<tr>
<td>Belasica Mountain</td>
<td>3</td>
</tr>
<tr>
<td>Matka Canyon</td>
<td>4</td>
</tr>
<tr>
<td>Ohrid Lake</td>
<td>5</td>
</tr>
<tr>
<td>Prespa Lake</td>
<td>3</td>
</tr>
<tr>
<td>Climate</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.6</strong></td>
</tr>
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</table>

### Cultural Attractors

<table>
<thead>
<tr>
<th>Cultural Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Ohrid</td>
<td>5</td>
</tr>
<tr>
<td>Archaeological sites</td>
<td>4</td>
</tr>
<tr>
<td>Religious objects (churches, monasteries, mosques)</td>
<td>4</td>
</tr>
<tr>
<td>Old Bazaar Skopje</td>
<td>4</td>
</tr>
<tr>
<td>Ottoman Legacy</td>
<td>4</td>
</tr>
<tr>
<td>Museums</td>
<td>4</td>
</tr>
<tr>
<td>Fortresses</td>
<td>4</td>
</tr>
<tr>
<td>Warfare-related remnants (WW1, WW2)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4</strong></td>
</tr>
</tbody>
</table>

**Man-made attractors:** RN Macedonia has an abundance of nationally and internationally protected cultural and historical tangible and intangible heritage that, in most of the cases, physically interacts with the country’s most important natural wealth. Rural tourism products are heavily dependent on the cultural, immovable and movable heritage, especially its presentation and interpretation. Churches, monasteries, mosques, archaeological sites, museums, fortresses but more importantly, live, and unique to experience, traditions like handicrafts, events, weddings, local celebrations, folk dances, cooking, farming and food production are top attractions for international guests. As travellers’ needs constantly change, these assets need further and continuous improvement in terms of better access, more comprehensive and understandable tourism valorization and efficient promotion. In order to avoid the monotony and tediousness that too much immovable cultural and man-made heritage in one product can cause to the overall tourist experience (unless they are specialized professionals), tourism products should be carefully designed to expose random travellers to an appealing mix of cultural and anthropogenic heritage, including both monuments (buildings, localities, sites) as well as “soft” heritage by immersing with local citizens, events or local customs.
MAN-MADE ATTRACTORS ASSESSMENT

<table>
<thead>
<tr>
<th>Attractor</th>
<th>Score</th>
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<tbody>
<tr>
<td>Local tradition</td>
<td>4</td>
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<tr>
<td>Crafts</td>
<td>4</td>
</tr>
<tr>
<td>Events</td>
<td>3</td>
</tr>
<tr>
<td>Gastronomy</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
</tr>
</tbody>
</table>

Status of services

The supply (value) chain in rural tourism in RN Macedonia is quite complex because it includes different contributors: accommodation and hospitality service providers, transportation (local, national, international), guides, tour operators, local providers (handicrafts, food and beverage producers, cooks), public services and rescue systems. For some of these contributors, tourism is not the primary professional occupation, making the complexity of the value chain system even deeper.

Hospitality

On one hand, accommodation in rural areas is a key contributor to the overall development of the tourism sector and a crucial element in any tourism product. On the other, tourism stakeholders rank accommodation as the sector’s top problem. Many rural destinations (Dihovo, Galičnik, Jance, Prespa region villages, Sharr Mountain villages) face a significant lack of accommodation capacities, which seriously hinders tourism progress. Most of the rural destinations do not have separate facilities that can accommodate medium to large guest groups (25-50 persons), which leads to improvised alternations like separating groups and accommodating them in several different (neighbouring) facilities. The quantity and quality of services provided in rural tourism accommodation are not always aligned with the contemporary trends, and in many cases, they do not fully meet guests’ expectations/needs. The lack of quality and quantity of accommodation is an obstacle for tourism product diversification, unlocking new destinations and extending the tourist season.

Transport and Complementary Services

Even though it is not directly part of the attractiveness of the products, transportation plays a major role in the overall experience of the guests. Some zones of origin (e.g. the Asian continent) pay significant attention to this segment, requiring particular standards when it comes to coaches, their technical characteristics as well as drivers, their appearance and even behaviour. RN Macedonia as a destination has made significant progress in upgrading vehicles; however, drivers also need continuous investment in their education (languages) and specific social skills.

There are two major types of certified guides in RN Macedonia: tourism guides, certified by the Ministry of Economy and Mountain Leaders certified by the Macedonian Association of International Mountain Leaders, which in 2019 became a full member of the Union of International Mountain Leaders Association. The general impression of guests is that both types of guides, are mostly up to their tasks. A significant stimulator for this is the non-obligatory legacy (architecture, backyards, gardens, stables, folklore and ethno-exhibitions) and are an authentic scenery for practicing many of the folk customs and traditions (wine and rakija production, dairy products making, honey production, knitting, farming). Protecting, valorization and emphasizing the features of these accommodation facilities is highly emphasized in the national tourism legislation. Accommodation facilities, due to underdeveloped marketing and understanding of tourism processes, until a decade ago, were misleadingly considered the main attractiveness factor for an international tourist. Policy makers and local entrepreneurs believed that simply having authentic accommodation facilities is enough to have well developed rural tourism. The competition and statistical numbers proved this wrong. In present times, service providers pay attention to the fulfilment of the basic features of an accommodation facility (cleanliness, authenticity, the availability of basic equipment and amenities) and focus more on the development of the content of the tourism product.
tips that guides usually receive from their guests after a job well done. The main issues to be addressed here are the high seasonality of the guides’ engagement, i.e. issues regarding availability (causing problems for tour operators to find quality guides during the spring and summer months) and the lack of guides that can offer their services in languages other than English.

The number of incoming tour operators in RN Macedonia is severely underrated in comparison to the number of existing outgoing tour operators. Incoming agencies have been recently, with donor support, organized in a National Association of Incoming Tour Operators of Macedonia (NAITM). The aim of NAITM is to improve the quality of the tourism market, to increase the volume and quality of tourism products and services, join the forces of travel agencies that deal with incoming tourism in RN Macedonia as well as with other relevant stakeholders like hotels, restaurants, wineries, transport companies and tour guides.

The effects, outcomes and performance of the work of incoming tour operators is a key factor for the rural tourism business development. Even in tourism reality, where owing to the internet and direct promotional and booking tools, a new generation of self-organized travellers (fully/free/foreign independent travellers – FIT), is overtaking the market, for the time being, incoming tour operators still play the key role in increasing the number of the most potential types of tourists – organized group travellers.

Locals and local service providers are beginning to better understand and witness the benefits tourism can bring to their everyday lives and incomes. Their culture, tradition, customs, hospitality, knowledge and lifestyle, in general, must be rearranged into tourism products and activities, if a destination strives for competitiveness, increased spending and longer stay of its guests. The better, the more diversified and authentic the local service provision – the better the tourist experience. To a certain degree, the locals (in most cases people over 60 even), their spontaneity and amateurism can be quite charming for foreign travellers, but in most cases, the activities and services must comply with the highest tourism norms and standards. No matter the level of development of the destination, local service providers must continually maintain education and upgrade their skills, in order to be more competent to meet different types of market needs.

Public institutions, particularly local self-governments and their public utility enterprises have a dual role in rural tourism development. First, they act as regulators and as one of the strongest financial and technical supporters of rural tourism service providers. Second, the effectiveness of their non-tourism-related tasks (waste management, infrastructure construction and maintenance, culture development, environmental issues, business-friendly environment) can significantly slow down or boost tourism development. Public institutions need to improve their channels and frequency of communication with rural tourism contributors (primarily the local and rural population) in order to design more effective local development policies. Most rural municipalities also need to strengthen their human capacities that deal with (rural) tourism daily. The current practice of having a local economic development department simultaneously covering at least four other sectors, does not bring maximum productive results for the rural destinations.

Rescue systems are poorly organized, and in most cases depend on one’s personal acquaintance with relevant institutions or responsible professionals. RN Macedonia does not have any unified system for risk management and response, particularly developed and designed to be in the service of the tourism sector. Centre for crisis management along with the Ministry of Interior, the Ministry of Health (Emergency Service) and local firefighting brigades are first responders and coordinators in case of rescue and emergency. Red Cross can also be considered an effective first responder, especially in some parts of the country (Ohrid, National Park Galičica), owing to their locally developed human and technical capacities. Certified International Mountain Leaders are trained to provide first aid in case of

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358 [https://naitm.org.mk/about-us/](https://naitm.org.mk/about-us/)
359 Expert opinion based on semi-structured interviews with service providers and tour operators
360 Expert opinion based on semi-structured interviews with service providers and tour operators
emergency, on site. Some successful pilot initiatives have been implemented, but a comprehensive and integrated national system design and implementation is required. At the time of the was not yet operational, so its effects cannot be measured or evaluated.

### SERVICES ASSESSMENT

<table>
<thead>
<tr>
<th>SERVICES</th>
<th>ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hospitality</td>
<td>4</td>
</tr>
<tr>
<td>2. Transport and Complementary Services</td>
<td>3.5</td>
</tr>
<tr>
<td>3. Guides</td>
<td>4</td>
</tr>
<tr>
<td>4. Tour operators</td>
<td>3</td>
</tr>
<tr>
<td>5. Locals and local service providers</td>
<td>3.5</td>
</tr>
<tr>
<td>6. Public institutions</td>
<td>2.5</td>
</tr>
<tr>
<td>7. Rescue systems</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.3</strong></td>
</tr>
</tbody>
</table>

### B.5.3.2. Strategic framework and programmes

#### National context

**Programme of the Government of RN Macedonia 2017-2020.** This document does not target rural tourism directly. With direct tourism development measures and objectives, it foresees the development of a Strategy on Active Tourism, opening new and better paying jobs in the sector, the implementation of the Law on Spatial Protection of Natural Areas relevant for active tourism development, support to activities for cleaning of tourism centers, resolving property-related issues and putting into function existing youth resorts and mountain resorts. The Government of RN Macedonia foresees further in this document the construction and rehabilitation of local roads, mountain and biking trails that are important for the development of lake, mountain and sport tourism.

### National Budget of RN Macedonia

The National Budget of RN Macedonia is the main and most important financial tool that projects annual national capital investments in all sectors, including the budgets of ministries and state agencies, transport, utility, waste management infrastructure as well as rural and tourism development subsidies. The National Budget includes allocations for the most important governmental rural development tools: 1) Programme for financial support of rural development, including investments for supporting primary agricultural activities and rural tourism and 2) Programme for rural development, mainly encompassing IPARD-related and rural economy diversification measures. The National Budget also estimates the financial allocations of the Ministry of Economy of RN Macedonia and its tourism development programmes as well as the programme allocations of the state Agency for the Promotion and Support of Tourism. Financial tools and measures are elaborated in detail in chapter B.5.3.3. of this document.


As a complementary and supportive document to the National Budget, this document gives directions for the fiscal and economic policies of the Government as well as mid-term projections that frame state annual budgets. Rural tourism is mentioned once in the current Strategy, in Section 2.2.2 Mid-term frame of the local government budget, where priority infrastructural activities as improvement of the infrastructure, bridges, local roads and streets, utility infrastructure, waste management, sewage systems, urbanization of the villages, connection between rural areas, development of rural tourism

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362 Programme of the Government of RN Macedonia 2017-2020

363 Ibid

364 Ibid

and recreational centres are foreseen.\textsuperscript{366} The Fiscal Strategy also mentions financial allocations needed for the implementation of current and future IPARD I and II rural development programmes and projects.

\textbf{National Strategy for Rural Tourism 2012-2017.}\nThis document should have the most important role in defining rural tourism development visions and strategic frameworks in RN Macedonia. It was the first national document that directly targeted this type of travel, which at the time when the document was drafted enjoyed very limited public awareness. Among others, the National Strategy for Rural Tourism had the task to conceptualize rural tourism as a developmental priority of the country, based on facts and figures.\textsuperscript{367} The Strategy was prepared upon request by the most responsible state tourism policy creator – the Ministry of Economy (Sector for Tourism Development). Even though expected, the National Strategy did not provide a precise definition of the term rural tourism. Instead, it favoured a more general, theoretical approach, in which rural tourism is recommended to be considered an integrated activity that occurs in a rural environment.\textsuperscript{368} This Strategy envisaged three development objectives for the sector: 1) Increase rural tourism capacities, 2) Increase employment in rural tourism and 3) Increase rural tourism offer. It defined 15 rural tourism destinations in the country with the highest potential: Debar-Kičevo, Vevčani, Ohrid-Prespa, Mavrovo-Rostuše, Polog, Osogovo region, Kumanovo and its surroundings, Azot, Maleševo region, Tikveš, ethno-tourism and spa region Belasica, Kruševo, Pelagonija, Mariovo and Skopje and its rural areas. The Strategy defined four indicators to measure the achievement of its objectives:

1) Increase the number of accommodation and hospitality capacities by 10% in the first two years and 20% annually in the following three years
2) Increase the number of jobs in rural tourism and hospitality – decrease the unemployment rate in strictly rural areas by 10% in the first year and 20% in the following three years
3) Increase rural tourism incomes by 10% in the first two years and 20% in the following three years and
4) International promotion of at least one new rural destination per year and continuous local and regional promotion of the existing destinations

After the period of implementation of the Strategy expired, only one action to measure its effects was undertaken, by a national NGO.\textsuperscript{369} Their findings, based on field research including 120 interviews with rural tourism stakeholders and other direct consultation tools, did not present very favourable results.\textsuperscript{370}

\textbf{National Strategy for Tourism in RN Macedonia 2016-2021.}\nThe most important document that defines the overall tourism development in the country. In its introductory part, this Strategy evaluates 80 actions and measures foreseen in the previous Strategy for the 2009-2013 period, claiming at least \(\frac{3}{4}\) of the measures to be fully implemented and \(\frac{1}{4}\) not realized. The realized activities include the introduction of wine tourism as part of the rural tourism offer, the development of landscape trips, hiking trails and rural accommodation and restaurants in wine regions.\textsuperscript{371} As partially implemented activity, the Strategy lists joint efforts for rural tourism development.\textsuperscript{372} The section with recommendations to develop national routes proposes the development of a “Rural Route of Macedonia” – a tourism product that would connect all rural destinations in the country.\textsuperscript{373} Not so favourable for rural tourism – the current Strategy 2016-2021 states that, in order to attract more visitors, RN Macedonia has to focus on urban, lake and cultural tourism, noting that these niche products have the biggest potential to attract regional and international markets.

The National Strategy for Tourism proposes to focus on four main pillars: Skopje, Ohrid Lake, Macedonian culture and nature experiences. The document envisages eight different strategies to support professional tourism development in the country:

\textsuperscript{367} National Strategy for Rural Tourism 2012-2017
\textsuperscript{368} Ibid
\textsuperscript{370} www.rural.mk
\textsuperscript{371} National Strategy for Rural Tourism Development 2016-2021, page 6
\textsuperscript{372} Ibid, page 7
\textsuperscript{373} Ibid, page 93
1) Raise the awareness of North Macedonia as attractive destination
2) Improve attractiveness of North Macedonia,
3) Improve organizational structures in the tourism sector
4) Improve the investment environment for Macedonian entrepreneurs, related to putting new accommodation facilities into function
5) Improve the quality and quantity of the available tourism-related data
6) Improve the framework environment for tourism development
7) Improve knowledge on tourism and quality of services and
8) Raise awareness of the local population tourism

The Strategy recognizes domestic travellers and the diaspora, neighbouring countries/territories and transit travellers and non-traditional European markets, particularly those connected with RN Macedonia with low cost carriers, as the most potential market segments to be targeted. In order to be more competitive, it proposes grouping statistical territories and municipalities into the following tourism destinations: Ohrid Lake, Mavrovo, Sharr Mountain, Skopje, Bitola-Prespa Lake, Dojran Lake-Strumica, Tikveš wine region, Central N. Macedonia and East N. Macedonia. In its Action Plan, as a responsibility of the Ministry of Economy, the Strategy proposes the formation of at least two rural tourism development zones by the end of 2017. At the time of writing this Report, there were no rural tourism development zones established in RN Macedonia.

National Strategy for Agriculture and Rural Development 2014-2020. The National Strategy for Agriculture and Rural Development is the main long-term strategic document for agriculture and rural development that frames the setting and implementation of objectives, policies and measures for the development of agriculture and rural areas. In its comprehensive SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis of the obstacles that hinder agricultural and rural development, the Strategy recognizes an increase of the domestic and international market demand for rural tourism products, increase of the pressure on the environment due to intensified tourism activities but also notes the potential risks, like decreasing rural population, increased mobility of rural population outside the state, increased competition on the domestic market, increased business-related human resource qualities and poor road infrastructure. In its chapter on the diversification of rural economy, the Strategy proposes support to non-agricultural diversification of the rural economy, modernization of rural tourism activities and other complementary activities, mainly through IPARD I Measure 302 – Diversification and development of rural economic activities and IPARD II Measure 3.2 – Diversification of agricultural economies and development of rural businesses. This document is the only national document that strongly acknowledges development possibilities for rural tourism, based on high-end hunting and fishery activities.

Sub-Strategy for Traditions and Events. This Strategy was developed in 2014, suggesting guidelines for the development of contents including alternative tourism activities and supporting their use instead of abusing overall economic development. According to the document, rural tourism has its core foundations in traditions and events, so the connection between them is very strong. In the quantitative analysis, this document recognizes more than 300 events and traditions, most of them occurring in rural settlements of the country. According to the opinions expressed in the document, most events are with strong local attractiveness while 49 events do attract international visitors. The Strategy finds that economic benefits for local businesses and communities are limited, so further improvements and linkages with the business communities must be created. The document recognizes the possibility of rural households to be re-arranged as diffuse and integrated accommodation facilities (heritage hotels), owing to their existing features (appearance, organization, characteristics, location and ambience). High emphasis should be put on the quality of services that these facilities would offer, as well as the possibility considered for their cooperation and creating joint offers with other complementary activities.
ry facilities: handicraft workshops, national restaurants, antiquities and souvenir shops. The Strategy recognizes the enormous challenge of (in)existence of quality human resources in rural areas as a key factor for the development and implementation of tourism products.

**Sub-Strategy for the Development of Sports Tourism 2015-2018.** The national document prepared by the APST. It elaborates the possibilities for tourism product development based on the existing resources of the country and continuous increase in the diversification of travellers’ preferences and needs. In not too many details, this document (based on the opinions collected through structured interviews with relevant stakeholders), recognizes the importance of sports tourism for rural tourism development.378

**National Strategy for the Development of Healthcare Tourism 2012-2018.** This Strategy is the first national document of this type, dealing with health tourism as a potential niche sector with emphasized incoming market potential. This Strategy was jointly developed by the Ministry of Health and APST. Its vision is for the country to become the regional leader in healthcare tourism service provision by utilization of several top health and wellness centres that will attract clients from the region as well as from abroad. The top priority target markets should be Albania, Kosovo*, Australia, USA and Canada. The types of services to be developed and marketed include dental services, cosmetic treatments, aesthetic surgery and ophthalmological interventions, all of them later on requiring integrative activities like outdoor recreation, rest and landmarks visits. An important part of the Strategy from the rural economy diversification perspective is the fact that along with the establishment of healthcare centres, this document proposes the development of wellness centres that should replace the existing eight spa facilities in the country, which are located in rural areas (with the exception of Debar Spa) and to offer competitive healthcare tourism products. Furthermore, Prespa Region as well as the town of Berovo (both falling under the category rural areas), are recognized as destinations that have the potential to offer integrated healthcare tourism products.

**National Strategy for Regional Development 2009-2019.** A long-term national document that has been prepared and implemented by the Ministry of Local Self-Government. The main focus of this document is – through achievement of its two Strategic Objectives and 14 Priorities – to implement the state’s regional policies, generally aiming at reducing developmental gaps among existing regions in RN Macedonia, levelling developmental differences between urban and rural areas in the country and fully implementing the Law on Regional Development of RN Macedonia. In most of its content, the Strategy targets rural areas of the country, perfectly recognizing their problems, challenges and potentials. Apart from rural areas (villages), this National Strategy recognizes hilly and mountainous and rural areas located near borders as those with specific developmental needs, as well as areas with natural and cultural heritage protected by law (National Parks, village of Gari, village of Smilevo), which almost fully overlaps with the rural tourism destinations in the country. This recognition of rural locations by the regional development policies is favourable and important, since it can contribute to the raising awareness by policy makers and opening more financing opportunities for rural areas and their local economy diversification (Regional Development Programme of RN Macedonia, IPA CBC programmes, donor programmes and measures). The Strategy Priority 1.5 comprehends strengthening institutional support for the development of different types of tourism: mountain, lake, spa, village, wine, transit and alternative (speleological tourism, hunting). Priority 2.3 of the Strategy foresees a particular measure: Promotion of investment possibilities in smaller municipalities and rural areas.

**Regional contexts**

**Regional Development Programmes.** For the purposes of implementation of regional policies, the territory of RN Macedonia has been divided into eight planning regions: Skopje, Vardar, Polog, Pelagonija, South West, South East, East and North East. According to the Law on Balanced Regional Development, each region must have a five-year regional development programme containing potentials, weaknesses, vision, mission and an overall develop-
ment framework for the region. Detailed analysis of their contents shows that all regional development programmes in RN Macedonia have objectives, priorities and measures that include tourism. The level of their achievement and impact is expected to be measured after their implementation expiry in 2019.

South East Planning Region distinguishes several types of tourism products: lake, spa, mountain, village, cultural and religious, active, health, event-related, hunting, wine and casino tourism. The Opportunities section of the SWOT analysis lists education of the population regarding possibilities for rural tourism, existing natural and cultural resources in the region for the development of rural tourism and non-agricultural rural economy. This document has Strategic Objective 2 – Sustainable development of tourism and culture with three priorities to be achieved through the implementation of 16 particular measures. Some of the measures include end results like the number of implemented projects for the development of villages (rural areas), the number of implemented projects in areas with specific developmental needs or the length of developed hiking and biking trails.

East Planning Region has a Mid-term Objective in its development programme to become a recognizable destination with a diversified tourism offer. In its Objective 4, Priority 4.2 this document foresees activities supporting events (exhibits, fairs) for the promotion of local products that are important for rural tourism, while its Objective 5, Priority 5.1 aims at the development of selective types of tourism products (mountain, rural, cultural and spa) through activities like reconstruction of old buildings (ethno-houses).

South West Planning Region development programme, Mid-term Objective 1. Priority 1.4, Measure 1.4.2 Development of possibilities for rural development, aims at the development of rural infrastructure and support of diversification activities in rural areas through the implementation of indicative activities like design and implementation of projects for rural tourism, promotion of diversified economy products through promotional materials, establishment of LAGs and improvement of rural infrastructure.

Vardar Planning Region, among other types of tourism (transit, sustainable, cultural), puts a special emphasis on wine and mountain tourism development. In its Regional Development Programme, Strategic Objective 2, this region proposes five tourism-related Specific Objectives and indicators for their achievement. Some of them are directly beneficial for rural tourism: establishment of ethno-villages, improvement of tourism infrastructure, development of wine tours, increase of the number of urbanized locations and development of commercial hunting reserves.

Polog Planning Region development programme, Mid-term Objective 1, includes as Priority 1.4 Sustainable agriculture and rural development. The activities foreseen for its achievement include the establishment of LAGs, drafting projects for the promotion and usage of local food production in rural catering facilities, creation of a database of existing rural roads and priorities for their reconstruction as well as construction of new roads, organization of joint events for the promotion of rural tourism with neighbouring countries/territories, preparation of a project called “Milky Way” for the promotion of local dairy products and rural tourism, organization of youth training on agro-economic measures and preparation of promotional materials for rural environments with an emphasis on rural development and tourism.

Considering that it is the most urban region in the country, Skopje Planning Region focuses mainly on cultural tourism development and Meetings, Incentives, Congresses, Exhibitions/Events (MICE) tourism development. However, in its Mid-term Objective 1, Skopje regional development programme sets Rural and agricultural development as Priority 1.5 with particular measures/results that can indirectly

379 Programme for the Development of the South East Region 2015-2019, page 49
380 Ibid, page 78, Table 72a
381 Ibid, page 79
382 Programme for the Development of the East Region 2015-2019, page 41
383 Ibid, page 65
384 Programme for the Development of the South West Region 2015-2019, page 58
386 Ibid, page 41-43
support rural tourism development: establishment of LAGs, improvement of agriculture and social life-related infrastructure in rural areas, waste management improvement and organization of events and activities for the promotion of local products. In its Mid-term Objective 4, this document aims at the improvement of tourism infrastructure including the number and length of trails that connect natural and cultural tourism assets in rural areas\(^ {387}\) or the provision of subsidies for investments in rural areas.\(^ {388}\)

**Pelagonija Planning Region** puts special emphasis on the development and support of adventure tourism (according to the ATTA definition).\(^ {389}\) In the Programme’s SWOT analysis, it is stated that the region has potentials for alternative tourism in rural environments (Strengths\(^ {390}\)) and that there is an increased interest in rural tourism in Prespa, Pelister and Mariovo (Opportunities\(^ {391}\)). In Priority 2.1: Improving and enriching the tourism offer in the region, this document sets measures and indicators that could be of direct and indirect importance for rural tourism: improved categorization and standardization of tourism offers in the region, investments in infrastructure related to developing tourism in the region, support to traditional crafts and national craftsmanship, number of delivered training courses and courses for licensed tourist and mountain guides, number of fairs where the tourist destination was presented, number of projects implemented for the development of adventure tourism. Its Strategic Goal 5 More competitive agriculture and sustainable rural development, also notes some indirect tourism complementary measures and indicators: stimulating and support for opening new “non-farming” businesses and integrated rural businesses (farm tourism), stimulating migration “city-village” (living and working), support to rural tourism, number of tourists in rural tourism and number of accommodation capacities and services in rural tourism.

**North East Planning Region**, along with agriculture, recognizes tourism as an important sustainable rural development possibility.\(^ {392}\) In its development programme, this region considers the development of mountain, rural and spa tourism products (predominantly located in rural areas) to achieve rural development in general.\(^ {393}\) The North East Planning Region also aims at the development of “alternative” types of tourism (Priority 4.1) without a particular definition or framework for the term. Nonetheless, some of the indicative activities (Measures 4.2.2, 4.2.3) scope around tourism products with strong rural components: Kokino archaeological site, Kuklica locality, tracing and marking rock art, tracing and marking mountain tracks and bicycle lanes, setting up hiking routes, bicycle and motor lanes and construction of hunting houses in the region’s rural areas as well as trainings for service providers in rural areas (Measure 4.3.1). Indirectly, if implemented, Measure 1.4.5 Provision of broadband Internet in rural areas, although a non-tourism rural development measure, could also contribute to rural tourism improvement.

**Strategy for the Development of Tourism in the East Planning Region 2016-2025.** This is the only official strategic document in the country that deals with tourism development at regional level. It has been approved by the Council for the Development of the East Planning Region and it defines the vision on how tourism industry can increase its economic and social impact at the regional level through the development of several respectable destinations within the East Planning Region with tourism products based on natural and cultural heritage and the tradition of the people who live on its territory.\(^ {394}\) The Strategy includes rural settlements in the territory as a competitive tourism asset, mainly due to their huge presence (208 out of 217 settlements in total), their natural and cultural values and the constantly growing recreational function that these areas are gaining.\(^ {395}\) Rural tourism in the Strategy is specifically elaborated in a separate section\(^ {396}\).

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388 Ibid, page 119
389 Programme for the Development of the Pelagonija Planning Region 2015-2019, Specific Objective 2
390 Ibid, Table 70a
391 Ibid, Table 70c
392 Programme for the Development of the North East Planning Region 2015-2019, Mid-term Goal 4, page 101
393 Ibid, page 102
394 Strategy for the Development of Tourism in the East Planning Region 2016-2025, Foreword
395 Ibid, 5.3.2
396 Ibid, 10.3.2
being defined as tourism that is mainly associated with rural areas as the receptive territory and urban settlements as the main sources of tourists. Rural products have rural culture as a central component, while tourists’ main motives for travelling include nature, gastronomy, cultural assets, as well as special interests like herb gathering, hiking or climbing. This Strategy sets several rural tourism strategic approaches: organization and cooperation, development of networks and linkages between private entities (clustering), zoning and development of rural tourism products. In order to fully use rural tourism potentials, the following steps should be undertaken: market research, market segmentation and development of specific product offers, introduction of quality marks and merchandise of local products (wine, food, handicrafts, clothing). Development of rural tourism is listed as a separate activity in the Strategic Area: Tourism Offer, Strategic Priority Objective 2: Optimizing the overall value of the tourism for the population and business sector, Measure 2 Development of tourism value chain through different types of tourism products of the Action Plan for the implementation of the Strategy.

Local context

Some of Macedonian Municipalities have developed local strategies for rural tourism. For instance, the Strategy for the Development of Rural Tourism in Municipality Pehčevo 2018-2023. Given the specifics of the profile of Municipality Pehčevo, the rationale for the preparation of this type of document is quite understandable. Rural tourism is defined in the Strategy as services and activities offered in rural areas. The key elements of rural tourism products are: rural space, preserved nature, accommodation in traditional village households, B&B with the possibility of meals preparation, traditional rural gastronomy, communication with the hosts, familiarization or practicing agricultural activities, tradition and local population lifestyle. In its Action Plan, this document sets four Strategic Objectives: 1) Securing standardized accommodation facilities in the villages of Municipality Pehčevo by the end of 2023, 2) Establishment of a local institutional form for operational tourism management in Municipality Pehčevo – an Information Office, 3) Development of separate and integrated tourism programmes based on conclusions and recommendations of the Study for the Development of Rural Tourism in Municipality Pehčevo with the purpose of using all the potentials and to secure sustainable development and 4) Increase the number of tourists in rural tourism in Municipality Pehčevo to a number that will secure sustainable development of rural tourism in the Municipality, through organized promotion and marketing of its attractions and potentials, by the end of 2023.

Strategy for the Development of Tourism in Municipality Tetovo 2017-2022 and Strategy for Rural Development of Municipality Tetovo 2017-2022 also propose rural tourism, listing specific actions: branding rural tourism, improvement of the road infrastructure, reconstruction of ski lift and rope railway, development of hiking and cycling trails, environmental improvements and urbanization of the Municipality. The Strategy recognizes bordering of Tetovo with the rural municipalities of Bogovinje, Brvenica, Želino, Jegunovce and Tearce as a huge rural tourism development asset.

The Sub-Strategy for Rural Development of Municipality Ohrid 2014-2018 has the development of rural tourism as one of priorities.

397 Ibid, 10.3.2
398 Ibid, 10.3.2.1
399 Ibid, 10.3.2.1
400 Ibid, (Action Plan), page 105
401 Strategy for the Development of Rural Tourism in Pehčevo 2018-2023, Introduction, Profile (general information)
402 Ibid, section on Rural tourism
403 Ibid, section on Rural tourism
404 Strategy for the Development of Rural Tourism in Pehčevo 2018-2023, Action Plan
405 Strategy for Tourism Development in Municipality of Tetovo, section Situational Analysis of Tourism in Municipality Tetovo
B.5.3.3. Actions and measures

Direct financial support

Table B4-1: Programme for financial support to rural development

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>NAME OF THE MEASURE</th>
<th>PAID AMOUNT IN 2014 (MKD)</th>
<th>PAID AMOUNT IN 2015 (MKD)</th>
<th>PAID AMOUNT IN 2016 (MKD)</th>
<th>PAID AMOUNT IN 2017 (MKD)</th>
<th>PAID AMOUNT IN 2018 (MKD)</th>
<th>PAID AMOUNT IN 2019 (MKD)</th>
<th>TOTAL PAID AMOUNT IN 2014-2019 (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>321</td>
<td>Improvement of the quality of life in rural areas</td>
<td>267.344.282</td>
<td>165.778.722</td>
<td>67.433.658</td>
<td>11.311.143</td>
<td></td>
<td></td>
<td>511.867.805</td>
</tr>
<tr>
<td>323</td>
<td>Preservation and improvement of traditional values</td>
<td>49.481.257</td>
<td>29.563.782</td>
<td>1.680.465</td>
<td></td>
<td></td>
<td></td>
<td>80.725.504</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>446.652.781</td>
<td>230.917.558</td>
<td>89.256.583</td>
<td>18.004.990</td>
<td>19.303.246</td>
<td>2.790.830</td>
<td>806.925.988</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture, Forestry and Water Management, September 2019
Table B4-2: Programme for financial support to rural development

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>NAME OF THE MEASURE</th>
<th>PAID AMOUNT IN 2015 (MKD)</th>
<th>PAID AMOUNT IN 2016 (MKD)</th>
<th>PAID AMOUNT IN 2017 (MKD)</th>
<th>PAID AMOUNT IN 2018 (MKD)</th>
<th>PAID AMOUNT IN 2019 (MKD)</th>
<th>TOTAL PAID AMOUNT IN 2015-2019 (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>321</td>
<td>Improvement of the quality of life in rural areas (321.1)</td>
<td>26,243,112</td>
<td>322,473,093</td>
<td>325,258,323</td>
<td>74,957,406</td>
<td>1,681,454</td>
<td>750,613,388</td>
</tr>
<tr>
<td>322</td>
<td>Reconstruction and development of villages (322.1)</td>
<td>10,781,459</td>
<td>163,307,470</td>
<td>152,431,290</td>
<td>36,480,764</td>
<td></td>
<td>363,000,983</td>
</tr>
<tr>
<td>323</td>
<td>Preservation and improvement of traditional values in rural areas (323.2)</td>
<td>8,040,982</td>
<td>133,743,076</td>
<td>146,082,462</td>
<td>9,490,296</td>
<td>8,979,488</td>
<td>306,336,304</td>
</tr>
<tr>
<td></td>
<td>Ministry of Transport and Communication (323.1)</td>
<td>19,179,110</td>
<td>19,882,791</td>
<td></td>
<td></td>
<td></td>
<td>39,061,901</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>64,244,663</td>
<td>639,406,430</td>
<td>623,772,075</td>
<td>120,928,466</td>
<td>10,660,942</td>
<td>1,459,012,576</td>
</tr>
</tbody>
</table>

*Source: Ministry of Agriculture, Forestry and Water Management, September 2019*
### TABLE 3: PROGRAMME FOR FINANCIAL SUPPORT TO RURAL DEVELOPMENT IN 2016

<table>
<thead>
<tr>
<th>Measure</th>
<th>Name of the measure</th>
<th>Amount (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>121.2</td>
<td>Purchase of mechanization</td>
<td>54,782,121</td>
</tr>
<tr>
<td>112</td>
<td>Assistance for young agricultural producers for starting</td>
<td>71,084,505</td>
</tr>
<tr>
<td></td>
<td>agricultural activity</td>
<td></td>
</tr>
<tr>
<td>121.4</td>
<td>Purchase of bee farming equipment</td>
<td>44,413,080</td>
</tr>
<tr>
<td>121.5</td>
<td>Purchase of systems for drip irrigation and well digging</td>
<td>1,938,068</td>
</tr>
<tr>
<td>3</td>
<td>Subsidies for loan interests</td>
<td>21,650,722</td>
</tr>
</tbody>
</table>

### PROGRAMME FOR FINANCIAL SUPPORT OF RURAL DEVELOPMENT IN 2017

<table>
<thead>
<tr>
<th>Measure</th>
<th>Name of the measure</th>
<th>Amount (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>Assistance for young agricultural producers for starting</td>
<td>247,060,189</td>
</tr>
<tr>
<td></td>
<td>agricultural activity</td>
<td></td>
</tr>
</tbody>
</table>

### PROGRAMME FOR FINANCIAL SUPPORT OF RURAL DEVELOPMENT IN 2018

<table>
<thead>
<tr>
<th>Measure</th>
<th>Name of the measure</th>
<th>Amount (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>321</td>
<td>Improvement of the quality of life in rural areas</td>
<td>1,120,188,483</td>
</tr>
<tr>
<td>322</td>
<td>Reconstruction and development of villages</td>
<td>465,385,976</td>
</tr>
<tr>
<td>323</td>
<td>Preservation and improvement of traditional values in rural areas</td>
<td>663,507,505</td>
</tr>
<tr>
<td>121.5</td>
<td>Purchase of systems for drip irrigation and well digging</td>
<td>19,434,592</td>
</tr>
<tr>
<td>112</td>
<td>Assistance for young agricultural producers for starting</td>
<td>635,307,086</td>
</tr>
<tr>
<td></td>
<td>agricultural activity</td>
<td></td>
</tr>
<tr>
<td>131</td>
<td>Economic association of agricultural economies for joint</td>
<td>9,050,942</td>
</tr>
<tr>
<td></td>
<td>agricultural work</td>
<td></td>
</tr>
<tr>
<td>124</td>
<td>Access to agricultural parcels</td>
<td>25,338,173</td>
</tr>
<tr>
<td>123</td>
<td>Market infrastructure</td>
<td>41,269,924</td>
</tr>
<tr>
<td>2</td>
<td>Subsidies for loan interests</td>
<td>52,509,640</td>
</tr>
</tbody>
</table>

### Programme for financial support of rural development in 2019

<table>
<thead>
<tr>
<th>Measure</th>
<th>Name of the measure</th>
<th>Amount (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>121.1</td>
<td>Purchase of livestock</td>
<td>135,550,068</td>
</tr>
<tr>
<td>412 and</td>
<td>Establishment of Local Action Groups</td>
<td>In process</td>
</tr>
<tr>
<td>413</td>
<td></td>
<td></td>
</tr>
<tr>
<td>121.4</td>
<td>Purchase of mechanization</td>
<td>936,488,542</td>
</tr>
</tbody>
</table>

*Source: Agency for Financial Support to Agriculture and Rural Development, September 2019*
### TABLE 4: PROGRAMME FOR FINANCIAL SUPPORT TO RURAL DEVELOPMENT IN 2016

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>NAME OF THE MEASURE</th>
<th>PAID AMOUNT (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>Assistance for young agricultural producers for starting agricultural activity</td>
<td>67,922,983</td>
</tr>
<tr>
<td></td>
<td>Purchase of livestock (121.1)</td>
<td>11,265,338</td>
</tr>
<tr>
<td></td>
<td>Plantation of new vineyards and orchards and melliferous flora on new parcels (121.2)</td>
<td>32,140,113</td>
</tr>
<tr>
<td>121</td>
<td>Purchase and investments in agricultural equipment and mechanization for corn and industrial crops (121.3)</td>
<td>37,099,485</td>
</tr>
<tr>
<td></td>
<td>Purchase of queen bees (121.4)</td>
<td>13,715,576</td>
</tr>
<tr>
<td></td>
<td>Purchase of equipment for drip irrigation systems for corn, sunflower and forage crops and wells for irrigation (121.5)</td>
<td>415,291</td>
</tr>
<tr>
<td>124</td>
<td>Investments in infrastructure for development of agriculture, forestry, and water management – maintenance of channels network for drainage and irrigation, water management and lightening protection of animal pens (124.1)</td>
<td>277,878,105</td>
</tr>
<tr>
<td>131</td>
<td>Economic association of agricultural economies for joint agricultural work (131.1)</td>
<td>2,677,250</td>
</tr>
<tr>
<td>211</td>
<td>Assistance for performing agricultural activity in areas with limited possibilities for agricultural activity (211.1)</td>
<td>82,852,855</td>
</tr>
<tr>
<td>213</td>
<td>Assistance for preservation of rural areas and their traditional characteristics (213.1)</td>
<td>10,243,968</td>
</tr>
<tr>
<td>214</td>
<td>Assistance for preservation of the genetic diversity of autochthonous agricultural plant species and autochthon breeds of livestock (214.1)</td>
<td>5,994,400</td>
</tr>
<tr>
<td>215</td>
<td>Organic production (215.1)</td>
<td>74,902,419</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>617,107,783</strong></td>
</tr>
</tbody>
</table>

Source: Agency for Financial Support to Agriculture and Rural Development, September 2019
## TABLE 5: PROGRAMME FOR FINANCIAL SUPPORT TO RURAL DEVELOPMENT IN 2017

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>NAME OF THE MEASURE</th>
<th>PAID AMOUNT (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>Assistance for young agricultural producers for starting agricultural activity</td>
<td>215,273,863</td>
</tr>
<tr>
<td>121</td>
<td>Purchase of livestock (121.1)</td>
<td>8,452,840</td>
</tr>
<tr>
<td></td>
<td>Plantation of new vineyards and orchards and melliferous flora on new parcels (121.2)</td>
<td>21,817,561</td>
</tr>
<tr>
<td>124</td>
<td>Investments in infrastructure for development of agriculture, forestry, and water management – maintenance of channels network for drainage and irrigation, water management and lightening protection of animal pens (124.1)</td>
<td>126,325,528</td>
</tr>
<tr>
<td>131</td>
<td>Economic association of agricultural economies for joint agricultural work (131.1)</td>
<td>2,334,610</td>
</tr>
<tr>
<td>211</td>
<td>Assistance for performing agricultural activity in areas with limited possibilities for agricultural activity (211.1)</td>
<td>86,562,949</td>
</tr>
<tr>
<td>213</td>
<td>Assistance in preservation of rural areas and their traditional characteristics (213.1)</td>
<td>8,408,628</td>
</tr>
<tr>
<td>214</td>
<td>Assistance for the preservation of the genetic diversity of autochthonous agricultural plant species and autochthonous breeds of livestock (214.1)</td>
<td>5,994,427</td>
</tr>
<tr>
<td>215</td>
<td>Organic production (215.1)</td>
<td>88,772,925</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>563,943,331</strong></td>
</tr>
</tbody>
</table>

*Source: Agency for Financial Support to Agriculture and Rural Development, September 2019*
TABLE 6: PROGRAMME FOR FINANCIAL SUPPORT TO RURAL DEVELOPMENT IN 2018

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>NAME OF THE MEASURE</th>
<th>PAID AMOUNT (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>121</td>
<td>Purchase of livestock (121.1)</td>
<td>912,068</td>
</tr>
<tr>
<td>124</td>
<td>Capital investments in water management infrastructure (124.1)</td>
<td>14,469,467</td>
</tr>
<tr>
<td>131</td>
<td>Economic association of agricultural economies for joint agricultural work (131.1)</td>
<td>1,036,354</td>
</tr>
<tr>
<td>211</td>
<td>Assistance for performing agricultural activity in areas with limited possibilities for agricultural activity (211.1)</td>
<td>688,800</td>
</tr>
<tr>
<td>213</td>
<td>Assistance for preservation of rural areas and their traditional characteristics (213.1)</td>
<td>13,244,053</td>
</tr>
<tr>
<td>214</td>
<td>Assistance for preservation of the genetic diversity of autochthonous agricultural plant species and autochthonous breeds of livestock (214.1)</td>
<td>4,000,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>34,350,742</strong></td>
</tr>
</tbody>
</table>

*Source: Agency for Financial Support to Agriculture and Rural Development, September 2019*

TABLE 7: PROGRAMME FOR FINANCIAL SUPPORT OF RURAL DEVELOPMENT IN 2019

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>NAME OF THE MEASURE</th>
<th>PAID AMOUNT (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>124</td>
<td>Capital investments in water management infrastructure (124.1)</td>
<td>637,078</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>637,078</strong></td>
</tr>
</tbody>
</table>

*Source: Agency for Financial Support to Agriculture and Rural Development, September 2019*
Public call for subsidizing rural households with tourism purposes. Financial instrument opened and managed by the Ministry of Economy within the annual Tourism Development Programme. Its main purpose in 2019 was to financially support officially registered and categorized rural tourism service providers (rural households) with the payment of 60% of eligible costs (limited to 200,000 MKD or 3,200 EUR per household) for investments in equipment or infrastructure related to their rural tourism services. The total available amount for the public call was 2,500,000 MKD (40,000 EUR), announcing support to at least 13 service providers. In 2017, this call had 2,500,000 MKD (40,000 EUR) allocated.

Regional Development Programme. Despite the fact that this is not a direct measure for rural (tourism) support, the Regional Development Programme contributes to the overall rural development of the country. The Programme is divided into three measures:

1) Financial support for regional development (70% of the funds)
2) Support to villages and
3) Support to areas with specific developmental needs (30% of the funds)

In 2016, a total of 4,870,000 EUR, in 2017 a total of 3,700,000 EUR and in 2018 a total of 4,500,000 EUR was allocated to the Regional Development Programme within the budget of the Ministry of Local Self-Government. A significant increase of the funds was recorded in 2019. A basic analysis of the allocations for 2019 shows that out of the total of 6,700,000 EUR allocated for the entire Programme, 39 equipment, technical documentation preparation and infrastructure development projects with 1,341,000 EUR were funded in rural areas with specific developmental needs, while for the development of villages, 35 equipment, technical documentation preparation and infrastructure development projects with 670,000 EUR were supported. In 2019, 43 infrastructural and equipment projects were financed with approximately 4,700,000 EUR. At least 18 of them were implemented in rural municipalities, indirectly supporting rural tourism.

Macedonian Bank for Development Support has provided credits and loans for accommodation facilities with up to 70 beds – their buying, reconstruction and adaptation with a total amount of 16,500,000 EUR for 150 service providers.

Instrument for Pre-Accession Assistance – Rural Development. According to the information provided by AFSARD, in the IPARD programme 2007-2013 a total of 7 grant contracts for investments in rural tourism were awarded with a total amount of 1,296,841 EUR, out of which only three were realized, with a total amount of 271,526 EUR. In the IPARD II planning period 2014-2020, four grant contracts for investments in rural tourism have been concluded with the total amount of 2,346,429 EUR. All four grant contracts are still in the phase of implementation.

Instrument for Pre-Accession Assistance – Cross-Border Cooperation Programmes. Instrument for Pre-Accession Assistance is arguably the biggest technical and financial development instrument available for all (rural) tourism stakeholders in the country. In the first planning period, 2007-2013, for RN Macedonia more than 600 million EUR was allocated for all five instrument components. In the second planning period 2014-2020, IPA II instrument has foreseen approximately 604 million EUR for the support of all its priority sectors in RN Macedonia. The territory of RN Macedonia is eligible for participation in the cross-border cooperation programmes with five countries/territories: Bulgaria, Greece, Albania, Serbia and Kosovo*. IPA CBC Programme Greece-North Macedonia has six approved projects that are tourism-related with

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406 Data gathered from Regional Development Centres
407 Official Gazette No.144, 15 July 2019
408 Official Gazette No. 145, 16 July 2019
409 Official Gazette No.106, 27 May 2019
410 According to the notifications provided by the Bank, no more than this general information can be provided due to a confidentiality clause
411 AFSARD Note No.4-3293//3 dated 13 December 2019
412 Official Statement by the Minister of Finance of RNM, 21 July 2017
413 European Commission, DG European Neighbourhood Policy and Enlargement Negotiations
a total amount of 4,182,384 EUR.\textsuperscript{414} IPA CBC Programme Bulgaria-North Macedonia has funded 14 tourism-related projects with a total amount of 6,354,398 EUR.\textsuperscript{415} IPA II CBC North Macedonia-Albania has three funded tourism-related projects with the total budget of 1,139,054 EUR\textsuperscript{416} while the IPA Programme North Macedonia-Kosovo* in the IPA I period, had one implemented tourism-related-project (no budget data available on the Programme’s official website) and four ongoing projects from the IPA II instrument with a total budget of 1,129,783 EUR.\textsuperscript{417} Based on the available information presented on each Programme’s web pages, it is inconclusive how many of these projects have activities that are directly/indirectly in favour of rural tourism in the country. Nonetheless, the IPA instrument remains the biggest available financial tool that can be used to fast forward rural tourism development.

**Indirect support**

**Public call for support to events, projects and business forums of tourism interest in 2019.** A financial tool within the Tourism Development Programme in 2019, managed by the MoE. It targeted various end users like LSGUs, Regional Development Centres, business forums, event organizers, tourism organizations, chambers, clusters, NGOs, foundations, cultural and sports associations. The main purpose of the call was to support the organization of tourism-related events through co-financing eligible costs. Available funds were to be used for equipment rent, promotional activities, transportation, accommodation and other organizational costs. Co-financing rates to be provided by the MoE were scaled in three different categories: for events with a total budget of up to 300,000 MKD (5,000 EUR) a 40% co-financing rate was available, for events with a total budget in the range of 300,000 (5,000 EUR) – 600,000 MKD (10,000 EUR) a 30% co-financing rate was available, while for events with a total budget bigger than 600,000 MKD (10,000 EUR) a co-financing rate of 20% was made available. In 2018, the rules of the call were set to provide co-financing of no more than 60% of the eligible costs of the event, limited to a maximum 100,000 MKD (1,500 EUR) per applicant. In 2017, 60% co-financing, but no more than 120,000 MKD (2,000 EUR) per applicant was provided.

**Programme for the Promotion and Support of Tourism.** A financial instrument adopted by the Government of RN Macedonia and implemented by the APST. For 2019\textsuperscript{418}, it had the overall allocation of approximately 2,630,000 EUR. Some of the most important measures in the Programme include 243,000 EUR for participation in international fairs, 40,000 EUR for promotional materials, their production and distribution, 243,000 EUR to be used, *inter alia*, for the development and signalization of hiking trails, the development of a multilingual guidebook for Roman Road Via Egnatia, the marking of the sport climbing localities Kadina Reka, Mavrovo and Bislim Canyon, the implementation of the project 10 Mountain Peaks, including the most important mountain summits in the country, market research by the APST, development of tourism zones and campsites as well as provision of financial support to recognizable tourism events in the country. The 2019 Programme allocated 960,000 EUR for financial support (subsidies) to organized incoming tourism, while the rest of the total amount foreseen for organized incoming tourism (1,620,000 EUR) was secured from lottery and gambling tax collection (660,000 EUR). In 2018\textsuperscript{419}, the Programme allocated 2,600,000 EUR; 460,000 EUR were used for promotional activities and marketing, including international fairs, familiarization trips and organization of international promotional campaigns; 142,000 EUR were allocated for the development of hiking and cycling trails, gastronomy promotion, development of sports climbing and alpinism and development of paragliding infrastructure and equipment in Kruševo. In 2018, the Programme allocated 1,230,000 EUR for financial support (subsidies) to organized incoming tourism, while the rest of the total amount foreseen for organized incoming tourism (1,880,000 EUR).

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\textsuperscript{414} According to data available on the Programme’s official website, http://www.ipa-cbc-programme.eu/
\textsuperscript{415} According to data available on the Programme’s official website, http://www.ipa-cbc-007.eu/
\textsuperscript{416} According to data available on the Programme’s official website, http://ipabc-mk-ai.net/
\textsuperscript{417} According to data available on the Programme’s official website, http://cbc-ks-mk.com/
\textsuperscript{418} Official Gazette No.16 of 24 January 2019 and No. 140 of 10 July 2019
\textsuperscript{419} Official Gazette No.21 of 2 February 2018 and NO. 111 18 June 2018
EUR) was secured from lottery and gambling tax collection (650,000 EUR). In 2017, the Programme allocated 3,100,000 EUR, including activities like international fairs (350,000 EUR), promotional materials production and dissemination (65,000 EUR), the organization of familiarization tours, presentations, meetings and events including tour operators and journalists (57,000 EUR); 160,000 EUR were used to support activities including development of hiking and cycling trails, reconstruction of recreational facilities, support to recognizable events, international cooperation, capacity building, participation in EU (BalkanMED and IPA CBC MK-GR) programmes. For financial support (subsidies) for organized incoming tourism, the 2017 Programme allocated 1,235,000 EUR while the rest of the total amount foreseen for organized incoming tourism (1,895,000 EUR) was secured as lottery and gambling tax collection (660,000 EUR).

Public opinion on available support for rural tourism

For the purposes of the preparation of this document, tailor made semi-structured interviews with 20 rural tourism stakeholders (public, private, civil) were conducted during the period May-July 2019, in order to get direct data and feedback from the most relevant sector contributors. The main conclusions are presented below.

Excellent potentials for the development and marketing of rural tourism products. There is a consensus among all stakeholders that rural territories in RN Macedonia are abundant with natural and man-made heritage that is sufficiently attractive for domestic and foreign tourists. Some of the potential destinations in the country are actively populated settlements and can easily present their traditions and customs in an authentic manner. However, almost all rural destinations face depopulation and engaging human resources in tourism is continually growing into one of the most severe challenges for the entrepreneurs. All interviewees consider human capital an irreplaceable factor in the business development and recommend to policy makers to undertake policies that are more efficient in stopping the in-state migration processes.

Continual increase in rural tourism products demand and short season. All interviewed service providers claim that the demand for their products is continually increasing and yet, the country still has a short tourism season. The tourism business sector finds potentials of the country suitable for the development of products that can be marketed in the off- and shoulder seasons (November-April) and that the extension of the tourism season can be useful to diversify rural economies and to generate more income for the local communities. Extended season is also more attractive when recruiting workforce for the sector. Emphasized seasonality in tourism requires specific employment legislation that is favourable to dynamic personnel and staff engagement and transfer.

Rural tourism stakeholders point out that there is a need for more intense promotion, marketing and internationalization of products, cross-border cooperation and joint product development. They find targeted promotion, based on the needs of the new generation of international travellers, and development of multi-country products as one of the most important tools to fight the rapidly growing competition in neighbouring and other Balkan countries/territories.

Lack of institutional cooperation/coordination. Tourism stakeholders admit that the vertical and horizontal cooperation in the sector’s value chain should be stronger and more efficient. Service providers insist on direct participation when public policies are drafted and more realistic prioritization to address problems. They demand capital investments in road infrastructure, waste management, social infrastructure and urbanization (preparation of planning documents, technical documentation, infrastructure construction). Rural tourism service providers suggest more field presence by responsible institutions and direct consultations with the rural population and businesses.

Even though all service providers have some experience in receiving (private sector, civil organizations) or providing (public institutions) technical and financial support, they are still evidently sceptical of the efficiency of these mechanisms. Complicated bu-
reaucratic procedures and lack of trust are among the main factors that prevent them from accessing available support tools and mechanisms. Tourism service providers wish for more business-oriented design of these instruments (shorter timelines, less paperwork, straightforward procedures), while the public sector insists on building the capacities, presenting better sense of ownership and more long-term strategic vision by the service providers (potential applicants).

Tourism stakeholders highlight the need for increased inter-sectoral networking, communication and cooperation. Rural tourism consumers seek for more compact products that no single provider can deliver. Accommodation facilities and other complementary services need simultaneous and sustainable level upgrades, both of quality and quantity. For some destinations, integration of all the available resources, skills and knowledge is a necessity and even a survival tool, while for others it can contribute to a more sustainable progress and development.

B.5.4. CONCLUDING REMARKS ON RURAL TOURISM DEVELOPMENT STATUS IN NORTH MACEDONIA

B.5.4.1. Rural tourism development status

Rural tourism definition and typology in practice of the Republic of North Macedonia

Rural tourism is not officially defined in any legal or strategic document in the country. The National Strategy for Rural Tourism 2012-2017 provided some broad framing, recommending that rural tourism should be considered an integrated activity performed in rural areas. Practical, market-defined reality understands rural tourism quite similar to the ATTA’s definition of adventure travel, combining physical activity, clean environment and immersing in local culture. In general, rural tourism in RN Macedonia includes a variety of products that are typical for a certain relatively small community having strong traditional/authentic component in it. Another issue is the fact that some of the most developed rural tourism destinations are actually urban areas and their rural surroundings: Kruševo, Berovo, Resen, Demir Kapija, which, due to some of their socio-geographic characteristics, are officially recognized as rural areas by the AFSARD. Rural tourism products in RN Macedonia inevitably include local/traditional food and beverages, prepared and served in a traditional manner and ambiance, and accommodation in traditionally decorated facilities. The animation part of the rural tourism product consists of outdoor sports/recreational activities: hiking, walking, paragliding, kayaking, cycling, horse/donkey riding, 4x4 off-road tours and a very small educational, hands-on part, including local agriculture and traditional processes practicing: food preparation, handicrafts, api-therapy, garden products picking, herbs and plants harvesting.

Estimation of the level of rural tourism development achieved in North Macedonia

Rural tourism in RN Macedonia has not reached its maximum potential. There are no comprehensive and integrated products that offer rural-related content as a dominant attractor. The majority of rural tourism service providers incomes are generated by selling activities that are integrated as complementary content to a larger tourism programme. In the absence of official rural tourism-related data, for the purposes of the preparation of this report, 50 different tourism products were analyzed. All of them have an average length of 8 days out of which only 1.5 days or 2-4 different activities are implemented in rural areas. Most of the content (65%) in rural areas is related to gastronomy/tradition, sport and outdoor activities: lunch/dinner, hiking, paragliding, cycling, food and beverage tasting and

423 Analyzed products were cultural or active, single and multi-country programmes developed and marketed by Macedonian incoming tour operators as own products or in cooperation with foreign partners
424 Particularly applicable for Kruševo
preparation classes, horseback riding and authentic local agriculture/tradition processes practicing. According to the estimations by rural accommodation service providers, the average length of stay in their capacities is 2 overnights / 3 days. Average occupancy of their accommodation facilities ranges between 30-60% annually, while the average spending, per day, per tourist, ranges between 50 and 80 EUR.\textsuperscript{425} Direct market research\textsuperscript{426} also indicates that foreign tour operator interests in rural-based products continually increase, as the need for new, authentic and unstaged experiences by potential foreign travellers grows. The accustomed practice of simple presentation of the cultural heritage and urban centres does not seem sufficiently appealing. Upcoming generation of foreign travellers insist on more direct cultural exposure and immersion in authentic experiences with locals and their lifestyle.

B.5.4.2. Main legal, institutional and policy gaps and obstacles for development of rural tourism in North Macedonia

Legal frameworks

The legal framework that directly or indirectly affects rural tourism is rather broad and complex. The Law on Tourism, Law on Hospitality, Law on Agriculture and Rural Development are the main regulations that should be considered when focusing on rural tourism development. Many of the issues representing challenges for rural tourism, even on a daily basis (taxation, registration, employment, categorization, financial transfers, environment and waste management, promotion, marketing, state subsidies), are defined in too many different pieces of legislation. Accepting the fact that rural tourism is quite a specific type of travel and business, drafting and adopting a specific type of Rural Tourism Law (\textit{lex specialis}) seems like a reasonable necessity. Appreciating the continual increase in market demand, rural tourism development must be carefully studied since it is, in most cases, located in remote areas with intense depopulation processes, while at the same time it operates with some of the most valuable natural and anthropogenic heritage in the country. Rural tourism, like any other business, must be developed on the strong foundations of market economy, but considering its geographical and social characteristics, its legal framework should support local entrepreneurs and their business environment in the most favourable manner. Regardless, when it comes to natural and cultural legacy protection and sustainability, it must set the highest standards possible.

Fiscal regulations and taxation policy should be revised and reconsidered as in the moment they are quite vague and open possibilities for different interpretations and practices (presumably deliberately, as they tend to make the business environment for service providers less constricted). Rural tourism providers are obligated to have active cooperation agreements with national tour operators and based on that agreement they (should) perform all their client-related fiscal transfers. For the provision of this service, the tour operator must be paid a certain commission, which will eventually either increase the market price of the product, making it less competitive, or decrease the service provider’s net income. In order to avoid both unwanted scenarios, many of rural service providers do prefer cash payments, which are not a favourable option for foreign tour operators as well as for certain types of domestic clients (legal entities that use rural tourism services but need documented confirmation to back up their expenditures).

Starting from 2019, previously fixed at 10% personal tax rate, which is a compulsory financial charge for rural accommodation providers, was increased to 15% for income generated by private property rent and lending.\textsuperscript{427} Until 2018, rural accommodation facilities did not fall under this category, which mainly related to private accommodation located in urban centres. However, starting from 2019, new reform of personal tax payment was introduced and the ex-

\textsuperscript{425} Data gathered during the semi-structured interviews performed in May-July

\textsuperscript{426} Performed by the author of this report in 2018-2019, including at least 100 outgoing EU-based tour operators

\textsuperscript{427} Official Gazette of RNM, No. 80/93, 3/94,70/94, 71/96, 28/97, 8/01, 50/01, 52/01, 2/02, 44/02, 96/04, 120/05, 52/06, 139/06, 6/07, 160/07, 159/08, 20/09 and 139/09
isting model in which each taxpayer submitted tax claims, will be replaced with a new one, where the Public Revenue Office (PRO) prepares and delivers draft tax statements to taxpayers (March of each coming year at the latest), whereas they are given option to confirm or amend its content. Taxes are also foreseen to be paid on a monthly basis, whereas until now, rural service providers have claimed them at the end of the year, cumulatively.

According to the Ministry of Finance\textsuperscript{428}, starting from 2020, the tax rate will be reduced back to 10%.

Support policies framework

Support policies for rural tourism and their financial components must be separated from sectoral policies, specialized and levelled down to answer rural tourism stakeholders’ needs, but more importantly, their human, administrative, capital, strategic and business capacities. Entire policy development and distribution chain, including policy makers (Government, national ministries and their local branches, state agencies) and policy implementation facilitators (LSGUs, CSOs, consultants, public institutions, PRO, Central Registry, commercial banks) must be reinforced and its overall performance increased. Roles of each participant are not clearly stated, understood and accepted, thus contributing to absence of individual/direct responsibility, identification of gaps and solutions. Unbiased, direct and as frequent as possible communication between different policy levels (creators/implementers/end users) must be practiced in order to avoid miscommunication, delays and underperformance of the system. The amount of financial allocations should be considered a secondary obstacle, since its increase does not always ensure higher impact or objectives achievement. Some of the most important rural development measures\textsuperscript{429} had significant available amounts that were not fully exhausted or were even decommissioned.

\textbf{Institutional framework}\n
As presented above, rural tourism-related institutional set-up is quite diverse and miscellaneous. All policy levels (national, regional and local) have sufficient responsible state entities that within their mandates can/should/must contribute to the sector’s development. Some levels (national) might be even too burdened by interrelated institutions responsible for rural (tourism) development. Quantity aside, many of the system contributors lack efficient cooperation, coordination, information, data or even strategic vision sharing. Overlap in responsibilities is very often inhibiting development, as there are practices averting delegated authorities. Institutional and legal frameworks correlate in many cases (e.g. urban planning) and detecting blockages and consequently proposing remedies requires too much time and resources. Institutional capacities to manage donor/development funds are not always on the desired level and in order to better adapt to the constantly changing external aid context, they need consistent upgrade. Middle-level LSGUs, do not coordinate or include rural tourism stakeholders in direct communications. Local infrastructural and capital investments are not always favourable for rural development. On the bottom level, Local Action Groups and other existing forms of association (clusters, cooperatives) do not have sufficient technical and financial capacity to contribute significantly to rural (tourism) development.

\textbf{B.5.4.3. Opportunities for rural tourism development}\n
\textbf{Institutions perspective}\n
Effects and gains from accelerated rural tourism development for responsible institutions (policy makers, implementers and regulators) can be very practical, measurable and quantifiable. First indicator to be measured is the tax income as theoretically it is direct flagship for the state of play in the sector.\textsuperscript{430} In practice, local tourism tax amount paid should not be given full credence as realistic indicator as almost all institutions responsible for tax collections (in the case of rural tourism - LSGUs) consider existence of informal economy of minimum 30%
The local budget receives 80% of the tourism-paid tax\(^{431}\), while 20% goes to the national budget, so effects can be measured at both levels. Development of rural tourism could also answer unemployment and intensive outmigration, directly targeting the most vulnerable categories: rural youth and women. Rural economies diversification through tourism activities positively affect the local standard through ripple effect, but also present soft/invisible exports for the overall state economy. Responsible institutions should increase their cooperation horizontally (MoE-MAFWM-AFSARD-APST) and vertically (national institutions-LSGUs-rural service providers). The improvement of cooperation and coordination horizontally should mainly focus on delegating responsibilities and mandates, while vertical cooperation should include bottom-up consultations more frequently and with more accountability.\(^{432}\)

**Service providers view**

Service providers have different views and expectations of rural tourism compared to the public/institutional establishment. The private sector is more oriented towards the achievement of practical, timely and measurable results (overnights, income, profit) rather than methodical, comprehensive planning, administration and execution of policies. Everybody included in rural tourism business shares the firm belief that the potentials for further development of the sector are fairly unexploited. Service providers start to consider business competition more as business possibility rather than obstacle, since capacity merging enables them to target different markets and offer more sustainable products. In most cases, business sector’s demands and expectations are simply aligned with general expectations from the public sector: to make a location (which in this case is an attractor and a tourism destination) a better place for living. With no exception, basic infrastructural improvements (roads, waste management, social and educational facilities), eased access to finance (grants or loans), technical support and effective promotion are among the sector’s top priorities to be addressed.

**Regional cross-border initiatives**

Rural tourism is one of the very few sectors that has emphasized the internationalization component. Due to an extensive experience in development policies and international transfer of knowledge, rural tourism’s cross-border characteristics have become a well-known fact. Tour planners in foreign markets prefer combinations of two or even three countries in one product; the geographical and historical context of RN Macedonia can provide that very easily (joint natural and cultural legacy with all its neighbours). Some bureaucratic obstacles do exist, but in the past, there have been some good examples of how they can be effectively overcome.\(^{433}\) In most cases, public sector policies and visions (EU Delegation, the Government, Deputy Prime Minister, ministries, World Bank, foreign donors) correlate with market demands and private sector products. Consequently, in the past decade, at least 50 different rural tourism initiatives/programmes/measures/projects/activities have been designed and implemented by the most important stakeholders.\(^{434}\) Their effects are mostly visible in the western parts of the country (neighbouring with Albania and Kosovo*) and the eastern parts (neighbouring with Bulgaria). Many of the cross-border initiatives have designed competitive tourism products that still operate and even expand.\(^{435}\)

\(^{431}\) Tax that service providers pay per guest per overnight.  
\(^{432}\) Including ex ante activities (consultation in the phase of policy/measure/action drafting) and ex post reporting (what is undertaken in comparison to what has been planned and what are the effects achieved)  
B.5.5. PERSPECTIVES AND RECOMMENDATIONS

B.5.5.1. Utilizing rural tourism as an effective rural economy diversification tool – strengthening, shortening and greening agriculture-tourism value chains

In 2016, rural areas held the highest share, 36.1%, of the overall number of overnights spent in all EU member states.\(^{436}\) Rural tourism in Europe offers 6,000,000 beds, secures work for 500,000 establishments and represents 15% of the total accommodation capacity of Europe. Rural tourism value chain in Europe generates more than 100 billion EUR in direct spending along with accompanying services.\(^{437}\)

The Macedonian rural tourism value chain has a very basic structure with accommodation service providers, agriculture producers, complementary service providers (guides, mountain leaders, 4x4 drivers, cooks, crafters, horseback riders, animators, and food producers), transportation companies and incoming tour operators representing its main core. Loose connections, and yet strong dependence on the rural tourism value chain in RN Macedonia are established with the state apparatus, public enterprises (National Parks, utility enterprises), media and CSOs. Its basic (desired) purpose is to secure the flow of products, knowledge, information, finance and social capital needed to organize producers in local rural communities and develop competitive tourism products. The rural tourism value chain needs to function as a system in which private sector entities, in collaboration with the governmental, civil society and broader social factors, receive resources as inputs, add value through various processes (planning, development, financing, marketing including the products, their distribution, pricing and positioning) and sell the resulting products to domestic and foreign visitors.

In the context of RN Macedonia, the rural tourism value chain has a very important role: it must develop specific diversification schemes that open opportunities for livelihood, business and employment in rural areas and educate the farming and non-farming population about tourism potentials and the need to practice businesses that preserve the natural and cultural heritage and authentic rural landscape. Efficiency and inclusiveness of rural tourism systems in the country are becoming increasingly important. They become more and more driven by external factors, such as: increasing income, changing technologies, globalization, retailer demand for higher volumes of consistent and reliable products, demand for authentic products but also changing demographics and higher (illegal) urbanization.

The economic value of tourism arises entirely from the expenditures of domestic and international visitors. In order to contribute to better economic results, rural tourism value chains in the country should be designed to enable all of their participants to cooperate and produce higher-quality products thus generating more income for all participants along the chain, as opposed to the simplest kinds of value chains that still exist, in which single providers exchange only basic information with the external environment (producers-potential buyers, often in an adversarial mode). Proper and more economically beneficial value chains should engage actors connected with the chain into producing and delivering complex and comprehensive goods/experiences to markets through a sequence of activities.

Innovation should be considered the highest priority and the main task for all rural value chain contributors. It should be primarily understood as development of new products and services and involvement of new participants, but also more broadly accepted as rearrangement of existing potentials according to the different market demands. Considering the sensitivity of tourism business to external influences that sometimes even transcend Government authority (migrant crisis, war, conflicts, terrorism, health risks, natural disasters and in recent years – fake news), participating in a well-functioning value chain can secure rural economies not just higher income or prices, but a sustainability and mitigation strategy through more stable and predictable income. Well-functioning value chains can also attract

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437 5th European Congress on Rural Tourism, 6-8 October 2014, Alpbach, Austria
young people to rural tourism or persuade them not to leave their rural areas by offering better existential perspectives.

The challenges and perspectives of RN Macedonia’s rural tourism value chains are complex and interrelated. Depending from the perspective, they can overlap and fall under different categories. **Composition** – more complex and synchronized structure of contributors is needed. The roles of each value chain participant should be cleared and improved. More frequent, trustworthy and open-minded communication is necessary. Giving up of short-term (personal) benefits for the long-term (joint) gains with bigger impact for the entire structure of the chain should be practiced more. Inclusion of participants should always be the priority and the desired option, nonetheless, exclusion should be decisively practiced when malevolence and intentional wrongdoing is presented. **Sustainability** – rural tourism cannot exist without natural and man-made heritage. Taking care of the values, proper valorization and orderly use should be basic foundations in each development policy. Value chain participants must align and share common goals (chain vision) in order to improve their market performance as well as to achieve recognition. **Transparency** within the chain and communication with external stakeholders, must be a recognizable modus operandi. **Clustering vs. competition:** rural service providers must partner and work together in order to adapt to the new market demands and stand out from their real competition: neighbouring areas/countries and other Balkan countries/territories: Albania, Kosovo*, Serbia, Montenegro, Bulgaria and coastal Greece.

### B.5.5.2. Upgrading policy and legislation

**Preparation of a law on rural tourism** and/or corresponding by-laws. Drafting and acceptance of a lex specialis on rural tourism could be of huge importance for sustainable and increased development of the sector. Rural tourism occurs in a specific environment and its regulation and support requires more focused, comprehensive and sturdier approach. During the process of developing this legislation, experiences from more developed destinations and lessons learned must be put into practice: an open and as broad as possible debate, a transparent process, direct consultations with affected businesses, local communities and involvement of sustainable tourism, as well as nature and culture protection experts. A more enabling legislative environment for practicing rural tourism will rank this sector higher in the state’s priorities scale. The possibility to regulate and support the development of rural tourism by drafting only special by-laws must be approached carefully, since the basis for development of quality by-laws must be rooted in good-quality primary legislation of higher hierarchical order (laws).

**Protection (designation) of new natural and/or cultural heritage sites.** RN Macedonia has in total 86 protected areas stretching over nearly 9% of its overall territory. Compared to the 25.6% of the EU continental land being protected under Natura 2000 or by national designations or some combination of the two, it is quite evident that the country must fast-forward its designation and protection policies. The protection of natural and cultural sites will formalize their status as common goods and initiate a process of understanding their importance. Rural tourism will certainly benefit from such actions, as rural communities living in these or nearby areas, will have perfectly valorized attractors to use sustainably for the improvement of their economies. Many of the natural/cultural resources that are ready for protection (Sharr Mountain, Belasica Mountain, Kozuf range, Marivo area, Jablanica Mountain, Osogovo region, Bregalnica basin) already possess the majority of the necessary prerequisites to develop sustainable and competitive tourism products: living communities, infrastructure, existing tradition, cross-border relations and communications.

**Sustainable resource management.** Natural and man-made heritage is the primal attractor and core motivational factor for rural tourism clients. Proper management and increase of the sense of ownership (in terms of accountability, not in terms of rights for exploitation) by service providers are crucial. Punishment and penal policies should be avoided as much as possible and replaced with positive actions: education, awareness raising, rewarding good

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Environmental Indicators Report, MOEPP http://www.moepp.gov.mk/?page_id=4920
examples and providing public acknowledgements. The responsible state institutions must improve their behaviour, capacities and push towards eliminating unselective malpractice (illegal woodcutting, illegal hunting, minerals exploitation, illegal urbanization of public or protected spaces, illegal private/commercial building construction, water pollution). New items of natural and cultural heritage should be conserved, protected and valorized. Hot spots (for example the Ohrid Lake shoreline with its UNESCO protection threatened or the Sharr Mountain with its continually increasing solid waste pollution, illegal woodcutting and illegal constructions) that have gone in the wrong direction, should ne subject to remedy and healing actions.

**Statistical data/baseline setting.** As shown in the previous chapters of this report, some key statistical data related to rural tourism development are missing at the national level. Despite the complexity of the system responsible for support, regulation and promotion of rural (tourism) development, still some elementary quantitative indicators (e.g. size of territories classified as rural areas in km² and % of the total country territory, number of citizens in rural areas, inhabitants per km², age structure, unemployment rate, average income or migration), are not methodically measured by any institution. Significant and sustainable progress cannot be achieved and proven when important statistical information lacks. Each reasonable policy should be backed up by sufficient statistical data. The baseline is also important in the process of progress measurement as foundation and starting point to compare the achieved results of policies. Data collection and provision should be a shared key responsibility between MAFWM and SSO.

**Strengthening the role of municipalities in rural tourism development.** Local self-government units have a very important role in the rural tourism value chain. They present state institutions that are closest to rural service providers and (should) have uninterrupted two-way communication channels. Municipalities are rural accommodation and service tax collectors, the responsible entities for the categorization of accommodation facilities, rural tourism business regulators and those responsible for the construction and maintenance of rural infrastructure (social, economic, waste, education, road). LSGUs also share responsibilities in providing protection and preservation of rural tourism assets (National Parks, protected areas, cultural heritage). Municipalities should be more agile and responsive to set up a business-favourable environment in rural areas, advocate and lobby on behalf of rural interests in front of the national policy makers and fiscal authorities. They should also have more frequent and honest communication with rural communities when setting priorities and allocating local budgets. Municipalities should put more efforts into securing external technical and financial support, aimed at rural tourism development (donor funds or public private partnerships). Municipalities must strengthen their human capacities that deal with local economic (rural) development and allocate more funds to directly support this sector. They should assist rural providers in applying for available donor funds as well as in the implementation phase of donor-funded activities. Rural infrastructure improvement should be given higher priority, according to the overall context (EU and NATO approximation, internal migration, downfall of capital investments).

**Revision of tax regulations and the system of financial transactions.** VAT for all rural tourism services/products should be lowered from 18% to 5% without exception. Considering the overall circumstances in which rural providers operate, decreasing the tax rate is the least minimum the state can do. In some rural areas (high mountains, areas with specific development needs, depopulated areas with less than 300 inhabitants) the VAT for rural services should be 0%. It will certainly stimulate service providers more by giving them a sense of fairness and justice compared to their colleagues that operate in urban areas where access to public goods, services and infrastructure (institutional, road, social, educational, waste management) is a few steps away. All changes to fiscal policy that affect rural services should be officially declared through mass media and tailor-made events. Since rural accommodation is now in the same category as the accommodation in urban centres, a revision of this decision would be necessary. A 15% personal tax rate will significantly increase rural tourism prices, jeopardizing the overall competitiveness of many rural products. The
financial payments system should also be revised. The current model where rural services are obligated to have a cooperation agreement with a national tour operator, responsible for all fiscal transfers of the rural provider, is quite complicated. The good side of it is that it allows rural service providers to avoid the general obligation for all business providers to issue fiscal receipts. Nonetheless, this model works in most cases only in theory, as in practice, rural service providers do prefer cash payments, often shrinking their potential markets including the clients that need official proof of their expenditures (e.g. public institutions and other entities organizing MICE activities and private corporations organizing team buildings). Considering the public investments in rural areas, the level of development and the overall volume of rural tourism as well as all the challenges it faces, paying only the tourism tax per night and tourist would be sufficient compensation.

**Introduction of efficient mechanisms to address property and rural space planning-related issues.** Property issues are one of the biggest problems for rural areas. Much of the real estate, land, parcels and complementary facilities have lost their function and value due to unresolved property issues. Mostly there is a gap of at least two generations between initial owners (grandparents) and present users (grandchildren) making the situation even more complex. Bureaucratic procedures take too long and involve too many institutions (courts, municipalities, cadastres). Introducing an efficient system to address this must be considered. The definition of equal (identical) estate shares, physical presence of successors (as many of them have permanently migrated abroad) should be revised and replaced with other tools (e.g. written notary-certified consents). Mobile institutional teams (cadastre, municipality) should have more field presence. Procedures for transforming agricultural parcels into construction parcels should be significantly unburdened as the present practice shows that most of them could last at least a few years. Another huge obstacle for overall rural development, urbanization (preparation of planning documentation and its implementation), should be made easier and faster. Urbanization includes long and expensive procedures that even some urban municipalities find hard to implement. Having a clear property situation can seriously increase the value of rural properties. It can make many rural areas desirable investment destinations, and to a certain degree, it can make the rural real estate worth high enough to apply for credits and loans.

**Promotion improvement.** Branding of rural destinations is very important as only few of them enjoy high recognition, especially in the domestic market. Even though foreign guests are the preferred clients, mainly due to their bigger spending potential, each destination should also focus on domestic travellers as they can provide stable income and secure work off-season. Promotion of rural tourism destinations must consider all specific details of the potentially targeted markets. On the one hand, new types of international travellers emerge (Millenials, Generation Z, FITs, hard and soft adventurers, incentive travellers) and many of the traditional promotional tools are simply not working on them. On the other hand, rural destinations in the Balkans are generally becoming more interesting for the Western World senior travellers, who prefer conventional communication channels. As announced by the Ministry of Economy, the Rulebook on the type and the amount of the subsidies for support of organized incoming tourism would be modified and its new content should include past experiences and lessons learned, hopefully foreseeing tools that match the actual context.

**Emphasized engagement of local people in the business.** This recommendation should be mainly addressed at the business sector as the means and tools available to the public sector to stimulate such actions are quite limited and in times of an open market economy, they could initiate regression rather than stimulate progress. Rural tourism businesses should be encouraged to engage the local community in their everyday work through education, awareness raising, presentation of positive examples, know-how transfer, pilot projects (demonstrations), or even some local incentives. Local people can be very beneficial for the business as they always add the necessary charm and authentic experience to all types of tourism products. Benefits of local people-driven products are also evident in the local economy.

**Introduction of a rescue and risk management sys-**
tem. Modern trends in tourism demand the existence of a functioning rescue and risk management (safety and security) system. This is particularly applicable to some of the most potential rural tourism sub-products and activities: hiking, cycling, tandem paragliding, climbing, horseback riding, 4x4 off-road touring, cave visiting, kayaking. A comprehensive system, consisted of trained and certified professionals, should be put into function covering the whole country. A national authority (preferably the Ministry of Interior considering its human, financial and technological capacities) should be the responsible coordinator as well as the main operator of this system. Top down, it should include the existing rescue organizational infrastructure and capacities such as the Red Cross, mountaineering clubs and associations, trained professionals (individuals or teams). Given the complexity of its tasks as well as its importance and mission, this system must be financially and technically supported by the state budget.

B.5.5.3. Improving institutional capacities

The Ministry of Agriculture, Forestry and Water Management should improve its institutional (human) and technical capacities (equipment) in order to keep up with the tasks and roles it has in the overall rural development of the country. MAFWM should prepare an action plan for further institutional and legal alignment with the EU Acquis in the area of common market organization. Even though sectoral legislation is recognized to be aligned with the EU Acquis, progress has been limited in developing and promoting high-quality technical, financial and support schemes. The financial and human capacities of MAFWM to implement and control these quality schemes needs to be strengthened. Special focus should be put on strengthening MAFWM administrative and financial capacities to accredit the LEADER measure under the IPARD instrument. Future financial support should be provided for LAGs. Through practicing institutional forms of communication, national rural development stakeholders at the policy development level should be regularly coordinated and priorities and responsibilities aligned. In order to get regular updates about the specific needs and the context of the rural population, as well as to timely inform them on the policies, future plans and support possibilities, MAFWM should strengthen their local/regional offices’ human and technical capacities and secure a quality bottom-up and top-down information flow. Capacity-building activities, international knowledge transfer and study visits should be considered, since MAFWM should be the overall coordinator of the process to develop a Rural Tourism Strategy as well as to open and guide a transparent debate related to drafting of a law on rural tourism.

Agency for Financial Support to Agriculture and Rural Development. The capacity to absorb funding under IPARD II remains insufficient, increasing the risk of losing EU funding and delaying the entrusting of new measures. The focus of AFSARD should be on the implementation of IPARD II and ensure full absorption of EU funding by strengthening its administrative capacities and competencies. All AFSARD job positions should be filled as foreseen in their organizational chart (job classification). Their technical capacities should be strengthened as well (foremost, to increase the number of terrain vehicles). The internal protocols and information flow should be improved in order to achieve greater efficiency. The distribution of funds, financial payments and all the procedures that accompany them (opening calls, application procedures, reporting, monitoring, field checks, administration) should be accelerated. Coordination with the national rural development system (MAFWM, NEA, MoE, LSGUs) should be improved and institutionalized by forming functional inter-sector groups, including state secretaries, advisors and heads of departments in responsible ministries and state agencies. Also, AFSARD should improve direct communication channels with rural communities and potential development assistance users (rural tourism entrepreneurs) by effectively sharing pre-notices on future public calls and other funding possibilities.

The National Extension Agency should increase its human and technical capacities by increasing the number of employed professionals (rural and
agriculture advisors), including its staff in regular trainings and international know-how transfer (web-based and study visits). Advisors with the NEA should have at their disposal more functional technical means (vehicles) to strengthen their field presence since that is the best communication tool to share information in rural areas. The effectiveness of NEA in providing support to the rural population should increase, both in expert rural and agricultural development protocols and practices and in the process of gathering the accompanying documentation needed for application processes. Also, NEA should provide professional and unbiased assistance and guidance to rural communities when national programmes or IPARD open their calls. The continual shortage in state funding of the institution should also be addressed.444

The Ministry of Economy should strengthen its human capacities, mainly in the Tourism Development Department, by implementing activities on networking, international knowledge transfer and development of modern tourism development policies. More funding should come from the national budget to MoE and it should significantly increase allocations within the National Tourism Development Programme. Support measures for rural tourism development should be more consistent and reliable. Finally, MoE should strengthen and reconfirm its role as the key institution in the national tourism development system by practicing more coordination with private tourism sector. The state inspectorate capacities (human, technical, financial) should also be strengthened.

The Agency for the Promotion and Support of Tourism should promote and support rural tourism potentials better. Specifically, APST should develop and distribute rural tourism products and promotional materials based on the actual market offer in the country. Rural tourism service providers should be better stimulated (co-financing) to participate in international fairs and have the possibility to directly address foreign markets. Rural tourism potentials should be given more promotional opportunities through the organization of activities like familiarization tours for domestic and international media and tour operators, networking events or rural fairs. As the main institution responsible for the implementation of its content, APST should have an important role in the upcoming modifications to the Rulebook on the type and the amount of subsidies for support to organized incoming tourism. Some transfer of international experience might be welcome in the process, as well as direct and intense communication and coordination with the national incoming tour operators.

Considering the importance of the role of local self-government units in rural tourism development, urban and rural municipalities in the country should focus on the improvement of their human, administrative and financial capacities. LSGUs should have a well-equipped, professional and efficient local economic development sector that has a special tourism development department. Smaller rural municipalities must have at least one qualified civil servant nominated responsible for tourism development. LSGUs should allocate more funds for the urbanization of rural areas as one of the main prerequisites for future rural development. Municipalities should increase their EU funds absorption, mainly available through IPA CBC projects. LSGUs should introduce programmes within the local budget aimed at rural tourism development. They should also introduce more effective communication tools with rural tourism stakeholders and service providers, as well as strengthen their institutional capacities to implement effective categorization procedures. Innovative promotion and support tools should also be introduced, including financial schemes for upgrade and reconstruction of accommodation service facilities. Human and financial capacities of local tourism inspectorates should also be strengthened.

Local Action Groups should strengthen their human and organizational capacities. Management and operations of LAGs should be understood in a more professional manner rather than as a secondary occupation. They should improve their lobbying and advocacy capacities and become more recognizable rural development stakeholders. They should also focus on internationalization, networking and activities for knowledge transfer. Apart from the financial support by the MAFWWM and the donor community, LAGs should be able to raise their own funds and be capable to co-finance priority development activities.

444 Ibid
B.5.5.4. Recommendations for improvement of public awareness and participation

Good publicity, positive recognition and branding are very important for rural tourism development as it is a deeply community-based type of economic activity. Sustainability of rural tourism, competitiveness of its products and the ability to adapt fast to market changes heavily depend on the innovativeness and capabilities of local citizens. As the environment and context in this sector are rapidly changing, local people often do not have updated or even relevant information on the state of play in tourism, including the possibilities as well as responsibilities and challenges. Several tools might be considered useful to educate and even motivate the local population and rural tourism stakeholders in general, for better involvement and direct participation in the business: improvement of public awareness and participation, being mainly the responsibility of public stakeholders while CSOs and successful entrepreneurs can act as reliable motivators by sharing positive examples.

Information sharing/communication. Local people need to be informed on tourism development backed up by data, numbers and indicators, interpreted in an understandable manner. Benefits of sustainable tourism must be clearly presented to each local citizen in a clear and understandable way. Explaining the positive side of tourism must include its current or potential effects to the local community (jobs, extra income), as well as explain its impact on the overall economy. One of the biggest fears of rural communities that needs to be addressed is the misconception that tourism will devastate or damage their local environment, particularly their natural and cultural heritage. Positive examples should be presented, and explanations given that rural travellers insist on authentic and well-preserved natural and cultural heritage, so preservation of local resources is actually business motivated. However, joint mitigation of risks is also an important part of the process. Rural communities must also be informed that in many cases rural tourism supports market and economical valorization of existing potentials, transforming them into valuable tourism attractors. Communication with the local population must motivate residents to take active part in local destination management. Participatory planning of public policies and inclusion of local citizens in decision making must be practiced. Effective information sharing and communication will contribute to decreasing the gaps among different stakeholders (public/private/civil/business), aligning the vision for development towards a common direction. Networking within and outside the community must be supported in order to gain trust, increase competitiveness and strengthen the value chain.

Knowledge transfer. Local population needs continuous capacity building and knowledge acquiring through trainings, workshops, seminars and study visits. The public sector and the donor community can play an important role in fulfilling this task by providing technical and financial support. Professional knowledge, expertise and lessons learned are best transferred by practitioners and experienced entrepreneurs, rather than theoretical scholars. International good practice examples should be included. Requirements and expectations of international markets must be clearly presented to local people, even by foreign tour operators themselves (during familiarization trips, promotional events or fairs). One of the best ways to educate and motivate local communities to engage in business currents is to show practical examples. The public sector and the donor community should play a significant role in this as well, as they can technically and financially support demo/pilot project activities across the rural tourism value chain, including upgrade of accommodation facilities and targeted promotion or small-scale local infrastructure improvement.

Increase of the effectiveness of public services. The public sector must improve the environment and context in which rural communities exist. Before it can become a competitive tourism destination, a place must first be desirable to live in. Local citizens must be satisfied with the commodities their settlement offers, to have more confidence to start a tourism business. Considering the rapid development tempo of competing destinations, road infrastructure, waste management, water supply, social and educational setting in the country’s rural areas need timely and continuous updates and investments.
B.5.5.5. Recommendations for improvement of regional (cross-border) cooperation

Regional cross-border cooperation has proven to be significant for sustainable and competitive rural tourism development. In order to proceed and build on past results, rural tourism stakeholders, but above all, the public sector and the donor community should consider the following:

Organization of joint activities for cross-border capacity building and networking. Support of high-quality business initiatives. The public sector and the donor community should keep up their work and activities on bringing together different stakeholders from cross-border regions. Knowledge flow must be sustained, and the matching of existing geographical and historical resources must support the “diminishing” of administrative barriers and borders. People and businesses from different destinations must network and learn, and possibilities for joint businesses must be further explored. The better cross-border cooperation, the better competitiveness of rural tourism products, as many foreign markets desire multi-country travel ideas.Bringing tourism stakeholders together into a strong community will enable them to have stronger lobbying and advocacy capacity and better chances to influence public policies and decision making. Cross-country tourism products and their promotion should be technically and financially supported by public institutions as well as by the donor community, as they can bring benefits for local economies and target more potential international markets. The planning and management capacities of rural tourism businesses should be strengthened, equipping them to be more efficient donor (EU, bilateral) assistance users.

Introduction of national co-financing facility/fund. The number and positive impacts of cross-border initiatives and cooperation can be significantly increased if more of existing external aid is used. One of the key obstacles to be addressed is the limited financial capability (co-financing) of rural service providers that is almost always a mandatory prerequisite for the participation in externally funded development activities. Public institutions must consider and implement matching financial instruments (national, regional, local) that will help business providers, at least to a certain degree, to explore more of the technical and financial aid available. Many policy holders consider technical or financial support for tourism providers an interruption of market relations, but considering how governments use direct payments to support different export-oriented industries (agriculture and food processing, heavy industry, factories in technological and development zones), or the way in which public institutions are allowed to have national co-financing when they are granted EU/IPA instrument action, small-scale financial and technical support for rural service providers should be considered a fair and just compensation.

Improvements to the physical connectivity between cross-border regions. Public institutions and the donor community should use their powers to support new connections between naturally and historically connected cross-border regions. New border crossing points should be put into function: Markova Noga between RN Macedonia and Greece, Torbeski Most between RN Macedonia and Kosovo*, Klepalo between RN Macedonia and Bulgaria. The positive experiences of opening and operating green passes in geographically suitable terrains (mountains) must be continued. As administrative procedures have already been set, the opening of these spots should not be too much of a burden for policy makers and public stakeholders.

445 Peaks of the Balkans, Balkan Hiking Adventure, High Scardus Trail
B.6. ECONOMIC DIVERSIFICATION POLICIES & INSTITUTIONS SUPPORTING RURAL TOURISM IN SERBIA

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B.6.1. INTRODUCTION

B.6.1.1. Rural space of the Republic of Serbia - its geographical context

According to the Law on Territorial Organization the territory of the Republic of Serbia, outside of its 27 towns and the city of Belgrade as a separate territorial unit, can be considered as a rural territory. The total area of the Republic of Serbia is 88,499 km² and rural areas are about 75,000 km².

The typology of settlements for the needs of periodic censuses at the state level is based on the so-called legal criterion. According to this criterion, all settlements in Serbia are classified as “town” and “other”. The official national statistics follow this typology. All settlements not classified as “town” are classified as “other” (5,965 settlements), so they are considered rural. Currently, 85% of the territory of the Republic of Serbia is rural, between 44% and 55% of the population live in rural areas and it is estimated that 41% of the Gross Domestic Product (GDP) is generated in rural areas.

For the purposes of the Instrument for Pre-Accession Rural Development (IPARD), based on the Organization for Economic Cooperation and Development (OECD) criteria and in line with the territorial classification of the Republic of Serbia, the whole territory can be considered rural, excluding the territories of settlements with more than 150 inhabitants per km² (27 towns and the city of Belgrade). In this respect,

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446 Law on Territorial Organization, Official Gazette of the Republic of Serbia, No. 129/2007, 18/2016 and 47/2018
447 Programme for the Development of Sustainable Rural Tourism in the Republic of Serbia, 2011
448 Republic of Serbia IPARD Programme for 2014-2020, edition 2018
449 OECD Regional Typology (2011)
Serbian rural area accounts for 75.1% of the country’s territory, including about a half of the total population (49.9%). The average population density in Serbia is around 93 inhabitants per km², in rural areas it is 62 inhabitants per km² and in urban areas 289 inhabitants per km².\footnote{IPARD Programme of Republic of Serbia for the period of 2014-2020, edition 2018}

\section*{B.6.1.2. Rural areas of the Republic of Serbia and their socio-economic status}

According to the 2011 Population Census, there are about 3,000,000 inhabitants in about 4,500 settlements in rural areas. The population density is less than 50 inhabitants per km². The age structure of the rural population is: 18% below 15 years of age, 67% between 15 and 64 years of age, 15% at the age of 65 and above. The unemployment rate in rural areas reaches 21%, and the GDP per capita is only 74% of the national average of 6,000 EUR. Small rural households are highly represented in the socio-economic structure of rural households in Serbia.\footnote{Ibid.}

One of the biggest social problems of Serbia is the rapid decrease of the rural population (depopulation) that exceeds the rate of decreasing the agricultural population (deagrarization) and the overall population. These are villages with the elderly population, natural growth is negative, and outmigration intensive. According to the last 2011 Census, the natural growth rate in the rural areas of Serbia is -9.8. According to the data of the Statistical Office, internal migrations in the Republic of Serbia reached 120,355 persons in 2017. About 75% of municipalities/towns have a negative migration balance. About 55% of migrants are women and about 55% of migrants are dependent persons. Only the region of Belgrade, the capital city, has always had a positive migration balance (the number of immigrants exceeding the number of emigrants). Vojvodina has a variable balance, while other regions – the region of Šumadija and Western Serbia and the region of South and East Serbia – have a constantly negative balance.\footnote{Programme for the Development of Sustainable Rural Tourism in the Republic of Serbia, 2011}

According to the 2012 Agriculture Census, the total number of holdings in Serbia is 631,552, and the area of utilized agricultural land is 3,437,000 ha of the total 3,861,477 ha of agricultural land. Fields and gardens occupy 2,513,154 ha or 65.1%, orchards 163.310 ha or 4.2%, vineyards 22.150 ha or 0.6%, meadows and pastures 713,242 ha or 18.5% of total agricultural land. Small farms (up to 2 ha of land, using only 8% of the area) have the highest share in the total number of holdings (48.1%). The holdings of less than 5 ha have a share of 77.4% in the total number of farms and they occupy about 25% of the utilized agricultural land. In contrast, the largest farms, over 50 ha, account for only up to 1% of the total number of farms and cultivate about one third of the utilized agricultural land. The average plot size of the utilized agricultural area per farm in Serbia is 5.4 ha (about one-third of the EU-27 average of 14.5 ha). Private ownership with 83.7% of 5.4 million ha of the total agricultural land of Serbia is the dominant form in the ownership structure. About 75% of the population in rural areas is involved in subsistence agriculture. The agrarian population includes rural inhabitants over 60 years of age, with a lower level of education and a large percentage of dependents over the age of 15 years.\footnote{Đorđević-Milošević S., Milovanović J. (2012): Sustainable Tourism in the Function of Rural Development}

\section*{B.6.1.3. Rural economy of the Republic of Serbia and the importance of diversification}

The dependence of rural household income on agriculture is still high, i.e. the level of income diversification is very low. Agricultural income tends to decrease the share in total household income, yet it still occupies the second place in the total income of rural households with 11.1% (in 2016), following right behind the income from regular employment (37.1%). In most small agricultural households, agriculture provides an unstable seasonal source of income.
income, which is not even sufficiently high. The lower level of income from agriculture, among other things, is the result of a lower degree of productivity of labour, as well as its predominantly natural character. In order to reduce the level of business risk and to provide relative income stabilization, these farms have diverse production. Agricultural households with a significant agricultural income, young workforce and a better market position predominantly specialize in few products.

Considering available natural resources, intensification of agriculture is not a sustainable option for any rural regions in Serbia. Some of these have no possibility to sustain agriculture that could satisfy all the needs of local communities. In areas with limited potentials or natural constraints and in those with a small margin for intensification, wise value-adding to the primary production is the better option. Diversification of the rural economy, harmonized with the intensification of agriculture, wherever possible in Serbia, is the only way for the recovery of its villages.

In the National Rural Development Programme 2018-2020, it is noted that rural tourism can initiate the development of rural areas and balance regional development as a source of additional income in agricultural holdings. Although rural tourism was promoted as a tool able to alleviate the issue of permanent unemployment in rural areas, importance of tourism in general is not yet recognised in most of the underdeveloped Serbian municipalities. Development of tourism significantly lags behind even in some of the most developed parts of the country. The number of guests, their overnight stays and income from tourism, point out that the majority of rural areas still do not work sufficiently on utilizing their potentials for rural tourism development. Even the most attractive rural destinations still lack the infrastructure for tourism, miss entrepreneurial ideas, as well as accompanying entertainment and recreational activities to complete the rural tourism offer, which is often surprisingly very simple – based just on the offer of accommodation (renting surplus space with limited improvements). The most optimistic estimation is that in 2019, less than 1% of rural agricultural households in Serbia were engaged in rural tourism. Consequently, the rural economy in Serbia remains highly dependent on the often-low accumulative primary sector (agriculture and firewood forestry), which, despite the availability of natural and cultural resources enabling diversification of economy through development of tourism and services, prioritizes primary production, without adding value to primary products on the local level.457

Consequently, the undiversified rural economy cannot beat the high unemployment, depopulation, low economic activity and high pressure on natural resources with consequent degradation, contributing to the appearance of poverty, which seems like a rural phenomenon in Serbia. Women and young people are generally the most affected ones – resulting in their intensive outmigration. They are most likely to participate in family activities for free, so it is expected that, if stronger focus is put on the diversification of the rural economy and non-agricultural activities, new types of businesses could help reverse the process by creating new paid employment options. Rural tourism has been identified as a key catalyst that can promote such diversification. However, developing synergies between the existing agricultural production and tourism business initiatives is not yet fully understood and implemented as a suitable option for adding value to primary products, creating new markets and shortening their value chains. The existing agricultural production and tourism business initiatives are part of the necessary sustainable development of these initiatives. Although the above-mentioned synergies are not fully understood and implemented, support is offered to rural households engaged in small farming, which are in urgent need for such solutions.

Rural tourism – the Serbian definitions and scopes

In the Tourism Development Strategy of the Republic of Serbia 2016-2025, the following tourism products are mentioned: ecotourism, ethno-tourism, rural tourism, cultural thematic routes (cycling, gastronomy, etc.). Therefore, rural tourism is considered as a separate product, while specific definitions for it have not been provided. There is no

457 Ibid.
link between tourism products and other products either.

The new 2019 Law on Tourism\textsuperscript{458} stipulates the obligation for the minister responsible for tourism to prescribe the content and method of drafting planning documents, including the Tourism Product Development Programme.\textsuperscript{459} This planning document should define more precisely the development of tourism products of special importance listed in the Strategy,\textsuperscript{460} such as: city breaks, health tourism, mountain tourism, nautical tourism, events, rural tourism, transit tourism, business tourism (meetings, incentive travel, conferences and exhibitions/events, MICE), thematic routes and special interests, as well as the products of cultural tourism.

The Law on Hospitality defines a rural tourist household as a facility or group of facilities providing accommodation, preparation and service of food, drink and beverages or only accommodation services, located in a rural (countryside) environment with elements of local character and heritage.

It introduces the concept of scope/capacity of rural tourist households – limited scope rather than large scale capacities: 30 individual beds (accommodation) and/or 50 meals/catering (food and beverages).

Comparing the concept of tourism in rural areas to on-farm agritourism, tourism in rural areas can be referred to as rural tourism as well and implies all forms of tourist activities/offers in rural areas. However, the Serbian concept is more inclined towards on-farm tourism, i.e. rural tourism household.

The National Tourism Organization of Serbia (NTOS) stipulates that rural tourism is not only tourist stay in rural households, but also includes excursions to surrounding areas, sightseeing of natural attractions and cultural and historical sites of the region, events – traditional, folklore and touristic, sports and recreational activities in nature, sale of handcrafts, handmade products and souvenirs as well as home-made food and beverages.\textsuperscript{462}

The most recent Sustainable Rural Tourism Development Programme in the Republic of Serbia was written in 2011, defining rural tourism as tourism that offers a visitor a “rural environment” by allowing him/her to experience a combination of nature, culture and people. This implies that the visitors enjoy authentic, original experiences and return to the roots, which is the essence of the rural way of life. Rural tourism implies a range of activities and services organized by the rural population. It is based on the principles of sustainability and is a set of elements that contain the environment in the country, natural resources, as well as the traditional hospitality and living values of the local population. It is this contact with nature and personal contact with the local population that makes rural tourism unique. International trends show that the concept of rural tourism is becoming wider and that the needs and expectations in terms of domestic and international demand are now more sophisticated than ever.

According to the 2011 Sustainable Rural Tourism Development Programme in the Republic of Serbia, rural tourism is firmly linked to other tourism products. Cultural tourism, nature and the world of sports and adventure tourism, including nautical, health tourism, family and children tourism, cruises, and tourism of special interest are closely connected with rural tourism. Groups of products that are connected with rural tourism include also tours, excursions and MICE tourism.\textsuperscript{463}

\textsuperscript{458} Law on Tourism, Official Gazette of the Republic of Serbia, No. 17/2019
\textsuperscript{459} The Tourism Product Development Programme is to be adopted by the Government at the proposal of the Ministry. A proposal for a Tourism Product Development Programme may also be prepared by an association established with the aim of developing and improving the tourism product to which the proposal relates.
\textsuperscript{460} Tourism Development Strategy of the Republic of Serbia 2016-2025
\textsuperscript{461} Law on Hospitality, Official Gazette of the Republic of Serbia, No. 17/2019
\textsuperscript{462} http://www.srbija.travel/дестинације/села.177.html
\textsuperscript{463} Sustainable Rural Tourism Programme Development in the Republic of Serbia, 2011
B.6.1.4. Rural tourism and its place in the rural economy of the Republic of Serbia

In the 2011 Sustainable Rural Tourism Development Programme in the Republic of Serbia it was calculated that about 2.7 million overnight stays were made in rural tourism in a broader sense in 2010. Out of these, 145,354 registered overnight stays were in rural tourism in the narrower sense. In the same Programme it was estimated that rural tourism participates with 27% in the total number of overnight stays in the Republic of Serbia. Comparing the cited number of about 2.7 million overnight stays in rural tourism in a broader sense in 2010 with the data of the Statistical Office of 6.4 million overnight stays in total in 2010, it follows that rural tourism participates with 42% in the total number of overnight stays in the Republic of Serbia. This differs significantly from the 27% mentioned above. This also well illustrates the lack of reliable data on the number of tourists and the number of overnight stays in rural tourism in Serbia (Table 1). According to the Statistical Office of the Republic of Serbia, in 2016, only 4,094 domestic and 237 foreign tourists spent time in 174 rural tourist households in 18 municipalities. In 2017, tourist arrivals/overnight stays in rural tourist households were: total – 5,061/16,040; foreign - 293/727, domestic - 4,768/15,313.\(^{464}\)

The situation with unreliable data is also similar when it comes to accommodation capacities in rural tourism. In the 2011 Sustainable Rural Tourism Development Programme in the Republic of Serbia, it was calculated that rural tourism was supported with more than 32,000 beds registered and unregistered in rural areas, of which 10,000 beds are exclusively in rural settlements. It was estimated that 47,653 beds will be necessary in tourism for the needs of accommodation in rural areas and 20,423 beds in rural tourism in rural settlements in the next ten years. These estimates are based on the assumption of an increase in the occupancy rate of beds in tourism, which can be used for accommodation in rural areas, from 21% to 30% and the occupancy of beds in rural tourism in rural settlements from 4% to 30%.\(^{465}\)

The Tourist Association of Serbia issued in 2017 the Catalogue of Rural Tourism Households with 221 registered households in over 120 villages. The total number of beds offered in rural tourist households in 2017 was 675, out of which in spas – 104, mountain resorts – 120, other tourist resorts – 390 and other resorts – 61. In 2018, the offer of rural accommodation included a total of 1,723 beds, out of which in spas – 320, mountain resorts – 307, other tourist resorts – 941 and other resorts – 155. It is not possible to determine whether this large increase in capacities in the last year is the result of better or different registration. In early 2019, the National Association Rural Tourism of Serbia had in its offer over 600 rural tourism facilities. Almost all of these were rural households providing both accommodation and food services in rural tourism.\(^{466}\)

The highest numbers of foreign tourists that visited the Republic of Serbia in 2017 came from Bosnia and Herzegovina (108,000 arrivals, 235,000 overnight stays), Turkey (99,000 arrivals, 163,000 overnight stays), Bulgaria (91,000 arrivals, 149,000 overnight stays), Croatia (83,000 arrivals, 153,000 overnight stays) and Montenegro (79,000 arrivals, 198,000 overnight stays). There are also various official data on the economics of rural tourism. It was estimated that on the basis of 2.7 million overnight stays in rural tourism in a broader sense in 2010, a total of 10.4 billion RSD\(^{467}\) (104 million EUR) of income was realized: accommodation – 5.3 billion RSD (53 million EUR), other types of income, not including accommodation and transportation – 5.1 billion RSD (51 million EUR). The amount of 10.4 billion RSD (104 million EUR) represents 16% of the direct GDP realized in the travel and tourism sector (62.4 billion RSD/624 million EUR), calculated by the World Council for Tourism and Travel for 2010.\(^{468}\)

\(^{464}\) Statistical Office of the Republic of Serbia, Statistical Yearbook, 2018

\(^{465}\) Sustainable Rural Tourism Programme Development in the Republic of Serbia 2011

\(^{466}\) https://www.selo.rs/rs/destination

\(^{467}\) Serbian currency – dinar

\(^{468}\) Sustainable Rural Tourism Development Programme in the Republic of Serbia
Table B5-1: Number of tourists and overnight stays in tourism of Serbia

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of tourists</th>
<th>Number of overnight stays</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Domestic</td>
</tr>
<tr>
<td>2010</td>
<td>2,000,597</td>
<td>1,317,916</td>
</tr>
<tr>
<td>2011</td>
<td>2,068,610</td>
<td>1,304,443</td>
</tr>
<tr>
<td>2012</td>
<td>2,079,643</td>
<td>1,269,676</td>
</tr>
<tr>
<td>2013</td>
<td>2,192,435</td>
<td>1,270,667</td>
</tr>
<tr>
<td>2014</td>
<td>2,192,268</td>
<td>1,270,667</td>
</tr>
<tr>
<td>2015</td>
<td>2,437,165</td>
<td>1,304,944</td>
</tr>
<tr>
<td>2016</td>
<td>2,753,591</td>
<td>1,472,165</td>
</tr>
<tr>
<td>2017</td>
<td>3,085,866</td>
<td>1,588,693</td>
</tr>
<tr>
<td>2018</td>
<td>3,430,522</td>
<td>1,720,008</td>
</tr>
</tbody>
</table>

1) Out of the total number of tourists’ overnight stays (8,325 thousand), 26.8% (2,228 thousand) were recorded in spas and 25.0% (2,079 thousand) in mountain resorts.

2) The structure of domestic tourists’ nights shows that 38.0% was spent in spas (1,957 thousand) and 34.1% (1,757 thousand) in mountain resorts, out of the total number of domestic tourists’ overnight stays (5,150 thousand).

3) The structure of foreign tourists’ overnight stays shows that there were 53.3% (1,692 thousand) tourists’ nights spent in the city of Belgrade, 7.3% (231 thousand) in the city of Novi Sad, 8.5% (271 thousand) in spas and 10.1% (321 thousand) in mountain resorts, out of the total number of foreign tourists’ overnight stays (3,175 thousand).

Note: Since 1999 without data for Kosovo*

Source: Statistical Office of the Republic of Serbia, Statistical Yearbook, 2018

The total catering turnover\(^{469}\) in the Republic of Serbia in 2017, at current prices, amounted to RSD 79,263 million and was by 9.7% higher than in the previous year, while at constant prices, an increase of 7.9% was recorded. The turnover structure in catering trade in 2017, observed by type of services performed, shows that the largest share was that of food and beverages (51.2%), followed by alcoholic and non-alcoholic beverages (27.3%), overnight stays (19.0%), etc. The total catering turnover, at current prices, was 44.1% higher in 2017 than in 2010. Total catering turnover, at constant prices, was 18.5% higher than in 2010.

According to the Statistical Office of the Republic of Serbia, gross value added for accommodation services was increased from 11,259,500,000 RSD (0.3% of GDP in 2010) to 16,234,500,000 RSD (0.3% of GDP) in 2017, which according to 2010 prices amounted to 11,722,600,000 RSD. Gross value added for food and beverage services increased from 28,791,100,000 RSD (0.9% of GDP in 2010) to 48,792,000,000 RSD (1.0% of GDP) in 2017, which according to 2010 prices amounted to 35,871,500,000 RSD. In the accommodation and catering sector, real growth of gross value added of 10.8% in relation to 2016 was recorded (in 2017, the highest growth of all sectors), with the increase of 0.1% in GDP.

Table B5-2: Employees with legal entities, persons individually running businesses, unincorporated enterprises and their employees in accommodation and food service activities by years

<table>
<thead>
<tr>
<th>Year</th>
<th>Accommodation and food service activities</th>
<th>Accommodation</th>
<th>Food and beverage service activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>64,142</td>
<td>55,862</td>
<td>54,008</td>
</tr>
<tr>
<td>2010</td>
<td>12,917</td>
<td>11,610</td>
<td>11,500</td>
</tr>
</tbody>
</table>

Turnover in catering represents bookkeeping value of realized catering services (accommodation, food, drinks) and other services that are usually done in catering (transport of guests and luggage, service craft activities, sale of tobacco and souvenirs, newspapers, etc.)
Finally, the number of employees in tourism can only be estimated based on employment statistics of accommodation and food service activities (Table 2), bearing in mind that many public services and enterprises as well as other entities directly and indirectly participate in the tourism industry. The data for 2011 show that over 32,000 people were employed directly in the tourism industry (2.4% of the total number of employees). In 2015, the number of people participating in tourism activity was directly or indirectly higher. The number of employees directly involved in tourism was around 37,000 people (125th place in the world), while the number of employees contributing indirectly to the functioning of the tourism industry was 93,400 people (127th place in the world).\textsuperscript{470} There are no specific data available on the work force involved with diverse tourism products.

B.6.2. INSTITUTIONAL & LEGISLATIVE CONTEXT FOR RURAL TOURISM IN SERBIA

B.6.2.1. Legal framework for rural tourism in the Republic of Serbia

The development of rural tourism in the territory of the Republic of Serbia is legally defined by the following laws: the Law on Tourism, the Law on Hospitality, the Law on Agriculture and Rural Development, the Law on Incentives in Agriculture and Rural Development, the Law on Nature Protection, the Law on Environmental Protection, as well as related by-laws.

Tourism sector

The Law on Tourism\textsuperscript{471} regulates conditions and manner of planning and development of tourism including national subsidies for the promotion of rural tourism, tourism organizations for the promotion of tourism, tourist agencies, services in tourism, Tourism Registry and other issues of importance for the development and improvement of tourism. The Law on Tourism does not provide any definition of rural tourism.

The promotion of tourism is carried out by the NTOS, tourism organizations of the autonomous provinces (AP) and tourism organizations of the local self-government units (LSGUs). Tourism organizations of the region founded by two or more LSGUs can also carry out tourism promotion. A tourism organization of a region cooperates with tourist clusters in its area and keeps records of tourist clusters. The funds for the work of tourism organizations for the promotion of tourism are provided from the budgets of Serbia, APs, LSGUs, as well as donations, contributions, sponsorships and other sources in accordance with the law.

The Law on Hospitality\textsuperscript{472} regulates the conditions and manner of catering, catering in nautical tourism and hunting tourism, tourist taxes and penalties, as well as other issues relevant to their development and promotion. The Law on Hospitality defines catering facilities by types of catering services: 1) catering facility for accommodation and 2) catering facility for food and drink. In the catering facility for accommodation, the following services are provided: accommodation, food and beverages as well as other common services or just the accommodation services in hotel and its subtypes, motels, tourist settlements and their subtypes, guest houses, camps, campsites, hostels, lodgings for the night, resorts, botels, houses, apartments, rooms, rural tourist households, hunting villas, hunting lodges, hunting houses or cottages and other accommodation facilities. All of them could be located in rural areas, however only those providing rural life experience could be considered as rural tourism (rural tourist households, guest houses, hunting villas, hunting lodges, hunting houses or cottages). The following catering facilities for accommodation: houses, apartments, rooms and rural tourist households, are classified into categories in accordance with the standards prescribed for certain types of these facilities. The caterer is obliged to obtain a categorization from the Ministry of Trade, Tourism and Telecommunications. Upon inspection, a commission awards the category to the facility valid for three years.

\textsuperscript{470} Tourism and Tourism Revenues in the Republic of Serbia, 2016

\textsuperscript{471} Law on tourism, Official Gazette of the Republic of Serbia, No. 17/2019

\textsuperscript{472} Law on Hospitality, Official Gazette of the Republic of Serbia, No. 17/2019
In the catering facility for the provision of food and beverage services, hot and cold dishes and beverages are prepared and served, alcoholic and non-alcoholic drinks are served in the following types of catering facilities: restaurants, taverns, bars, pizzerias, grills, beer houses, inns, coffee pastry shops, buffets, fast food facilities, catering facilities, mobile facilities, pubs, cafes and other facilities, including specific facility types: kafana (small restaurant), pečenjara (facility in which meat is roasted for takeaway, specifically whole pigs and lambs), konoba (small restaurant of Mediterranean style, offering mainly wine and appetizers), čarda (restaurant typical for lowlands, often by rivers offering fish and game dishes, like fish soup and goulash), krčma (traditional rural facilities offering drinks and food), bistro (type of small restaurant), palačinkarnica (facility preparing pancakes).

This Law provides in detail the conditions and manners for providing services in a domestic catering facility and in a rural tourist household, defined as follows:

- A rural tourist household is a building or group of buildings in which accommodation, preparation and serving of food and beverages, or only accommodation services are provided, located in a rural environment with elements of local characteristics and heritage
- A domestic catering facility is a building in which accommodation, preparation and serving of food, beverages and drinks is provided, or only accommodation services in a house, apartment and room

According to this Law, a caterer is a company, a different legal entity, an entrepreneur or a natural person performing catering activities under the conditions prescribed by this Law. The caterer provides accommodation, prepares and serves food and beverages in a catering facility of domestic work and rural tourist household. Within the rural tourist household, the caterer can provide outdoor accommodation in temporarily set-up camping equipment. Service provider can also prepare and deliver food to clients for consumption elsewhere. The food can be prepared in a catering facility, outside of it or in a mobile facility, in accordance with the Law.

If the caterer is a natural person then there are limitations to accommodation capacities. The limitations are also valid for the entrepreneurs and legal entities if they are co-owners. The natural person that provides catering services in the rural tourist household can provide:

- Accommodation, preparation and serving of food and beverages in the facilities with accommodation capacities of up to 30 beds, with up to 30 service users
- Preparation and serving food and beverages to a group of up to 50 tourists who do not use accommodation services
- Outdoor accommodation in temporary camping for up to 30 guests / 20 camp sites

A natural person can provide only accommodation in a domestic catering facility. He/she can directly provide catering services, i.e. sell accommodation in a domestic catering facility and rural tourist households. Exceptionally, accommodation capacities in a domestic catering facility and a rural tourist household can be offered through a contracted intermediary. The Rulebooks and the Regulations based on the aforementioned laws are elaborated in detail in Section B.6.3.3 Direct financial support.

Also, the Rulebook prescribes the content and manner of submitting an application for all caterers who provide accommodation in non-categorized catering establishments, since the Law on Hospitality prescribes the obligation to submit an application, for registration, to the LSGU in the territory of which the facility is located.

### Agriculture and rural development

The Law on Agriculture and Rural Development stipulates the adoption of a Strategy for Agriculture and Rural Development of the Republic of Serbia for the period of ten years by the Government on the proposal of the Ministry of Agriculture, Forestry and Water Management (MAFWM). It also envisages adoption of two national programmes, which should define ways of realizing strategic goals, namely the National Agricultural Programme and the National Rural Development Programme. The Law on Agriculture and Rural Development and the Law on Sub-
sides in Agriculture and Rural Development define the structure of payments in agriculture and rural development in the Republic of Serbia.

The Law on Agriculture and Rural Development establishes basic mechanisms for the creation and implementation of agricultural and rural development policy and defines the main strategic documents for the development of agriculture in the medium and long term. On the basis of the Law on Agriculture and Rural Development, the following IPARD measures: M1 – Investments in physical assets of agricultural holdings and M3 – Investments in physical assets for processing and marketing of agricultural products were adopted, and the accreditation process has just been completed (implementation is expected to start by the end of 2020); and measure M7 – Diversification of agricultural households and business development, which will include direct financing of investments in rural tourism, was entrusted for implementation.

The Law on Subsidies in Agriculture and Rural Development details the subsidies, including their classification, the way of use, the users, conditions for eligibility for subsidies, as well as the minimum/maximum amounts by type of subsidy. This Law represents the legal basis for closer definition of individual subsidies, which is contained in the by-laws created for each of the subsidies. The programme framework for the implementation of direct payments in the period 2018-2020 is contained in the National Programme for Agriculture for the period 2018-2020. The programme framework for the implementation of rural development subsidies in the period 2018-2020 is contained in the National Rural Development Programme for the period 2018-2020.

The Law on Subsidies in Agriculture and Rural Development prescribes the types of subsidies, the manner of use and the conditions for eligibility to subsidies, as well as the minimum amounts by type of subsidy. It also represents the legal basis for the adoption of a number of by-laws, which specify in more detail the conditions and modalities for the implementation of measures, as well as the forms for applications. The Government shall prescribe, for each budget year, the volume of assets, types and maximum amounts by type of subsidy, in accordance with this Law and the Budget Law, within 30 days from the date of entry into force of the Budget Law of the Republic of Serbia.

B.6.2.2. Spatial plans and rural tourism

National level

The Law on the Spatial Plan of the Republic of Serbia 2010-2020 defines the Spatial Plan of the Republic of Serbia as the basic planning document for spatial planning and development. This Plan determines the long-term basis of organization, regulation, use and protection of the territory of the Republic of Serbia, in order to harmonize economic and social development with natural, ecological and cultural potentials and limitations in its territory.

![Figure 1 - Rural regions according to the OECD typology, rural regions are divided into three groups, depending on the percentage of the population living in rural communities. (Source: Bogdanov N. Lj. (2007): Small rural households in Serbia and rural non-agricultural economy, UNDP, Belgrade)](image)
The Spatial plan is elaborated through regional spatial plans, spatial plans of the special purpose area, spatial plans for areas determined by the Spatial Plan, spatial plans of local self-government units, urbanistic plans, development plans and programmes, regulations and general acts adopted for their implementation. In the Strategy of Spatial Development of the Republic of Serbia, 12 territorial areas have been identified as clusters (RTC) and should be developed as priority areas for rural tourism. Twelve rural tourism clusters are grouped into four rural tourism cluster groups (RTCG) to enable use of synergies and mutual proximity of particular clusters of rural tourism:

A) RTCG 1: Central Serbia and Western Serbia
   RTC1: Golija; RTC2: Zlatar Zlatibor; RTC3: Kopaonik; RTC 4: Central Serbia

B) RTCG 2: Southern Banat and Donje Podunavlje
   RTC5: Donje Podunavlje; RTC6: Southern Banat

C) RTCG 3: Eastern Serbia
   RTC7: Sokobanja; RTC8: Eastern Serbia; RTC9: South East

D) RTCG 4: Vojvodina
   RTC10: Fruška Gora; RTC11: Upper Danube Region; RTC12: North

Rural tourism clusters are ranked according to the development priorities taking into account the potential for the return of invested funds in the development. The degree of risk and the rate of return on investment are determined based on the following criteria: the potentials of natural, cultural and created resources; availability and infrastructure, proximity to the market; unemployment rate; hospitality and experience in rural tourism. The referral map of the Spatial Plan of the Republic of Serbia shows tourism and the protection of the environment, natural and cultural heritage (Figure 3).

The Spatial Plan is the basis for the definition of strategies at the state, regional and local levels to the extent that they have an impact on the spatial development of the Republic of Serbia, its regions and LSGUs. In order to determine the measures and activities for the implementation of the Spatial Plan, the Government, upon the proposal of the ministry in charge of spatial planning, adopts the Spatial Plan Implementation Programme for a period of five years. According to the Programme for the Implementation of the Spatial Plan of the Republic of Serbia 2010-2020, the organization of space for the purpose of long-term tourism development and integral tourism offer in Serbia is based on the concept of regionalization of space, the allocation of transit routes and the ranking of tourist spatial units. The achievement of strategic development objectives at national, regional and local level is based on the valorization of selected tourist areas with an appropriate level of priority.474

Regional levels

Each urban, rural or high-mountain area has certain specificities according to which the tourism development strategy is defined. According to the defined objectives and the concept of tourism development of a certain area, as well as according to the specifics and its identity, specific spatial or urbanistic plans are developed (spatial plan of the special purpose area, municipality spatial plan, general or detailed regulation plan) or master plans (programmes for the development of tourist areas) on the basis of which the development of the tourist area is carried out.

The following regional spatial plans have been adopted in Serbia: AP Vojvodina, the administrative area of the City of Belgrade and the administrative counties – Podunavski, Braničevski, Kolubarski, Mačvanski, Šumadijski, Pomoravski, Raški, Rasinski, Nišavski, Toplički, Pirotski, Zlatiborski, Moravički, Borski, Zaječarski, Kolubarski and the municipalities of South Pomoravlje. The starting point for the development of spatial and urbanistic plans in a priority tourist destination is the Strategic Master Plan. The conditions for construction of tourism infrastructure facilities will be determined in spatial and urban plans related to areas designated as tourist areas, and in places for rest within the tourist area, also conditions for the construction of tourism superstructure facilities: catering facilities as well as galleries, exhibitions, congress and entertainment facilities that are directly related to catering and sports and recreational facilities. The conditions are determined by the ministry in charge of tourism at
the request of the body responsible for the preparation and adoption of spatial or urbanistic plan.

Local levels

So far, spatial plans for special purpose areas have been adopted in Serbia for infrastructure systems, protected tourist areas, accumulations and mining basins. These are of tremendous value for rural tourism development, since some of them represent its most remarkable attractors. Tourist activities are allowed in accordance with the principles of sustainability in protected natural areas – national parks and nature parks, in the zone of third degree of protection for infrastructure for the development of ecological, rural, health and sports and recreational tourism.

Regarding protected tourist areas, the following spatial plans for special purpose areas have been adopted: cultural area of Sremski Karlovci, the multifunctional ecological corridor Tisa; the cultural area of Bač; Vlasina; Radan mountains; archaeological sites: the coastal area of the Sava River; Viminacium, Rombuliana-Gamzigrad; the area of exceptional qualities of Avala-Kosmaj; natural good Beljanica-Kučaj; National Parks: Fruška Gora; Đerdap, Tara, Kopaonik, Nature Park Golija; Nature Park and tourist region Stara Planina; Stari Ras and Sopoćani; special nature reserves: Stari Begej-Carska Bara, Deliblatska Peščara (sands), Koviljsko-Petrovaradinski rit, Zasavica, Obdenska Bara, Gornje Podunavlje, Suva Planina, Uvac, Titelski Breg, Slano Kopovo, Okanj Bara i Rusanđe, Subotica deserts and lakes.

B.6.2.3. Cross-cutting issues and other legislation of relevance for rural tourism

Environment, natural and cultural heritage conservation

Apart from the Law on Environmental Protection as the main law regarding environmental protection, there are also a number of laws that deal with the narrowly defined issues of protection of biological, geological and landscape values of importance for rural tourism: the Law on Nature Protection, the Law on Mining, the Law on Waters, the Law on Plant Protection, the Law on Plant Health, the Law on Agricultural Land, the Law on Game and Hunting, the Law on Tourism, the Law on Cultural Goods and other.

Based on the Law on Environmental Protection and related laws and by-laws, I, II and III level protection regimes are established on protected natural goods with the resources that they make. The activities that threaten the originality of plant or animal life, hydrographic, geomorphological, geological, cultural or landscape values are not allowed in protected areas, except for actions that maintain the natural balance and fulfil the functions of natural goods, in accordance with the established regime of protection and its significance.

The Law on National Parks regulates the goals, values, areas, borders and regimes of protection, management and sustainable use of National Parks Fruška Gora, Đerdap, Tara, Kopaonik and Šar Planina. The objectives of this Law are:

1) Preservation and improvement of the values of biodiversity, geodiversity, as well as cultural and historical values
2) Preservation and improvement of ecologically important areas and diversity of the landscape
3) Preservation of geo-heritage structures
4) Conservation and improvement of habitats, habitat types and populations of wild flora and fauna
5) Preservation and improvement of the adequate quality of life of people in the National Park through
the development of social, cultural and economic activities

6) Preservation of cultural and historical heritage

7) Preservation of the traditional way of life

8) Preservation of natural processes and balance between natural processes and human activity, or sustainable development of the National Park

9) Impressive experience of nature for visitors, education, research, sports and recreation

The total area of protected natural resources is about 5,471.76 km², which makes about 6.19% of the total territory of the Republic of Serbia. The long-term goal is to protect 12% of the territory by 2020. The main problems related to the protection of nature and natural resources are related to non-implementation and ignorance of valid regulations by the population, LSGs, competent inspection services, courts, professional organizations and institutions; irrational use of natural resources; poor coverage by planning and urbanistic documentation; non-inventiveness; poor equipment and poor organization of many creators of natural goods; low state investments in the most attractive areas of the Republic of Serbia, etc. In recent years, the awareness of the need for nature protection has been rising significantly, so it is expected that negative tendencies such as uncontrolled illegal construction in protected areas and degradation of valuable natural areas, will be prevented. More than 2.6% of the territory is presently undergoing the procedure of being protected.

The Law on Fees for the Use of Public Goods regulates fees for the use of public goods, such as: payer, basis, amount, method of determining and payment, beneficiaries of income from fees, as well as other issues of importance for determining and paying fees for the use of public goods. Public good is a natural wealth, i.e. a good of general interest and in general use. This Law introduces 15 fees for the use of public goods, the following of which are relevant for tourism and rural tourism: environmental protection; use of the protected area; navigation and the use of ports, harbour and navigation vessel safety on the national waterway; use of public roads and railway infrastructure; use of public space; use of natural healing factors and use of tourist area. Entry fees for the National Park Fruška Gora and Nature Park Stara Planina have been introduced from the beginning of the year 2019 at a price of 100 RSD (8 EUR) for adults and 50 RSD (4 EUR) for children. In addition, fees for the use of parking, recreation, sports, posting advertisements etc. and setting facilities for catering, tourism and trade, hunting etc. were introduced. Per-bed tax has become obligatory for rural tourism service providers in 90 areas, covering about 5,472 km². Service providers in rural tourism consider these an unnecessary burden.

Infrastructure

The Law on Planning and Construction prescribes the content of the Regional Spatial Plan, regulating the elaboration of feasibility studies, work on a general project, conceptual design, design for building permits, design for execution and design of the constructed facility. The Law on Tourism defines which kind of areas, due to their characteristics, values and priority tourism purposes require a special regime of organization (tourist areas), set-up, use and protection or the construction of facilities of national interest.

Finances

The Law on Public Private Partnership and Concessions defines public private partnership as a long-term cooperation between public and private partners in order to provide financing, construction, reconstruction, management or maintenance of infrastructural and other facilities of public importance and the provision of services of public importance, which can be contractual or institutional. A public private partnership offers new possibilities for the development of destination management and marketing in rural tourism. Such a partnership is possible in the following fields related to tourism: tourism product development, marketing and sales, research and technology, infrastructure, human resources and funding. Partnerships in the tourism supply chains are not mentioned as such, but this Law provides basic conditions for the development

Institute for Nature Conservation of Serbia, www.zzps.rs
of LEADER-type activities within available rural development support.

The Law on Public Private Partnership and Concessions regulates the conditions and method of making, proposing and approving public private partnership projects; determines the entities competent or authorized to propose and implement of public private partnership projects; rights and obligations of public and private partners; form and content of the public private partnership contract with or without elements of the concession and legal protection in the procedures for the award of public contracts; conditions and manner of granting concession, subject of concession, entities competent, or authorized for the procedure of granting concessions, termination of the concession; protection of the rights of the participants in the procedures for awarding public contracts, as well as other issues of importance for the public private partnership, with or without the elements of concession.

Education

The formal education of tourism personnel is regulated by the Law on Secondary Education and the Law on Higher Education. There are 45 secondary schools evenly distributed across the entire territory of Serbia that provide education for the so-called “tourism technicians” (e.g. tourism operators). Some of these schools also carry out retraining and additional training (lifelong learning). There are also several state and private universities in Belgrade, Novi Sad, Niš and Kragujevac which offer specialized programmes or schools providing BSc academic degrees in tourism. Half of these have master and doctoral studies in tourism. There are at least a dozen high schools in Serbia that offer basic and specialist vocational studies of importance for tourism and hospitality (gastronomy, economy, food processing and logistics, etc.).

Non-formal education in tourism and hospitality is also provided in Serbia, with the aim of acquiring and innovating knowledge and skills necessary for performing certain activities that are not covered by formal education or are intended for those that did not acquire this knowledge during the formal education process. The non-formal education system for work in tourist agencies implies a number of courses organized by educational and professional institutions and organizations, trainings organized by employers, temporary programmes and projects or even formal education institutions as well as daily on-the-job training. Such trainings include, for example, courses for tour guides, animators and group escorts, education for the use of various computer programmes, acquisition and improvement of communication skills, sales skills, crisis management, security procedures, first aid and similar. Also, it is not uncommon for some institutions and NGOs to organize thematic seminars, workshops and trainings for acquiring professional knowledge and skills, sharing experiences and presenting new technological solutions. Such education is increasingly being carried out via the Internet, in the form of electronic seminars, so-called webinars.478

Food safety and quality standards

The Law on Food Safety regulates the general conditions for food safety, obligations and responsibilities of food business operators, the rapid information and alert system, emergency measures and crisis management, hygiene and quality food. The primary aim of the law is to provide a high level of protection of human life and health and the protection of consumer interests, which is also crucial for rural tourism. The Law on Food Safety prescribes that the legal entity and the entrepreneur cannot start production or trade in the food sector if they are not registered with the Central Registry, or with a registry determined by a special regulation. Food safety and quality standards in Serbia were for a long time a critical point for the development of rural tourism, since in some respects they were hardly applicable to small-scale processing occurring in households. This fact was limiting development of rural tourism in Serbia particularly considering its main role, as a tool for adding value to primary products from the farm involved.

The Rulebook on small quantities of primary products supplied to consumers, area used for this activity, and derogations applicable to small entities


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in the animal origin food business entered into force on 1 January 2018, while milk processing was regulated much earlier. The new Rulebook on the production and marketing of small quantities of plant origin food was introduced by the Ministry of Agriculture, Forestry and Water Management and entered into force on 1 March 2020, and it will enable agricultural holdings to legally process primary plant products and do direct marketing thus generating income through added value. The new national regulation facilitates trade for the small producers of unprocessed and processed food of plant origin such as flour, pastry, pasta, fruit juices, thermally processed fruit and vegetable products, dried fruit, vegetable and vegetable products, low acidic vegetable products, processed mushrooms, cold-pressed vegetable oils and vegetable juices. This eliminates another limiting factor for the development of rural tourism and the diversification of the rural economy. The food chain stakeholders interviewed for the purpose of this study agree that the upgraded food safety legislation is good.

Manufacturers of small quantities of products could operate on the farm or in their own low capacity facility. Legal entity or entrepreneur that manufactures and processes food that comes from his or her own farm has to be registered in the Farms Registry and sell it on the local market – farm, green market, retail, home delivery and events. Manufacturers in low capacity facilities should be registered as legal entities or entrepreneurs and produce and process at least 50% of the food from his or her own farm, while the area of sale allowed is territory of the Republic of Serbia. Small producers can directly sell or deliver primary products to final consumers or to local retail stores that directly supply final consumers, up to the permitted quantity by product type (for instance: raw milk – 200 l per week, eggs – 500 pcs per week, raw fish – 1 t per year, big game – 10 pcs per year, small game – 500 pcs per year, meat products – 1 t per year, processed milk – 200 l per week, etc.). Slaughtering and processing facilities must be registered and/or approved. The primary or processed products can be sold directly at the following places: farm, domestic dining table, local market, local sales, local retail shop, home delivery (door-to-door), from the vessel (fish), on the hunting ground (game).

The new regulation on small producers of products of plant origin lays down in detail the maximum quantities of products that can be produced and marketed and the adjustments or derogations from the food hygiene requirements for producers operating on farms and in low capacity facilities for the production and processing of food of plant origin. For example, in this way any farm that produces up to 32,000 kg of flour or twice as much in a small capacity facility can trade. If it is engaged in the production of bread, pastry and bakery products, the quantities range up to 20,000 kg for the household and 40,000 kg for the small capacity facility. Home-made fruit juices and nectars are limited to 16,000 and 32,000 respectively, thermally processed fruit to 10,000 kg. Farmers are considered small producers also if they deliver up to 20,000 kg of pasta, 16,000 kg of dried fruit, 8,000 kg of canned vegetables preserves, 4,000 kg od dried vegetables, 4,000 kg of medicinal and aromatic plants, 20,000 kg of naturally fermented and 20,000 kg of marinated vegetables, 4,000 kg of dried or marinated mushrooms, 8,000 l of cold pressed oils and 16,000 l of other beverages etc. Products are placed on the market with a special label.

Derogation from the applying Hazard Analysis and Critical Control Points (HACCP) is allowed in small facilities for the production, processing and marketing of food, if the manufacturer considers appropriate risk factors or applies the Guidelines for Good Practice, so that these derogations do not affect food hygiene and safety. For small-scale producers, the area and/or the volume of facilities and equipment is not prescribed, and other technical and technological conditions are minimal for ensuring food safety.

The Law on Protected Geographical Indications defines the method of acquiring legal protection of geographical indications: designation of origin and geographical indication. Geographical indications registered on the territory of the Republic of Serbia in accordance with the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration have the same effect on the territory of the Republic of Serbia as if they were

479 https://www.zlatibor.rs/vest/novi-pravilnik-o-proizvodnji-i-prometu-malih-kolicina-hrane-biljnog-porekla
480 https://www.wipo.int/lisbon/en/legal_texts/lisbon_agreement.html
directly reported and registered in the Republic of Serbia. The provisions of this Law do not apply to wine, brandy and other alcoholic drinks, if the acquisition and protection and the right to use geographical indication labels on these products are regulated by special regulations.

In order to preserve the authenticity of food in the Republic of Serbia, the Law on Protected Geographical Indications, which, unlike the European Union law, defines geographical indication the protection of two types (categories) of quality labels: designation of origin and geographical indication. The situation with the Registry in Serbia in 2019 was: 57 geographical indications were registered on behalf of domestic persons; 14 geographical indications were registered on behalf of foreign persons.481

Regulation on labelling agricultural and food products with the national higher quality mark “Serbian Quality”482 for agricultural food products produced from raw materials originating exclusively from the territory of Serbia was introduced in early November 2016 by the Government of the Republic of Serbia, offering more opportunities for improving food supply chains in rural tourism.

The Rulebook on labelling, marking and advertising food with several amendments issued in 2020 also brought news of importance for serving food in rural tourism.483 According to this regulation, a legal and natural person performing catering activities should, when presenting the food they offer to the final consumer, before consumption, highlight all the necessary information about the presence of ingredients that may cause allergies and/or intolerance, determined in accordance with this Rulebook, and document other information for the end consumer, if required. This opens the rural tourism offer to an important niche market of customers with special requirements.

In addition to the name of the food produced, in accordance with the Rulebook on the production and marketing of small quantities of food of plant origin, area used for this activity, as well as exclusions, adjustments and derogations from the requirements related to food hygiene, the following words should be included:

1) “Domestic product from my farm” for products produced on the farm
2) “Domestic product from my area” for products manufactured in a low capacity facility

This is opening the possibility for appropriate pricing of traditional and products of higher quality, but also space for providing support through rural development measures.

Health and risks management

According to the 2017 INFORM risk index, Serbia is very vulnerable and exposed to natural hazards. The main natural hazards in Serbia include, among other things, torrential and river floods, storms, droughts, landslides and earthquakes, as well as livestock disease outbreaks and pests that can cause significant damage and losses to humans and animals. Serbia is one of the most exposed and most vulnerable countries/territories in the Western Balkans region.484 Its diverse terrains, remoteness of some, for rural tourism most attractive rural areas and diverse wildlife can represent risks for visitors and demands careful risk mitigation. The Law on Reducing the Risks of Natural and Other Disasters and Emergency Management adopted by the National Assembly in 2018 represents the main frame for mitigating the highest risks in Serbia. This Law places greater emphasis on risk reduction and disaster risk management and promotes risk reduction from natural and other disasters, including prevention, mitigation and preparedness for response and effective response, protection and rescue activities in different sectors, thus striving to strengthen individual and community resilience to these dangers. It establishes the rights and obligations of citizens, associations, local self-government units, autonomous provinces and the Republic of Serbia and promotes international cooperation, administrative inspection and other is-

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481 Institute for Intellectual Property, National Registry of Appellations of Origin
482 Official Gazette of the Republic of Serbia, No. 90/2016
483 Official Gazette of the Republic of Serbia, No. 19/2017, 16/2018 and 17/2020
484 Comprehensive Analysis of Risk Reduction and Disaster Risk Management Systems in the Agricultural Sector Republic of Serbia, FAO
sues related to the structure and functioning of the system.\textsuperscript{485}

Authorized and trained legal entities perform the protection and rescue of citizens, material and other goods in the event of danger and accidents caused by natural disasters and other disasters in accordance with their activities, as well as the tasks assigned to them by the competent emergency centres of LSGUs, autonomous regions and the Republic of Serbia, on the proposal of the competent emergency headquarters or competent authorities. Humanitarian organizations and associations which participate in the preparation and implementation of the tasks of protection and rescue in accordance with this Law and the rules of international law are the Red Cross of Serbia and the Mountain Rescue Service of Serbia, in charge of rescue operations on inaccessible terrain, etc.

The organization and implementation of protection and rescue from accidents on inaccessible terrain includes rescue in mountains, from snow avalanches, pits, caves and similar places. The competent service organizes the protection and rescue from accidents on inaccessible terrain. The Mountain Rescue Service of Serbia participates in the protection and rescue of accidents on inaccessible terrain, at the request of the competent service. In the event of mass-accidents in which a large number of people are endangered or additional assistance is needed, other organizational units of the Ministry of Internal Affairs, Serbian Armed Forces and other authorized and qualified legal entities are included in rescue operations.\textsuperscript{38}

The organization and implementation of first aid in case of natural and other disasters includes all forms of first aid, self-help and mutual aid, and the care of injured and diseased. The teams of the Red Cross of Serbia, the Mountain Rescue Service of Serbia, the competent service, civil protection units and citizens within the framework of personal, mutual and collective protection, are involved as first aid providers. The organization and implementation of medical aid includes all forms of medical assistance to endangered and harmed people in the area affected by natural disasters and other disasters, provided by medical institutions.

The basic task of the surveillance, early warning, information and alert systems is to detect, monitor and collect data on all types of hazards that can threaten people, the environment, material and cultural goods. In order to efficiently collect data, notifications and information, a free telephone number 112 is used in the public telephone network as a unique European Emergency Number. Every legal and natural person is required to inform the Operations Centre 112 about any perceived danger or accident.

The Rulebook on the conditions for placing on the market and manner of marking wild game and wildlife trophies, as well as on the manner of keeping records\textsuperscript{486} is important for “commercial and tourist” hunting, which is one of the tourist activities that most often accompanies rural tourism in Serbia. The one belongs to the set of rules attached to the Law on Game and Hunting and prescribes the conditions for placing wild game and game trophies on the market, the manner of marking wild game and game trophies, the appearance and content of the application form, i.e. the trophy sheet and the manner of its issuance, as well as the manner of keeping records of trophies and issued shipping documents and trophy sheets. Hunted game and game trophies are placed on the market if:

1) They are marked with a mark for hunted game, which is recorded in the Central database in accordance with the law governing hunting

2) Official controls have been carried out for hunted game and game trophies in accordance with the regulations governing veterinary medicine

3) Extraction of the internal organs of the big game before shifting from the shooting place is done and packed in a plastic bag in accordance with the regulations governing the veterinary service by a person engaged in managing of hunting ground / game warden or companion

4) Trade shipping documentation for the hunted game is provided in accordance with the regulations governing hunting and regulations governing veterinary medicine

\textsuperscript{485} The Law on Emergency Situation, Official Gazette of the Republic of Serbia, No. 87/2018

\textsuperscript{486} Official Gazette of the Republic of Serbia, No. 16/2012, 31/2012, 67/2013 and 44/2018
Other risks concerning personal safety of tourists (traffic, violence of diverse kinds, etc.) except for moderate risk of thefts, are not expressed since Serbia can be considered as basically a safe country. The information on various risks for tourists is distributed through the statements of the Ministry of Internal Affairs (criminal acts, security, natural disasters, fires), Veterinary Directorate (animal health, food safety), Forest Directorate and Institute of Public Health of Serbia Dr Milan Jovanović Batut (health) and through the Automotive Association of Serbia (traffic) info service (through public radio and television and other electronic media).

Due to unstable weather and high precipitation, slopes on roads and landslides threatening traffic are frequent. In areas affected by floods, for the purposes of early detection and control of infectious diseases, intensified hygienic and epidemiological surveillance is carried out. Notification of epidemics of infectious diseases is not registered. Ticks are present from early spring to late autumn; they can transmit infectious diseases such as Lyme disease and similar. They live in forested areas and in untreated vegetation, but also along fields, in gardens, live fences and similar, representing true threat for walkers and their animals. Snakes are very active in June and July for mating, representing potential threat to uncareful tourists in natural and rural environments. The total number of cases of rabies of foxes and other wild carnivores in Serbia was 1 in 2018. After the introduction of the oral vaccine, this threat practically ceased to exist. Trichinellosis is however still present in rural areas and occasionally occurs due to the use of wild and domestic pig meat which was not exposed to the veterinary control. Pollution of drinkable waters with coliform bacteria is possible due to weak utility systems in rural areas and irregular controls of rural households supplying drinking water from natural springs and wells (although it is legally obligatory for all rural tourism service providers).

**Monitoring and control**

Monitoring and control of rural tourism activities is performed by the Ministry of Tourism, Trade and Telecommunications, through the following activities of the Tourism Inspection Sector:

- Carries out inspection supervision over the implementation of laws and other regulations regulating the tourism and catering industry and undertaking the prescribed administrative and penal measures based on relevant laws and regulations in tourism
- Determines the fulfilment of the prescribed conditions for performing tourist and catering activities; protects consumers and intellectual property in tourism and catering
- Monitors the implementation of regulations, initiates changes and offers appropriate solutions and undertakes activities in order to prevent misapplication of regulations
- Cooperates with other inspection bodies, judicial authorities, misdemeanour bodies and other state bodies and organizations and with associations and organizations in tourism and catering and consumer protection associations
- Monitors the implementation of tourism development projects and controls the implementation of contracts between the Ministry and business entities in coordination with the Tourism Sector, etc.

Through the activities of the Tourism Sector, the Ministry of Tourism, Trade and Telecommunications monitors and analyzes systemic solutions, legal regulations and economic policy measures for the development of the tourism industry and proposes appropriate measures; proposes measures to improve the quality of tourism products and services and the competitiveness of the tourism offer; monitors and analyzes the implementation of adopted master plans; proposes and undertakes measures for the improvement of tourist turnover and foreign exchange effects from tourism; investigates and analyzes the conditions, phenomena and movements in the tourism market by tourism products and tourism clusters, monitors development, proposes measures and education and training activities in

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487 Automotive Association of Serbia
tourism with the aim of stimulating employment; monitors the execution of the national budget related to the sector; monitors and analyzes state investments in tourism development through incentives and proposes corrective measures, etc.

The Office for Information Technology and Electronic Administration of the Republic of Serbia has provided equipment and training for four pilot inspectorates: Market Inspectorate, Labour Inspectorate, Administrative Inspectorate and Sanitary Inspectorate, which operate in the new E-Inspection Information System since the beginning of 2019, while addition of another 37 inspectorates had been planned shortly after so that all inspections in the Republic of Serbia use this modern information system.

B.6.2.4. Institutional set-up for managing/supporting rural tourism

Institutions managing and supporting rural tourism in Serbia are in general set at three levels: at the national level (responsible for rural tourism development strategic planning and quality system); at the regional level (responsible for the creation of the rural tourism offer as an integral part of the regional destination product); and at the local level (responsible for the development of local value chains and the rural offer and integration of tourism in local rural development). Marketing, distribution and commercialization systems for the rural tourism offer would also have to be established at the national level.\(^{489}\)

Professional and business associations such as: the Chamber of Commerce, Serbian National Associations of Travel Agencies (YUTA), Business Association of Hotel and Restaurant Industry – Serbia (HORES), Spa Association of Serbia, Serbian Youth Hostel Association, Association of Tourist Guides of the Republic of Serbia, regional development agencies, CSOs and hobby associations, as well as other associations of micro and small enterprises in the field of providing services of importance for the development of tourism and catering at the national, regional and local levels, have a great importance for the development of tourism. Their significance arises from the ability to mobilize different stakeholders interested in improving the branch and raising the awareness of citizens about the importance of nature protection and the promotion of tourism and hospitality, and especially activities and products that enrich the tourism offer and contribute to the positive experiences of tourists, transfer of a good practices, popularization and application of new standards, knowledge, skills, innovations and technologies.\(^{490}\)

National level

The institutional framework related to rural development in Serbia, and consequently economic diversification which includes tourism, is organized at three hierarchical levels – national, regional and local. At the national level, rural development is under the jurisdiction of the:

- Ministry of Trade, Tourism and Telecommunications
- Ministry of Agriculture, Forestry and Water Management
- as well as other ministries: Ministry of Economy, Ministry of Finance, Ministry of Construction, Transport and Infrastructure, Ministry of Education, Science and Technological Development, Ministry of Public Administration and Local Self-Government, Ministry of Labour, Employment, Veteran and Social Affairs, Ministry of Health, Ministry of Environmental Protection, Ministry of Mining and Energy, Ministry of Youth and Sports, Ministry of Culture and the Media, as well as the bodies of the Government of the Republic of Serbia that influence the development and economy of rural areas as well as balanced regional development through their decisions and activities (development of small and medium enterprises, infrastructure, environment, development funds, poverty reduction, etc.).

At the national level, rural tourism is under the jurisdiction of the Ministry of Trade, Tourism and Telecommunications which manages and supports rural tourism through legislation and other main activi-
ties: finance, organization, education, etc.

In accordance with Article 16, paragraph 2 of the Law on Hospitality\textsuperscript{491}, the Rulebook on the obligation to report and keep records of accommodation facilities was adopted. This regulation prescribes the content and manner of keeping records of accommodation facilities, since the Law on Hospitality stipulates that the ministry competent for tourism, as well as LSGUs, keep records of caterers and catering establishments for those buildings for which they are competent. At the beginning of 2020, the Government of the Republic of Serbia presented a project of an on-line central eTourist information system, which should help establish accurate and up-to-date records of all catering establishments located in the Republic of Serbia. eTourist is a free and unique online system that integrates all information about caterers and catering establishments and which records check-in and check-out of all domestic and foreign tourists. In addition to making it easier for the caterers to operate, the benefits of this centralized online system will also be provided by state institutions and tourism organizations, which will be able to monitor in real time the total number of tourists in the country as well as their characteristics (gender, age, country from which they come, length of stay, location of stay, etc.). Also, they will have daily access to a database of accommodation facilities and providers, accommodation taxes and other fees. The complete activation of this system is foreseen for the year 2020, and it is certain that the eTourist will not be in full use during the declared state of emergency.

**Ministry of Trade, Tourism and Telecommunications** – Department for Competitiveness in Tourism performs activities related to:

- Integral planning of tourism development and related activities
- Implementation of the Tourism Development Strategy of the Republic of Serbia
- Preparation, coordination and implementation of national strategic documents related to tourism, implementation of master plans
- Implementation and monitoring of the implementation of the spatial and regional tourism development policy
- Providing expert assistance and encouraging the adoption of plans in the field of tourism at the local level; preparation and implementation of tourist destination management activities
- Providing professional support, preparing documentation, monitoring and control over the implementation of tourism development programmes; analyzing and preparing measures for improving investment activities and investments in tourism
- Preparation of proposals and coordination of cooperation with the competent bodies of local self-government units, economic and other entities related to the protection of tourist areas and tourist values, proposing measures for improvement of superstructure and infrastructure related to tourism development
- Pre-investment and investment analysis of offered superstructure projects and infrastructure related to tourism development; implementation of control activities for dedicated spending of budget funds, analysis of the effects of implemented measures in relation to the set goals
- Preparation of expert bases for making regulations in the field of tourism; proposing and implementing measures to increase the market competitiveness of tourism
- Preparation of expert-analytical materials and reports on the situation in this field
- Submitting data for keeping and updating the website, as well as other activities in this field

**Ministry of Agriculture, Forestry and Water Management**

The Sector for Rural Development carries out tasks related to: production, monitoring and implementation of IPARD Programme and the National Rural Development Programme aimed at increasing efficiency and improving the effectiveness of rural development measures and socio-economic aspects of life in rural areas, increasing the competitiveness of agricultural production and forestry sector, envir-
ronmental protection, support for diversification of rural economy and creation of conditions for the expansion of non-agricultural economy in rural areas; support for the establishment of public private partnerships and the improvement of working and living conditions in rural areas; reporting on the process of implementation of rural development programmes; identification, definition and modification of criteria and indicators of effectiveness of programme measures and programme quality; conducting cooperation with international and national organizations and institutions in the field of rural development in order to harmonize measures of support, provide donor assistance for the implementation of development programmes and projects in the field of rural development; monitoring and reporting related to the implementation of the IPARD programme, in accordance with EU requirements; establishment of the activities and processes of the Steering Committee for the implementation of the IPARD programme; supervising the implementation of the activities of the Steering Committee; coordination of the work of the IPARD Monitoring Committee; establishment of a comprehensive system of internal controls in order to use the funds intended for financing the IPARD programme of the National Programme for Rural Development, properly, transparently, ethically, economically and efficiently; monitoring the situation and proposing measures for the revitalization and improvement of the development of agricultural cooperatives; programming, monitoring and coordination of the work of the agricultural advisory service; monitoring the situation and proposing measures for revitalization and improvement of the development of agricultural cooperatives; and other tasks in this field. This Sector has a Rural Development Section and an Advisory Section.

The Sector deals, inter alia, with affairs of indirect importance for the competitiveness of rural tourism, and tourism in general, through food supply chains. These activities refer to application of subsidies and other legal measures in the preservation of genetic resources, as well as the promotion and development of organic agricultural production.

The Sector deals, through the Programming Group, inter alia, with the programming of measures to support rural tourism through: the development of the IPARD Programme and the National Programme for Rural Development; support diversification of rural economy and creation of conditions for enlargement of non-agricultural economy in rural areas; elaboration of all the necessary rules for implementation of measures from the IPARD Programme and the National Programme for Rural Development Measures; approving and monitoring the implementation of rural development programmes of the local self-government unit and the autonomous provinces, etc.

**Department for Rural Development** has the highest level of responsibility for rural development issues in the Ministry of Agriculture, Forestry and Water Management, together with the Directorate for Agrarian Payments. Their activities include professional and financial assistance to rural tourism development stakeholders. Assistance is provided directly or indirectly through strengthening rural tourism stakeholders. This support targets the establishment and resilience of rural tourism value chains in rural areas, which includes improving food supply chain safety and food quality, support for investments in equipment and facilities for accommodation, adding value through equipment for craftsmanship and gastronomy, shortening value chains through facilitating establishment of partnerships in the value chain between farmers, processors and service providers or diversifying farm economy through introduction of agritourism on farms.

The Department for Rural Development carries out tasks related to: production, monitoring and implementation of IPARD programmes and the National Rural Development Programme aimed at increasing the efficiency as well as improving the effectiveness of rural development measures and socio-economic aspects of life in rural areas, supporting the diversification of rural economy and creating the conditions for enlargement non-agricultural economies in rural areas; conducting cooperation with international and national organizations and institutions in the field of rural development in order to harmonize measures of support, providing donor assistance for the implementation of development programmes and projects in the field of rural development; carries out other activities related to this field.
The **Directorate for Agrarian Payments** is a specialized institution that deals exclusively with subsidies in agriculture and rural development. Its task is to enable agricultural producers to be informed clearly and reliably about all current incentives in agriculture, to help them realize the subsidies they are entitled to and to ensure efficient and prompt payment to households. The establishment of the Directorate for Agrarian Payments was the basic institutional requirement for the Serbian households to be able to use funds from EU pre-accession funds, and then, when Serbia becomes a member of the EU, through the use of funds from the European Guarantee Fund and the European Fund for Rural Development, it needs to adjust its work methods in accordance with the EU Common Agricultural Policy. The Directorate has seven sectors including: project approval, grant incentives approval and on-site control. The On-site Control Sector performs, *inter alia*, control of the approval and use of incentives before approval, before payment and control after the final payment (ex-post), control of the use of allocated incentives from IPARD funds and reporting of irregularities detected during control.

In Serbia there is the **Agricultural Advisory and Extension Service of Serbia** (PSSS) for the territory of Central Serbia with 23 units and the Agricultural Advisory and Professional Service of Autonomous Province Vojvodina (PSS APV) for the territory of Vojvodina with 13 units. Both were formed pursuant to the Law on Advisory and Expert Affairs in the Field of Agriculture (Official Gazette of the Republic of Serbia, No. 30/10). Both are financed from the budget: PSSS from the budget of the Republic of Serbia, PSS APV from the budget of AP Vojvodina.

Advisory services in agriculture are carried out in order to enhance knowledge transfer and raise the general level of knowledge of agricultural producers and information sharing, increase competitiveness and modernize agricultural production, increase the profitability of production and product quality, introduce the production of health-safe food, encourage the association of agricultural producers, preserve natural resources, protect the environment and improve living conditions and the culture of life in the countryside, and hence rural development. Extension services are as such determined by law and other regulations in the fields of agriculture, plant health, cattle breeding and other fields of agriculture. In addition to providing assistance in agricultural production, the services are obliged to provide assistance in the promotion of rural development, provide advice and suggestions for enhancing economic activities as additional activities in households as well as on other matters in which agricultural producers express interest.

The **Directorate for National Reference Laboratories** is a state administration body within the Ministry of Agriculture, Forestry and Water Management. The Directorate jurisdiction is indirectly linked to the competitiveness of rural tourism, through supply chains: food safety, preservation and sustainable use of plant genetic resources; maintaining the base of reproduction material from organic production; preparation of a professional basis for organic production regulations; establishment, maintenance, supervision and control of certification bodies for organic production, etc.

The **Ministry of Environmental Protection** performs the prescribed state administration tasks which are also related to rural tourism and tourism in general:

- Proclamation of protection zones I, II and III of natural goods and inspection in the field of environmental protection
- Inspection supervision in the field of environmental protection in national parks
- Determination of environmental conditions in spatial planning and construction of facilities
- Protection of nature, water, air
- Waste management, excluding radioactive waste, etc.

The **Ministry of Construction, Transport and Infrastructure** and its seven sectors perform numerous state administration tasks that are also related to rural tourism and tourism in general:

- Implementation of all activities related to building construction (issuance of location conditions, issuance of a building permit, issuance of usage permit, obtaining conditions for connecting facilities to the infrastructure network, etc.)
- Normative affairs and analytics in the field of planning and construction
- Giving opinions on draft laws and consideration of objections and opinions by other bodies on draft laws and proposing other regulations
- Preparation and implementation of proposals for measures to improve the situation and relations in internal and international transport and traffic safety
- Preparation of strategies, plans, laws and other legal acts, as well as the realization of cooperation with scientific research institutions in the field of transport
- Protection and development of roads, road equipment and other objects of road infrastructure and proposing measures for implementation of plans
- Coordinating the work of entities ensuring traffic safety
- Spatial planning and spatial development planning
- Expert control and control of compliance of planning documents, as well as giving consent to urban plans in accordance with the law
- Preparation, coordination and monitoring the development of national policies for sustainable rural development, etc.

**Ministry of Education, Science and Technological Development** has, inter alia, sectors for all levels of formal education, including dual and entrepreneurial education. The appropriate higher and high education is important for rural tourism, and the ministry carries out the following tasks:

- Inclusion of Serbia in international institutions and associations
- Coordinating activities in the implementation of strategic measures, programmes and projects related to the analysis and monitoring of all education strategies
- Monitoring the situation and launching initiatives to address issues in the field of higher and high education
- Drafting laws and bylaws in the field of higher and high education, monitoring the implementation of laws and regulations in the field of higher and high education by giving opinions
- Participation in the development of standards and criteria for accreditation of institutions and study programmes in this field;
- Issuing a license for the work of higher and high education institutions
- Comparison of domestic and foreign education systems, duration of education and curricula
- Planning programmes and projects from IPA funds and other donors/financiers related to the improvement of monitoring and analysis of the quality and efficiency of higher and high education, etc.

**Intellectual Property Office** is a state institution responsible for the tasks related to industrial property rights including geographical indications, copyright and related rights which are mainly contributing to the rural tourism offer development through food supply chains.

**The National Tourism Organization of Serbia (NTOS)** is the main institutional holder of Serbian tourism promotion. NTOS performs also other activities of importance for the development of informational and promotional activities in tourism in Serbia. The activities of the NTOS are aimed at improving the positioning of Serbian tourism products on domestic and foreign markets and the tourist valorization of the comparative advantages of Serbia, such as its geostrategic position, historical, cultural and natural identity.

In order to implement unified tourism information and promotion activities, to include Serbia’s tourist area in the European tourist itineraries and to strengthen bilateral cooperation in the field of tourism development, NTOS is present at all major world tourism fairs, cooperates with other national tourism organizations and other international, regional and professional tourist associations. NTOS is member of the following international organizations: the European Travel Commission (ETC), the Danube Travel Commission (DTC), the Danube Competence Centre (DCC), the International Association Transromanica, the International Coach Tourism Federation (RDA) and the International Congress and Convention Association (ICCA).
In addition to its international tasks, the NTOS is working – in cooperation with tourism organizations of towns and municipalities and other tourism entities – to improve the tourism offer of Serbia and to create a positive attitude of the population towards tourism in Serbia. NTOS is also working to create new domestic tourist centres, thus creating the basis for directing and encouraging the development of tourism as part of the socio-economic development of Serbia. Tourism organizations of provinces, regions, cities and municipalities in Serbia align their annual programmes and plans of promotional activities with Strategic Marketing Plans, as well as with the plans and programmes of the NTOS.

The National Council for Tourism Development of Serbia was established in 2017. The tasks of the National Council are:

1) Establishing coordination and communication of all involved parties in order to develop the tourist industry and positioning of the Republic of Serbia
2) Providing publicity in work and responsibility in the field of development of the Republic of Serbia as a tourist destination and in the development of its tourism products
3) Increasing the level of competitiveness of the tourism industry of the Republic of Serbia as a tourist destination and improving the business climate in tourism
4) Improving the investment climate and increasing investments in tourism
5) Analysis of the efficiency of the microregions (infrastructure, tourism products, branding)
6) Undertaking measures for improving competitiveness through promotion and marketing, infrastructure construction, harmonization of local and regional institutions, and other

The National Association of Travel Agencies of Serbia (YUTA) is a professional non-profit organization. It provides its members with three basic service and support groups:

1. Initiation, according to the competent state authorities, of systemic and other prerequisites for creating preconditions for successful and efficient realization of the tourist business
2. Communicating with international bodies and associations, in order to establish mutual cooperation between members of YUTA and their involvement in the international tourist business
3. Coordination of work and provision of informatics and other assumptions for mutual cooperation between YUTA members

Regional levels

At the regional level, there are also numerous institutions that have different roles and responsibilities in the vertical decision-making chain and varying levels of autonomy from the authorities – from very dependent to completely independent ones. These institutions include regional networks of the Chamber of Commerce, Cooperative Association, Agricultural Advisory Services, Standing Conference of Towns and Municipalities, business incubators, professional bodies and associations, tourism clusters, relevant academic institutions, etc.

At the level of the Autonomous Province of Vojvodina, the Provincial Secretariat for Agriculture, Forestry and Water Management plays an especially important role in rural development. Also important are the Provincial Secretariat for Interregional Cooperation and Local Self-Government, the Provincial Secretariat for Economy, Employment and Gender Equality, the Provincial Secretariat for Urban Planning, Construction and Environmental Protection, etc. All Provincial Secretariats have their own budgets and are completely independent in their use. Their measures and activities must be consistent with the measures and activities of national ministries.

The regional Chambers of Commerce, through their tourism boards and other bodies, participate in the improvement and promotion of tourism and tourism potentials in the regions of Serbia. The same is done by the tourism organizations of the regions of Serbia. According to the Serbian Chamber of Commerce, there are 17 regional chambers of commerce spread evenly on the territory of Serbia.

Regional development agencies are important organizations for tourism development, having in mind their capacities for mobilizing and implementing do-
nor funds and projects. They have a development function, often using different development and innovative approaches, such as systematic market development, which significantly contributes to the qualitative improvement of the functioning of the tourism system in the Republic of Serbia. Depending on the level of professionalism and representativeness of those they represent, it is necessary to periodically transfer certain public powers to such institutions in accordance with international standards and in accordance with the law. In order to strengthen their capacity and professionalism, it is also necessary to define support measures for their programmes and projects that promote their activities and contribute to the development of tourism, especially using dedicated EU funds and projects.\footnote{The Tourism Development Strategy of the Republic of Serbia 2016-2025}

Regional cluster organizations in tourism are formed by companies and organizations that, by networking and contacting one another, wish to improve their appearance on the market and to achieve competitive advantage towards higher profitability. Tourism clusters aim to realize common interests in order to achieve greater competitiveness of tourism products in their areas. Through the cooperation of their members, they want to strengthen the regional identity in order to gain higher national and international reputation. Regional and provincial authorities participate in the establishment of such cluster organizations. Their programmes and work is adjusted to the programmes of the NTOS and the Development Strategy of the Republic of Serbia. Tourism clusters started to appear on the territory of the Republic of Serbia in 2008; they represent a relatively new form of association, consisting of various stakeholders within the tourism industry.\footnote{Ibid.}

Local level

The most important part of the rural tourism support system at the local level are municipal tourism organizations, established by the local self-governments. They work under the conditions prescribed by public services. They are responsible for supporting local tourist service providers mainly with promotion (based on the Law on Tourism). Municipal tourism organizations often apply for external donation support in order to finance development activities, trainings and promotional activities. They do this along with various civil society organizations, especially those targeting rural development, preservation of cultural heritage, environment and similar, as well as local producer associations, business associations, farmers, etc., which are voluntarily involved in tourism development at local level. Tourism organizations implement projects individually or in partnership with other local stakeholders and service providers.

They are also in charge of collecting data and continuous monitoring and needs assessment for rural tourism development, suggesting support measures to local governments, the NTOS and the responsible ministries. They design calls and facilitate financial support from LSG budgets to rural tourism stakeholders in their territories. Local self-governments also determine the necessary activities in rural development in general and independently take measures, but these are not always harmonized with the measures and activities of the national level.

In some municipalities and towns, there are tourism organizations established in accordance with the law which also focus on local destination management (not completely functional). In addition, municipal tourism organizations often organize or facilitate bookings for visitors (e.g. accommodation and tastings for groups). Their work has a significant impact on the growth of the competitiveness of some destinations, the development of local infrastructure, cooperation with the local tourism industry and the organization of tourist events. In 2019, according to the NTOS, there are 137 local tourism organizations spread evenly across the territory of Serbia.

Local self-government units are recognized as an important partner in the realization of the eTourist project, since they are the ones that take care of categorization and records of domestic catering establishments (house, apartment, room) and rural tourism households, as well as uncategorized catering establishments located in their territories.
B.6.3. RURAL TOURISM DEVELOPMENT AND POLICY IN SERBIA

B.6.3.1. Brief overview of the status of rural tourism in the Republic of Serbia

Rural tourism destinations

Rural tourism destinations, being diverse and numerous, are often divided into certain groups, reflecting their main characteristics. One of the suitable systems for classifying rural tourism destinations in the Serbia is the following: Traditional, popular holiday destinations; Rich agricultural areas; Remote areas; Mountain or forest locations; Protected areas; Rural areas with small historic towns.

Traditional, popular holiday destinations. These destinations have developed accommodation and catering facilities, which are continuously improved in quantitative and qualitative terms. Officially, only a few of them have rural tourism as their key tourism products, but all of them have some key tourism products very highly correlated with rural tourism. Being attractive for generating income, but also for urban inhabitants interested in owning properties in such places, there is the issue of building without permits. This violation of rules has among others also a devastating environmental impact. Statistically, the most visited tourist destinations in rural areas are in the mountains (Kopaonik, Zlatibor and Fruška Gora) and spas (Vrnjačka Banja and Sokobanja). Out of the most visited destinations, only Zlatibor has rural tourism among its key tourism products. However, traditional, popular holiday destinations have some key tourism products very highly correlated with rural tourism:

- Cultural thematic routes (Belgrade, Novi Sad, Zlatibor)
- Nautical (Belgrade, Novi Sad)
- Ecotourism (Zlatibor, Kopaonik),
- Ethno-tourism (Zlatibor, Kopaonik),
- Health tourism including spa (Zlatibor, Kopaonik, Vrnjačka Banja, Sokobanja),
- Mountain tourism (Zlatibor, Kopaonik),
- Sports tourism (Fruška Gora, Kopaonik),
- Special interests – hiking, biking, wine, culinary and gastronomic routes (Zlatibor, Kopaonik, Vrnjačka Banja, Sokobanja).

In the period 2008-2013, there was noticeable progress in the development of several tourism products related to rural areas, such as events (Guća trumpet festival, Mokra Gora film festival, Drina regatta, etc.), mountain tourism (Kopaonik, Zlatibor and Stara Planina), which also include rural accommodation and catering facilities along with hotels. Also, new tourism products in line with trends in the market and changes in the motives and needs of tourists have been created. Partially successful products are of special interests (cultural, hiking, cycling, wine, culinary and gastronomic routes). However, progress and significant investments to improve the quality of other tourism products, especially of health and wellness tourism in spas and nautical tourism are missing.

Rich agricultural areas. These destinations are in economically strong agricultural areas in large plains, great river valleys and in higher areas, suitable for the intensive production of certain agricultural crops. Officially, all of them have rural tourism as their key tourism products, and some other key tourism products very highly correlated with rural tourism. The rich agricultural areas have some key tourism products highly connected with rural tourism:

- Cultural thematic routes (Fruška Gora, Upper Danube, Lower Danube, Pomoravlje, Šumadija, Ponišavlje, Stig, Timočka Krajina, etc.)
- Nautical (Palić/Potisje, Upper Danube, Lower Danube, Pomoravlje, etc.)

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494 Tourism Organization of Serbia
495 Tourism Development Strategy of the Republic of Serbia 2016-2025
496 Programme for the Development of Sustainable Rural Tourism in the Republic of Serbia, 2011
497 Ibid
• Ecotourism (Upper Danube, Lower Danube, Srem, etc.)
• Ethno-tourism (Subotica/Palić/Potisje, Upper Danube, Lower Danube, Pomoravlje)
• Health tourism including spas (Kanjija, Vrnjačka Banja, Niška Banja, Sokobanja, Stig, etc.)
• Sports tourism (Stig, Vojvodina, etc.)
• Special interests – hiking, cycling, wine, culinary and gastronomic routes (Danube River Valley, Timočka Krajina, Fruška Gora, Šumadija, etc.)

Remote areas. These destinations are characterized by wilderness, which attracts tourists interested in wild nature, wildlife and high-mountains sports activities. Officially, all of them have rural tourism as their key tourism products, but also some other key tourism products very highly connected with rural tourism. The following tourist destinations can be considered as remote areas, having rural tourism as one of their key products: tourist region of Western Serbia (mountains Zlatibor, Zlatar, Tara, Mokra Gora), Golija, Divčibare and Valjevo mountains, and South East Serbia (Vlasina Highland, mountains Besna Kobila and Stara Planina). The mountain tourism centres often become remote during the winter because of poor accessibility during heavy snows and poorly maintained road infrastructure. The remote areas have some key tourism products very highly connected with rural tourism:

• Cultural thematic routes (Tourist Region Western Serbia, Golija, PIO Vlasina, Vranje and Vranjska Banja)
• Ecotourism (Tourist Region Western Serbia, Golija)
• Ethno-tourism (Tourist Region Western Serbia, Vlasina, Stara Planina)
• Health tourism including spa (Tourist Region Western Serbia, Golija, PIO Vlasina, Vranje and Vranjska Banja)
• Sports tourism (Golija, Vlasina, Stara Planina)
• Mountain tourism (Tourist Region Western Serbia)
• Special interests – hiking, cycling, wine, culinary and gastronomic routes (Tourist Region Western Serbia, Golija, Vlasina, Stara Planina)

Mountain or forest locations dominate the territory of the Republic of Serbia. They belong to the mountains of Rhodope, Carpathian and Dinaric mountain chains (arches). The mountains of the Republic of Serbia are attractive for tourism, both in winter and in summer. Tourists with an adventurous spirit can explore karst caves and canyons, and ski tracks are generally well equipped for ski enthusiasts, whether they are beginners or experienced skiers. Serbia is mainly rich in wildlife and suitable for hunting, while rivers and lakes are attractive for fishing. It is also possible for tourists to enjoy birdwatching, particularly in wetlands. Officially, all of them have rural tourism as their key tourism products, but also some other connected tourism products.

The following tourist mountain and forest destinations have rural tourism as one of the key products:

• Cultural thematic routes (Tourist Region Western Serbia, Golija, PIO Vlasina, Vranje and Vranjska Banja, Stig and Kučajske Planine (Stig, Braničevo, Kučaj), Stara Planina (municipalities Pirot, Dimitrovgrad, Knjaževac). The mountain tourism centres are: Gučevo, Divčibare, Rajac, Rudnik, Tara, Zlatar, Zlatibor, Jabuka, Goč, Golija, Kopaonik, Sjenica-Pešter, Jastrebac, Stara Planina, Vlasina, Besna kobila and Brezovica-Šara.

The mountain or forest areas have some key tourism products highly connected with rural tourism:

• Cultural thematic routes (Tourist Region Western Serbia, Golija, PIO Vlasina, Vranje and Vranjska Banja, Stig and Kučajske Planine)
• Ecotourism (Tourist Region Western Serbia, Golija, PIO Vlasina, Vranje and Vranjska Banja, Stig and Kučajske Planine)
• Ethno-tourism (Tourist Region Western Serbia, Golija, PIO Vlasina, Vranje and Vranjska Banja, Stig and Kučajske Planine)
• Health tourism including spa (Tourist Region Western Serbia, Golija, PIO Vlasina, Vranje and Vranjska Banja, Stig and Kučajske Planine)
• Sports tourism (Kopaonik, Golija, Vlasina, Vranje and Vranjska Banja, Stig and Kučajske Planine)
• Mountain tourism (Western Serbia, Kopaonik, Vranje and Vranjska Banja, Stara Planina)
Divčibare and Valjevo, Stara Planina)

- Special interests – hiking, cycling, wine, culinary and gastronomic routes (Tourist Region Western Serbia, Kopaonik, Golija, Novi Pazar and Ivanjica, Divčibare and Valjevo, Niška Banja, Vlasina, Vranje and Vranjska Banja, Stig and Kučajske Planine, Stara Planina).  

In protected areas, tourism management is by default coordinated with nature conservation and the entire local economy depends on natural heritage. This mode of management has come from many lessons learned all over the world, which have argued that only integrated resource management and socio-economic development provide sustainable results. In line with this, the success of tourism depends on nature and environmental protection together with all local economy activities and introducing common goals. In Serbia, there are several categories of legally protected areas that are available for various forms of tourism, of which the most important are National Parks (Fruška Gora, Tara, Derdap, Kopaonik, Šar Planina) and Nature Parks (Zobnatica, Kučajske Planine, Šargan-Mokra Gora, Zlatibor, Golija, Sićevačka Kisura, Stara Planina), MAB/UNESCO Biosphere Reserves (Golija-Studenica and Upper Danube), areas of exceptional qualities (such as Vršačke Planine, Veliko Ratno Ostrvo, Avala, the gorge of the river Gradac, Zoovine, Ovčarsko-Kablaraska Kisura, Lepetija-Sokograd, Vlasina, the Pčinja river valley, etc.), Nature Reserves (Karađorđevo, Titelski Breg, Deliblatska Peščara, the gorge of the river Trešnjica, the gorge of the river Uvac, the river Jerma canyon and Venerina Padina), Ramsar sites (Ludaško lake, Gornje Podunavlje, Slano Kopovo, Kobiljsko-petrovaradinski Rit, Stari Begej-Carska Bara, Zasavica, Obdaska Bara, Labudovo Okno and Peštersko Polje), Monuments of Nature (Prerasti Vratne, spring of the river Mlava, spring of the Krupajsa River, Lazar’s Canyon, Davolja Varoš and cascade of the river Sopotnica), caves (Dubočka, Ceremošnja, Rajkova, Resavska, Bogovinska, Risovača, Stopica, Hadži Prodanova, Mermernia, Zlotska). Almost every tourist region with rural tourism in Serbia has a network of protected areas which represent their main attractors/factors.  

Rural areas with small historic towns. Due to the turbulent history, the majority of Serbia does not have rural areas with complete small historic towns. There are pieces of authentic architecture, e.g. in the small towns of rural Vojvodina they are still present and can conjure up the past. They represent shared cultural heritage of the former Austro-Hungarian Empire with the neighbouring countries – mainly lowland Croatia, Hungary and Romania. Multiculturality of this shared rural space is its main feature and gastronomy one of the major attractors.

Main factors of rural tourism future development  

Natural factors. Serbia is composed of a large offer of natural resources and a great diversity of scenic landscapes, from high mountains to valleys and plains. The Danube, which runs through Serbia for 588 km, with Sava, Tisa and Velika Morava rivers composing a dense river network, attractive for all water activities in summer and autumn. The biological diversity of Serbia, both of ecosystems and species, is extremely high and attractive for tourism. Due to the richness of vascular flora, Serbia is one of the centres of biodiversity in Europe.

The climate of Serbia is continental and moderate continental with more or less pronounced local characteristics. The hottest month is July with absolute temperature maximum range in the interval from 37.1 to 42.3°C. The rainiest month is June, with an average of 12 to 13 % of total annual precipitations. February and October have the least precipitation. Snow cover occurrence is from November until March. Most days with snow cover are in January, the coldest month with the lowest temperature range in the interval from -35.6°C (Sjenica) to -21.0°C (Belgrade). The winter season and high mountains are ideal for winter tourism and related activities. However, the accessibility during this season to cultural and historical visits is difficult due to the weather conditions. On the other hand, summer season is more suitable to make cultural visits. Total average assessment of the natural factors in the Serbia is 3.6 reflecting a great potential to host tourists and high attractiveness of natural factors.

All data in this section are from The National Master Plan for the Development of Rural Tourism, 2011, developed by the Joint UN Programme in Serbia, Sustainable Tourism for Rural Development.
Natural Factors

<table>
<thead>
<tr>
<th>Natural Factors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Đerdap National Park</td>
<td>5</td>
</tr>
<tr>
<td>Golija Biosphere Reserve (UNESCO MAB Reserve)</td>
<td>4.5</td>
</tr>
<tr>
<td>Stara Planina Nature Park (candidate for UNESCO MAB Reserve)</td>
<td>4.5</td>
</tr>
<tr>
<td>Šar Planina National Park</td>
<td>4.2</td>
</tr>
<tr>
<td>Upper Danube (Nature Reserve)</td>
<td>3.5</td>
</tr>
<tr>
<td>Deliblato Sand Special Nature Reserve</td>
<td>3.5</td>
</tr>
<tr>
<td>Vlasina Lake</td>
<td>3.5</td>
</tr>
<tr>
<td>Valjevo Mountains</td>
<td>3.5</td>
</tr>
<tr>
<td>Wetlands (some areas are on UNESCO Ramsar list)</td>
<td>3</td>
</tr>
<tr>
<td>Uvac Reserve</td>
<td>3</td>
</tr>
<tr>
<td>Palić and Ludoš Lakes</td>
<td>2.5</td>
</tr>
<tr>
<td>Vardenik-Besna Kobila-Dukat-Crnook</td>
<td>3.5</td>
</tr>
<tr>
<td>Prokletije-Mokra Gora</td>
<td>3.5</td>
</tr>
<tr>
<td>Kučajske planine-Beljanica</td>
<td>3</td>
</tr>
<tr>
<td>Danube</td>
<td>5</td>
</tr>
<tr>
<td>Sava</td>
<td>4</td>
</tr>
<tr>
<td>Tisa</td>
<td>4</td>
</tr>
<tr>
<td>Danube-Tisa-Danube main channel</td>
<td>2.5</td>
</tr>
<tr>
<td>Climate</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.6</strong></td>
</tr>
</tbody>
</table>

Human resources. This typology of factors combines human capital, cultural traditions and job conditions. The Human Development Index (HDI) for Serbia was 0.837\(^{503}\) in 2007, showing relatively high potential of human resources (above 0.8). The final assessment of human resources in Serbia is 2.5 showing the great diversity of cultural traditions in rural areas of Serbia. The level of technical skills is generally high due to educated young and middle-aged people, who speak foreign languages. However, there are vast contrasts between rural and urban areas. Technology and equipment levels have been upgraded over the past years, but they need further improvement. The least competitive among the factors is the level of salaries and employment conditions in rural areas, which remain low comparing to other sectors.

Capital Factors

<table>
<thead>
<tr>
<th>Capital Factors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial capital: credits access</td>
<td>2.5</td>
</tr>
<tr>
<td>Level of entrepreneurship</td>
<td>2.0</td>
</tr>
<tr>
<td>Air infrastructure</td>
<td>3.0</td>
</tr>
<tr>
<td>Road infrastructure</td>
<td>1.5</td>
</tr>
<tr>
<td>Rail infrastructure</td>
<td>1.5</td>
</tr>
<tr>
<td>River infrastructure</td>
<td>1.5</td>
</tr>
<tr>
<td>Potentials to attract capital</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.0</strong></td>
</tr>
</tbody>
</table>

Capital factors. Based on the analysis of the level of access to finances, infrastructure conditions and the level of potential to attract foreign investment in the rural areas of Serbia, the final assessment of the capital factors in Serbia is 2.0.

Access to finances in rural areas is very limited both in terms of credits and liquidity. The main reasons, especially for the small rural accommodation owners and other providers, are difficult procedures for credit provision, unfavourable credit conditions and lack of information on how to obtain financial means at better conditions. There are some governmental funds (Ministry of Agriculture, Forestry and Water Management, Ministry of Economy and Regional Development) aimed for rural development, including rural tourism, but the majority of small operators are not informed about them or they are not capable to fulfil the conditions to access the funds (making business plans, application procedures, necessary documents, etc.). The same is with some cross-border projects funded by EU programmes. Due to the low profitability of businesses, resulting from the insufficient number of guests, especially international, there is not enough liquidity and credit capability.

Entrepreneurship is a weak point of rural areas in Serbia. Artisan processing and other crafts, trade and services provided by SMEs are better developed in lowland areas such as the Vojvodina Region, while mountain areas except the main tourist destinations lack all kinds of entrepreneurs.

Traffic infrastructures are based on road, rail and air infrastructures, and very little on river traffic.
Air infrastructure: there are two international airports, in Belgrade and Niš. Belgrade airport was recently improved and reconstructed, with modern runways, two terminals (one for regular flights, other for charter and low-cost flights) and technical equipment. Belgrade is well connected by air with the main cities of Europe. Niš airport needs some technical improvement as well as more flight connections. Since recently, Serbia has got another airport near Kraljevo.

Road infrastructure: there is a main motorway through Serbia (part of E75), one the corridor X (and X.a), heading from the west (Croatia, corridor X) and north (Hungary, corridor X.a) to the south (N. Macedonia, corridor X), and to the east (Bulgaria, corridor X.b); positioned like a spine through the entire country. The motorway is not complete yet, and there are extensive works in certain parts (north and south) that will be finished in a few years. Major roads are in good condition, while regional roads are in acceptable condition, regularly maintained, with a good network. Local roads are generally in poor condition, with poor maintenance. Many local roads to rural tourism accommodations and destinations need reconstruction and some need to be paved.

Railways: network of railways is insufficient (and inefficient); the railway infrastructure is old and too limited to host tourists – although it is safe to travel by train, but with their inconvenient schedule, mostly old trains and poor services the railways are not attractive.

River infrastructure: Despite the existing Corridor VII (Danube) through Serbia, there is insufficient network of passenger harbours and domestic navigators along the Danube, and along other navigable rivers (Sava, Tisa) and channels (Danube-Tisa-Danube channel system).

The potential level of foreign investment in Serbian rural tourism industry is relatively low, particularly considering that investors require better infrastructure of all kinds. Villages are often ruined to a large extent, and traditional architecture is lost. The villages have a problem with the disposal of manure and waste, while some houses lack access to asphalt roads. Utility infrastructure problems are common in rural areas (water supply, waste and sewage systems), local public transport, telecommunications and electricity supply.504

Main attractors of rural tourism505

<table>
<thead>
<tr>
<th>Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural</td>
<td>3.3</td>
</tr>
<tr>
<td>Man-made</td>
<td>3.1</td>
</tr>
<tr>
<td>Cultural</td>
<td>3.4</td>
</tr>
<tr>
<td>Total (weighted average)</td>
<td>3.3</td>
</tr>
</tbody>
</table>

The classification of attractors is based on natural, man-made and cultural elements and shapes the relevant tourism attractions in rural areas of Serbia. Through the inventory and analysis of the tourism attractions, the final assessment is 3.1 showing a great potential for development of the tourism sector.

<table>
<thead>
<tr>
<th>Natural Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Zlatibor Mountain</td>
<td>4.25</td>
</tr>
<tr>
<td>2. Kopaonik Mountain</td>
<td>4.25</td>
</tr>
<tr>
<td>3. Đerdap Gorge</td>
<td>3.9</td>
</tr>
<tr>
<td>4. Tara National Park</td>
<td>3.75</td>
</tr>
<tr>
<td>5. Divčibare</td>
<td>3.5</td>
</tr>
<tr>
<td>6. Fruška Gora National park</td>
<td>3</td>
</tr>
<tr>
<td>7. Đavolja Varoš</td>
<td>2.5</td>
</tr>
<tr>
<td>8. Drina river</td>
<td>2.25</td>
</tr>
<tr>
<td>9. Zlatar mountain</td>
<td>2.5</td>
</tr>
<tr>
<td>10. Thermal springs</td>
<td>2.75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.3</strong></td>
</tr>
</tbody>
</table>

Natural attractors. Ten natural attractors have been identified in Serbian rural areas. These include natural heritage sites and mountains (preserved natural areas), variety of landscapes, rivers and gorges, thermal springs, etc. Natural elements are well preserved and attractive for tourists. The assessment has been set at 3.3 reflecting their high attractiveness.

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504 Public Private Partnership in Rural Tourism, 2011
505 All data in this section are from the National Master Plan for the Development of Rural Tourism, 2011, developed by the Joint UN Programme in Serbia, Sustainable Tourism for Rural Development
**Man-made Attractors** shape the leisure elements within the tourism industry such as bars, restaurants, shopping and other entertainment activities. In rural Serbia, man-made attractors are limited and should be increased to become more interesting for tourists. Currently, there are only two high potential attractors. The famous film director Emir Kusturica built an attractive ethno-village, Drvengrad, where he organizes an annual international film festival. Nearby there is the internationally recognized Šargan railway (Šarganska osmica). Both attractors are placed in the scenic landscape of Mokra Gora mountain. The assessment of man-made attractors is 3.1. Leisure supply highlights that these attractors should be increased and more diversified.

<table>
<thead>
<tr>
<th>Cultural Attractors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Viminacium archaeological park</td>
<td>4</td>
</tr>
<tr>
<td>2. UNESCO WHS Felix Romuliana</td>
<td>3.75</td>
</tr>
<tr>
<td>3. Lepenski Vir</td>
<td>3.75</td>
</tr>
<tr>
<td>4. UNESCO WHS Stari Ras and Sopoćani</td>
<td>3.25</td>
</tr>
<tr>
<td>5. UNESCO WHS Studenica Monastery</td>
<td>3.5</td>
</tr>
<tr>
<td>6. Fruška Gora’s monasteries and Sremski Karlovci</td>
<td>3.5</td>
</tr>
<tr>
<td>7. Sirogojno ethno-park</td>
<td>2.25</td>
</tr>
<tr>
<td>8. Fortress on Danube</td>
<td>2.5</td>
</tr>
<tr>
<td>9. Guča brass band festival</td>
<td>4.25</td>
</tr>
<tr>
<td>10. Homolje Motives Event</td>
<td>3.5</td>
</tr>
<tr>
<td>11. Kosidba na Rajcu Event</td>
<td>3.5</td>
</tr>
<tr>
<td>Total</td>
<td>3.4</td>
</tr>
</tbody>
</table>

**Cultural attractors.** Eleven main cultural attractors have been identified in Serbian rural areas. The best examples are UNESCO World Heritage sites. Unique remains of prehistoric civilization in Europe, the Lepenski Vir archaeological site in the Iron Gate (Đerdap Gorge) after reconstruction become one of the most attractive sites. Guča brass band festival has become the bestseller based on elements of traditional folk music. Therefore, the assessment has been valued at 3.4 reflecting a high attractiveness of the cultural attractors that mostly have to be further developed.

<table>
<thead>
<tr>
<th>Supports</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitality</td>
<td>2.3</td>
</tr>
<tr>
<td>Transport</td>
<td>1.8</td>
</tr>
<tr>
<td>Complementary services</td>
<td>1.9</td>
</tr>
<tr>
<td>Total (average)</td>
<td>2.0</td>
</tr>
</tbody>
</table>

**Status of services**

The services include tourism industry businesses that support the tourism activities in the destination. The average rating of support services in Serbia is 2. This rating is the lowest among the three categories: factors, attractors and supports.

<table>
<thead>
<tr>
<th>Hospitality</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>2.2</td>
</tr>
<tr>
<td>Restaurants</td>
<td>2.3</td>
</tr>
<tr>
<td>Total hospitality</td>
<td>2.3</td>
</tr>
</tbody>
</table>

**Hospitality**

This support comprises of tourism establishments that give support to the tourism industry and consists of accommodation and restaurants.

- **Accommodation**

The assessment of the accommodation support includes general tourist accommodation “usable for rural tourism” and rural accommodation. It has been assumed that people may choose to stay in towns near rural areas while using rural tourism products.

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506 All data in this section are from the National Master Plan for the Development of Rural Tourism, 2011, developed by the UN Joint Programme in Serbia, Sustainable Tourism for Rural Development.
and services in the area. These beds are called “general tourism beds usable for rural tourism” for the purposes of this report. The average rate of the accommodation support is 2.2 because of the uneven comfort and quality level of these units, which on average does not meet international standards.

- **Restaurants**

Generally speaking, restaurants in rural areas have good value for money quality products, food and other. However, there are limitations which include limited knowledge of foreign languages (especially English), often the items on the menus are not available and there are limited services and poor bathroom facilities. Despite good-quality products, there is a general lack of tourism focus. The overall rating, therefore, is 2.5.

**Transport**

<table>
<thead>
<tr>
<th>Transport</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air transport</td>
<td></td>
</tr>
<tr>
<td>- Nikola Tesla / Beograd</td>
<td>2.5</td>
</tr>
<tr>
<td>- Konstantin Veliki, Niš</td>
<td></td>
</tr>
<tr>
<td>Air transport assessment</td>
<td>2.5</td>
</tr>
<tr>
<td>Internal transport</td>
<td></td>
</tr>
<tr>
<td>Bus Connections</td>
<td>2.5</td>
</tr>
<tr>
<td>Train</td>
<td>1</td>
</tr>
<tr>
<td>River Connections</td>
<td>1</td>
</tr>
<tr>
<td>Internal transport assessment</td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Bicycle rental</td>
<td>1</td>
</tr>
<tr>
<td>Total transport</td>
<td>1.8</td>
</tr>
</tbody>
</table>

As a result of the limited accessibility and transportation to rural tourism sites (transport structures used by tourists to move to and within the destination) and the general problem with rural roads, transport has been given a rating of 1.8.

**Complementary services**

<table>
<thead>
<tr>
<th>Complementary services</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information assistance</td>
<td></td>
</tr>
<tr>
<td>Tourist Guide</td>
<td>1.5</td>
</tr>
<tr>
<td>Book guides</td>
<td>2</td>
</tr>
<tr>
<td>Information assistance assessment</td>
<td>1.8</td>
</tr>
<tr>
<td>Security and health</td>
<td></td>
</tr>
<tr>
<td>Hospitals/health centres</td>
<td>2</td>
</tr>
<tr>
<td>Security level</td>
<td>2.5</td>
</tr>
<tr>
<td>Police</td>
<td>2.5</td>
</tr>
<tr>
<td>Security and health assessment</td>
<td>2.3</td>
</tr>
<tr>
<td>Organization of destinations</td>
<td></td>
</tr>
<tr>
<td>Local tourism organizations</td>
<td>1.7</td>
</tr>
<tr>
<td>Travel agencies</td>
<td>1.3</td>
</tr>
<tr>
<td>Organization of destinations</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Other support services for tourists (tourism information assistance, security and health and organization of destinations) got 1.9 points as a result of their limited accessibility.

**B.6.3.2. Strategic framework and programmes**

**National context**

**Rural development**

The basic directions of the development in the Republic of Serbia, including development of agriculture and rural areas, are defined by all umbrella national strategic documents. Most of them recognize the importance and role of rural development in the overall economic development as much as the relevance of the preservation of resources and the environment. In the strategies produced recently, the specific needs and constraints encountered by the rural population are recognized, yet looking at the development activities, the importance of diversification of rural economy (which still predominantly relies on agriculture) seems continuously poorly addressed. Several priority areas of agricultural policy included also diversification of rural economy, but
budgets for its support are rather small comparing to investments foreseen for agriculture modernization.

Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024⁵⁰⁷ as a basic and long-term strategic document, defines the goals, priorities and frameworks of political and institutional reforms in the field of agriculture and rural development. The strategy encourages the harmonization of domestic legislation with the EU Acquis and numerous intensified development programmes and projects, as well as further strengthening of institutions in the agricultural sector. The National Programme for Rural Development for the period 2018-2020 prescribes the medium-term directions for the development of rural areas. Rural development measures include support for five areas which are all of direct or indirect importance for rural tourism development:

- Improving competitiveness
- Preservation and improvement of the environment and natural resources
- Diversification of income and improvement of the quality of life in rural areas
- Preparation and implementation of local rural development strategies
- Improvement of the system of knowledge creation and transfer

Support for diversification of income and improvement of the quality of life in rural areas targets on-farm diversification as much as diversification of off-farm local rural economy components. Concrete subsidies for income diversification and improvement of the quality of life in rural areas promoted were intended to:

- Improve economic activities in rural areas through support to non-agricultural activities
- Support investments in order to raise competitiveness in terms of adding value through the processing, introduction and certification of food quality systems, organic products and products with a geographical indication
- Support investments in the improvement and development of rural infrastructure
- Support young people in rural areas

For investments in rural tourism, natural persona — owners of registered family farm, entrepreneurs and legal entities registered in the Farm Registry are eligible. For investments for improvement and development of old and art crafts and homecraft, an entrepreneur (a legal entity) has the right to subsidies. Investments are possible in machines, tools and equipment for old crafts. This measure is complementary with the support within the IPARD programme for the development of rural tourism through the ongoing measure Diversification of agricultural holdings and business development. After its accreditation under the IPARD programme, national support for investments in the development of rural tourism will be implemented within the National Programme for Agriculture, with special focus on providing support to investments in rural tourism facilities with authentic and traditional architectural features.

IPARD II Programme of Republic of Serbia for the period of 2014-2020 defines and prescribes all the elements of the IPARD II EU Programme as an instrument for pre-accession assistance in rural development for the period 2014-2020 – achieving European standards and raising competitiveness. The donation programme is implemented through the Ministry of Agriculture, Forestry and Water Management – Administration for Agricultural Payments. The Ministry prescribes which persons are entitled to IPARD subsidies, the amount of subsidies, conditions, method and procedure for implementing the IPARD programme.

One of the six measures which have been selected to be included in the IPARD II Programme for the period 2014-2020 was also Farm diversification and business development. The selection of measures to be included in the IPARD II Programme for the period 2014-2020 was based on the sectoral analysis of priority sectors in agriculture and food processing industry, on an assessment of needs and potentials for diversification of the rural economy and analysis of the environmental situation. Farm diversification and business development measure directly supports rural tourism, but all the others influence it in

⁵⁰⁷ Official Gazette of the Republic of Serbia, No. 85/2014
one way or another, mainly through tourism supply chains.

In the beginning of 2019, the Ministry of Agriculture, Forestry and Water Management prepared a national subsidy for the development of rural tourism in authentic facilities and for the development of old crafts. The description of authentic buildings/facilities is given within this measure because there is no regulation defining the characteristics of authentic buildings. The measure including the new rules related to it was approved in mid-2019 and the first Call for Applications was announced in September 2019. Thereafter, the first contracts have been already signed, and advance payments have been allocated to the approved beneficiaries. This measure offers special incentive in the form that approved applicants are allowed to receive advance payment of 50% of the approved aid amount, before initiating implementation. The second instalment for payment would be allocated after verification of the final project implementation. IPARD II does not include old crafts or authentic facilities, so this is the only direct support by MAFWM for traditional buildings and crafts in rural tourism.

The Ministry of Agriculture, Forestry and Water Management plans to introduce support for aquaculture, renewable energies, direct sales, tertiary sector of service provision, etc. in the IPARD measure Farm diversification and business development. The measure Farm diversification and business development also includes subsidies for various activities important for the development of rural tourism. They are carrying 65% of the investment value. The total eligible investments amount from 5,000 to 300,000 EUR. IPARD measures include investments in rural areas and legal entities not involved in the agriculture sector are eligible beneficiaries as well. It is important that the investment is in a rural area and that specific eligibility criteria are met.

Strategy of Spatial Development of the Republic of Serbia 2009-2013-2020 defines the basic goals of spatial development and priorities for their realization. When it comes to development and improvement of villages, one of the strategic priorities is the diversification of production activities and the strengthening of entrepreneurship: promotion and investing in the implementation of the concept of multifunctional agriculture (in accordance with the Agricultural Development Strategy, Tourism Development Strategy and other strategic documents at national and local levels); improvement of production in basic agricultural activities with emphasis on the specialization of production; development of small and medium enterprises; development of tourism – ecotourism, ethno-tourism, agritourism, gastro-tourism and other forms of tourism; reanimation of traditional agricultural activities, creation of an adequate environment for the development of agricultural and supplementary activities. When it comes to tourism in new tourist areas, the development of destinations and tourist centres Stara Planina, Vlasina-Krajište, Golija, Đerdap and Gornje Podunavlje (all are rural) is prioritized.

### Rural tourism development

The planning and development of tourism includes integral planning of tourism development and accompanying activities; designation and sustainable use of tourist space; affairs of special importance for the development of tourism; the categorization of the tourist destination and the implementation of incentive measures for the development of tourism.

The existing national and regional planning documents are:

- Tourism Development Strategy of the Republic of Serbia 2016-2025
- National Master Plan for the Development of Rural Tourism
- Strategic Master Plan of Destination
- Sustainable Rural Tourism Development Programme in the Republic of Serbia
- Tourism Development Programme of the Autonomous Province of Vojvodina 2018-2022
- Marketing Strategy for Tourism in Vojvodina
- Operational Marketing Plan for Tourism Development through the Promotion of Multiculturalism in Vojvodina

Strategy of Tourism Development of the Republic of Serbia 2016-2025 defines Serbian tourism products of particular importance for tourism development (underlined occurring in rural areas):
1) City breaks
2) Festivals/Events (cultural, sporting, etc.)
3) Mountain tourism
4) Spa and wellness/health tourism
5) Thematic routes
6) Rural tourism
7) Nautical tourism
8) Meetings, incentives, conferences and exhibitions/events (MICE tourism)
9) Cultural heritage
10) Special interests
11) Transit tourism

Although rural tourism is one of the listed ones, underlined products also, in a broader sense, influence rural tourism development and they are very closely connected with rural tourism. According to the Strategy, rural tourism is clearly identified among the priorities of tourism products in the period 2016-2025 (although it does not provide definitions of tourism products). It is in the group of priority added-value products, which are continuously in focus. In line with the tourism development vision, a growth model from 2016 to 2020 is based on nine main levers. One of them is: particularly raise the quality of accommodation, promotion and booking in rural and hunting tourism. Others, related to rural tourism are:

- Matching supply with contemporary trends in habits and demand in the international market, establishing new value chains, inclusive tourism, renovating existing accommodation, catering and congress capacities and services
- Introduction of modern quality standards in the field of accommodation, preparation and serving of food and beverages, raising the level of professionalism and training of staff
- Introducing modern standards and raising the quality of accommodation for people with disabilities, and raising the level of professionalism and education of staff
- Improving the quality of utility services, the quality of all types of transport services
- Improvement of the ICT system of promotion and reservations and raising the efficiency of commercialization of capacities
- Introduction of incentive systems through various types of tax and credit reliefs, grants, as well as direct financial support (receptive tourism, domestic tourism, etc.)
- Continuation of the EU integration process and more efficient use of EU funds, which enhances the development of new products, the growth of many new micro and small enterprises and stimulates international demand

The Strategy has defined four tourism clusters covering the entire territory of Serbia, which are not based on administrative boundaries that currently exist in the country, but primarily on rationality and various types of economic experiences: Vojvodina, Belgrade, South East Serbia and South West Serbia. It also gives contemporary trends in tourists’ motives which are also related to rural tourism: intensive vacation, try something new, live as locals, increase visits to the most important segments of the movable (museums, libraries, archives, galleries), immovable (archaeological sites, urban core, protected spatial cultural and historical units, monuments of folk architecture, fortification, battlefields) and immaterial cultural heritage, growth of group visits to significant celebrations and events, fitness and sports, wellness holiday, gastro tourism, guests on holiday increasingly seeking detoxification from online communication.

The Strategy emphasizes that tourism should be systematically assessed, not only by economic indicators, as a possible sustainable source of creating new added value and employment, but also through the multiplication effects which tourism has on local and regional development, the development of culture and education, the improvement of the environment and the development of complementary activities, such as trade, agriculture, construction, etc.

The National Master Plan for the Development of Rural Tourism is a document developed by the Joint United Nations Programme, Sustainable Tourism for Rural Development, including the following agencies: UNWTO, FAO, UNDP, UNEP and UNICEF, in cooperation with the Ministry of Economy and Regional Development, Ministry of Agriculture, Trade, Forestry and Water Management and the Tourism Organization of Serbia. The National Master Plan
ECONOMIC DIVERSIFICATION POLICIES AND RURAL TOURISM IN SOUTH EAST EUROPE

The Master Plan should result in increasing overnight stays implementation in rural tourism, the number of visitors, demand for rural accommodation capacities and increasing contribution of rural tourism to the national economy. There are 12 rural tourism clusters ranked by priority in accordance with their potentials and the smallest risks of return of the funds invested in the development of rural tourism.

In order to achieve the defined strategy and actions of the Master Plan, eight implementation programmes were defined, as well as their implementers, sources of funding and institutions that should have a strategic role in the governance structure: Ministry of Economy and Regional Development, Ministry of Agriculture, Trade, Forestry and Water Management and NTOS. The Master Plan should be implemented by 2020. There are no indications of the level of its success so far.

Sustainable Rural Tourism Development Programme in the Republic of Serbia was developed on the basis of the Tourism Development Strategy of the Republic of Serbia and the National Master Plan for the Development of Rural Tourism. The Programme is fully in line with the Law on Tourism. The goal of the programme is to develop rural tourism in the Republic of Serbia in order to diversify the rural economy through poverty reduction, improving the quality of life, preserving the cultural richness of the country, protecting the environment and a more balanced regional development. This programme also aims to contribute to the overall tourism development of the Republic of Serbia in accordance with its high potentials. The programme defines in detail the concrete goals in rural tourism in terms of its positioning in Serbia, experiences, quality, social sustainability, partnership and governance, human capacity development, infrastructure and other aspects of support, etc. In addition, it defines the ways in which they are implemented, performance benchmarks, the “fastest results” after programme implementation, etc.

Regional contexts

The involvement of Serbia in two macroregional strategies, i.e. the EU Strategy for the Danube Region and the EU Strategy for the Adriatic and Ionian Region, is particularly relevant for SMEs and rural tourism. Both macro-regional strategies identify specific strategic priorities in their Action Plans, which can be achieved through projects implemented in the framework of this programme. The regional context within Serbia could be observed for Vojvodina which has the status of region.

The Development Programme of Vojvodina 2014-2020 is the development document of AP Vojvodina in the field of regional development, which in a comprehensive way defines the priorities of the AP Vojvodina in the next seven years and recognizes tourism as one of the priorities for development of the province. An Action Plan for its implementation was adopted.

The Tourism Development Programme of the Autonomous Province of Vojvodina 2018-2022, adopted by the Assembly of AP Vojvodina 2018, contains: a description of the position and basic characteristics of the planned area, analysis of the existing state (perspectives and limitations), analysis of the resource basis of the planned area, the mission of the Programme, the strategic directions and stages of tourism development, the basic issues of sustainable development of tourism of the planned area and proposals for their resolution and guidelines for action.

Rural tourism is defined as tourism that offers visitors a “rural environment” by allowing them to experience a combination of nature, culture and people. This implies that the visitor enjoys authentic, original experiences and return to the roots, which is the essence of the rural way of life. Rural tourism involves a range of activities and services organized by the rural population. This is the only definition of rural tourism in current national legal documents.

508 Official Gazette of Autonomous Province of Vojvodina, No. 13/2014
The Marketing Strategy for Tourism in Vojvodina was prepared by the Provincial Secretariat for Economy and adopted by the Assembly of AP Vojvodina in 2009. The Strategy defines how tourism products, which will be made available to the domestic and foreign markets, will be designed from the potentials of Vojvodina tourism.

The Operational Marketing Plan for Tourism Development through the Promotion of Multiculturalism in Vojvodina defines what multiculturalism in Vojvodina is, how it can be valorized through tourism and how to use multiculturalism to promote tourism in Vojvodina. All identified elements have been processed within the Operational Marketing Plan, which defines potential interesting tourist markets, provides a portfolio of tourism products based on multiculturalism, and presents guidelines for promotional activities in the development of Vojvodina tourism with an emphasis on multiculturalism. The Operational Marketing Plan was published by the Tourism Organization of Vojvodina in 2017.

The Strategic Master Plan of Destination for each destination identifies its key tourist resources as a basis for the development of a comprehensive value chain of tourism values and the development of the yearly offer of tourism products, determining the strategy for the tourist development of this destination. Started in 2009, Strategic Master Plans of the following destinations have been prepared: Bač-Bački Petrovac-Bačka Palanka; Besna Kobila; Upper Danube; Lower Danube; Golija, Kopanik, Novo Milošev, Palić, Sokobanja, Sremski Karlovci with Fruska Gora, Stara Planina, Stig-Kucajske planine-Beljanica, Tara, Vlasina Lake, Zlatibor-Zlatar, Rimski carski put - Felix Romuliana.

Local context

Most municipalities in Serbia have defined development strategy in the form of a document that has been adopted and implemented by themselves or in association with neighbouring municipalities grouped under regional development agencies. In rural municipalities, and such are the majority, the rural tourism development strategies are integral parts of rural development strategic documents, in which the diversification of income and tourism development play a major role.

B.6.3.3. Actions and measures

Direct financial support

Financing in Serbian tourism can be achieved directly through grants or through institutional financial intermediaries. The type and amount of financing resources vary by programme depending on the purpose. Financial support instruments available are: 1) grants 2) loans 3) venture capital funds 4) public private partnerships. Activities of special importance for the development of tourism are supported from the budget funds of the ministry responsible for tourism, or they can be applied for within available EU programmes (IPARD, LIFE, HORIZON 2020, Competitiveness of Enterprises and SMEs (COSME), Communities of Practice (CoP), ERASMUS+, Employment and Social Innovation (EaSI)):

- Marketing/promotion
- Improvement of tourism infrastructure and superstructure (construction and arranging of bicycle paths and other cultural thematic routes, tourist signalization, visitor centres, campsite construction, beach regulation, etc.)
- Support to tourist agencies in the field of receptive tourism
- Development of online reservation systems;
- The construction and development of attractions (e.g. theme parks, adrenaline facilities: adventure parks, zip lines, via ferrata, etc.)
- Conferences and events organization – strengthening the Republic of Serbia as MICE tourism destination
- Development and implementation of international quality standards (products, services provided and destination management)
- Research, education and training activities in tourism
- Developing international and regional cooperation and creating regional tourism products
- Development of innovation and entrepreneurship in tourism

For other programmes, it is possible to use other government department funds, which are important for the development of tourism and are realized
through programme budgeting in order to achieve a synergistic effect. Large investment projects can be financed from several sources, such as: capital budget expenditures pre-planned and envisaged by the law governing the budget of the Republic of Serbia; public private partnership projects in accordance with the Law on Public Private Partnership and Concessions; direct investment projects in accordance with the Law on Investments; development funds of international financial institutions, such as the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), World Bank, International Finance Corporation (IFC), and bilateral economic cooperation projects.

Assistance programmes for agriculture and rural development are financed from the budget of the Republic of Serbia, as well as the budget of autonomous provinces and the budget of local self-government units. National aid measures financed from the budget of the Republic of Serbia are prescribed by the acts under the competence of the Ministry of Agriculture, Forestry and Water Management, while the assistance measures financed from the budget of the autonomous provinces or the budget of local self-government units are defined by the acts of the autonomous provinces/local self-government units.

Assistance programmes for agriculture and rural development related to rural tourism, are defined by the Law on subsidies in agriculture and rural development. The amounts of funds under the assistance programmes of the Law on subsidies in Agriculture and Rural Development are defined by the Regulation on Distribution of subsidies in Agriculture and Rural Development, adopted by the Government of RS for each budget year, and on the basis of funds allocated for that purpose in the annual budget of the Republic Serbia. The conditions for eligibility to subsidies for each assistance programme are laid down in the rules.

In addition to the national budget within the framework of agricultural policy measures and rural development policies, agricultural entities have at their disposal budgets of autonomous provinces and local self-government units. Provincial and local government bodies create special annual assistance programmes for the territory of the autonomous province and the local self-government unit, adapting measures to the characteristics and needs of their municipality/city or province. This type of support is regulated by the Law on Subsidies in Agriculture and Rural Development, which defines measures that can be implemented at a level lower than the republican level, as well as the obligation to obtain approval of the Ministry of Agriculture, Forestry and Water Management (Sector for rural development) to programmes proposed by the competent authorities of the autonomous province or local self-government unit. Also, the law requires submission of the reports on programme implementation by provincial and local authorities, and the use of rural development payments is limited.

The Rulebook on subsidies for income diversification programmes and improving the quality of life in rural areas programmes through support to young farmers for 2018 prescribes the types of subsidy programmes for income diversification and improving the quality of life in rural areas through support to young farmers, the conditions and the manner of eligibility for subsidies, the application form and the maximum amount of subsidies per user and for certain types of subsidies. With minor changes support is provided in 2019. Subsidies include support for income diversification programmes and the improvement of quality of life in rural areas through supporting young farmers for the development and improvement of primary plant and livestock production on agricultural farms of young farmers. The procedure is initiated by submitting an application for a call announced by the ministry responsible for agriculture affairs for each calendar year. The maximum amount of subsidies is 1,500,000 RSD (13,000 EUR) per user in one calendar year. Natural person – holder of a commercial family farm is eligible for subsidies if:

- The holder, or member of the commercial family farm, is registered for the first time in the Registry of Agricultural Holdings in the year preceding the year in which they are applying, and their status is active.

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509 Official Gazette of the Republic of Serbia, No. 89/15
510 The Tourism Development Strategy of the Republic of Serbia 2016 - 2025
511 Official Gazette of the Republic of Serbia, No. 10/13, 142/14, 102/15 and 101/16
512 Official Gazette of the Republic of Serbia, No. 30/10, 93/12 and 46/18
• The holder has turned 18 before the day of submitting the application
• The holder has reached the age of 40 in the calendar year in which they are applying for the subsidy

In accordance with the Law on Subsidies in Agriculture and Rural Development\textsuperscript{13}, the state allocates budget funds for the development of rural tourism under rural development measures. It is a measure which supports programmes related to income diversification and improvement of quality of life in rural areas, sub-measure improving economic activities in rural areas through support to non-agricultural activities. Subsidies for rural development measures are implemented as partial cost reimbursement in a certain percentage of the value of a particular type of measure and are set at a minimum of 50% of the total value of each type of measure, or 65% for areas with difficult working conditions in agriculture. Maximum aid intensity is defined on an annual basis by the regulation on the distribution of subsidies in agriculture and rural development, each year.

Although the Strategy for Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024 plans to allocate a significant budget for the diversification of income and improvement of the quality of life, a very small amount of the budget for this purpose is allocated annually in practice.

The projection of the second pillar of the agricultural budget of the Republic of Serbia 2014-2024 gives the volume of the budget for the following group of measures: Diversification of income and improvement of quality of life (in millions EUR):

Table B5-3: Budget for the group of measures

<table>
<thead>
<tr>
<th>Name of the measure</th>
<th>2013</th>
<th>Sub-period of the economic crisis</th>
<th>Subperiod of renewed economic growth and access to IPARD</th>
<th>Subperiod of the new programming period of the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification of income and improvement of quality of life</td>
<td>6</td>
<td>11</td>
<td>20</td>
<td>32</td>
</tr>
</tbody>
</table>

Annually, the distribution of subsidies is planned within the Regulation on the Distribution of Subsidies in Agriculture and Rural Development. In 2017, 4.15% of the budget was allocated for rural development and the promotion of economic activities in rural areas by supporting non-agricultural activities in the amount of 50,000,000 RSD (424,000 EUR), compared to the total amount of incentives for rural development measures amounting to 2,847,000,000 RSD. Based on the analysis and in accordance with the classification of measures in the Law on Subsidies in Agriculture and Rural Development, the following rural development measures are to be applied during the implementation of the National Rural Development Programme 2018-2020:
• Measures for improving competitiveness in agricultural production and processing
• Measures for the preservation and improvement of the environment and natural resources
• Measures for diversification of income and improving the quality of life in rural areas
• Measures for the preparation and implementation of local rural development strategies
• Measures for improving the system for creating and transferring knowledge

In the Programme, the subsidies for income diversification and improvement of the quality of life in rural areas include various types of assistance. Some of them are subsidies for improving rural economic activities through supporting non-agricultural activities.

\textsuperscript{513} Official Gazette of the Republic of Serbia No. 10/2013, 142/2014, 103/2015 and 101/2016
Specific objectives of the above-mentioned diversification support measure no. 1 are:

- Development of tourist facilities and services in rural areas
- Development of tourist and recreational activities
- Improvement of entrepreneurship and employment opportunities / self-employment
- Protection of cultural heritage through the preservation of old and artistic crafts
- Creation of new products and services related to traditional knowledge, homework and cultural heritage
- Increasing income of holdings

Legal entities, entrepreneurs and natural persons – holders of the registered family agricultural household, as well as a legal entities registered in accordance with the law on associations are eligible for subsidies for the development of rural tourism through national rural development measures.

In early 2019, the Ministry of Agriculture, Forestry and Water Management prepared a national measure of subsidies for the development of rural tourism in authentic facilities and for the development of old crafts. This scheme/measure and the new rules related to it were approved in mid-2019, whereas the first call for applications was announced in September 2019. The first contracts have been already signed, and advance payments have been allocated to approved beneficiaries. This measure offers special incentives for applicants, allowing them to receive advance payments of 50% of the approved aid amount, before the start of investment realization. The second instalment is paid after the verification of the final project implementation.

This measure is linked to the IPARD measure Implementation of Local Rural Development Strategies – LEADER, given that the local population and their organizational structures are involved in the process of developing local development strategies, which identify the activities necessary for the development of a region in accordance with its specificities.

Legal entities, entrepreneurs and natural persons – holders of registered family agricultural households are eligible for subsidies for investments in rural tourism households. In addition to the general conditions (appropriate registration, settled debts towards the ministry and tax administration, etc.), there are specific conditions that the user needs to fulfill:

- Have a contract with a local tourism organization, tourist agency, an economic entity or other legal entity
- Be registered with the competent authority of the local self-government unit as a provider of catering services
- Offer accommodation and food and beverage services to tourists, in accommodation facilities of up to 30 beds
- Provide catering services – preparing and serving food and drinks to an organized tourist group of up to 50 tourists, under the condition that the tourist group does not use the accommodation services
- If a legal entity, that it is registered in the appropriate registry with the Agency for Business Registrars as a travel agency, tour operator, provider of reservation services and accompanying activities related to the promotion of rural tourism
- In case of the development of tourist websites, the content of a tourist website must allow for the promotion of the tourism offer to the beneficiary user with website maintenance for a minimum of three years

Eligible investments include:

- Construction/reconstruction/upgrading/adaptation/restauration of authentic, traditional facilities (accommodation and catering facilities, including recreational and outdoor facilities of the rural household)
- Purchase of equipment for the purposes of providing accommodation and catering services in domestic catering facilities or rural tourist household
- Procurement of equipment for the development of recreational areas for the purposes of tourist activities
- Promotional, informative and marketing activities in rural areas in the field of rural tourism
The minimum amount of subsidies within this measure is 50% of the total eligible investment, or 65% for the areas with difficult working conditions in agriculture. The minimum value of eligible investments, as well as the maximum amount of subsidies per beneficiary is prescribed by a special regulation regulating the implementation of this measure. The amount of subsidies for the improvement of rural economic activities through support to non-agricultural activities is prescribed by an act issued by the government, each year after the adoption of the law regulating the budget of the Republic of Serbia. Incentives within this measure will be implemented throughout the period of the implementation of the National Rural Development Programme (NRDP) 2018-2020.

Rural area support was among the main agricultural policy instruments and measures in the period 2005-2014. It was implemented but without any major significance. Important changes included enhancing the development of the rural economy by supporting diversification of farm income and improvements in infrastructure but with a small share of the total budget. Significant amounts were spent on improvements of rural infrastructure only in 2007 (from the National Investment Plan budget). Support for enhancing the development of the rural economy was implemented through incentives for traditional crafts, renovation of facilities and rural tourism infrastructure, etc. Some of the activities related to the development of rural tourism and infrastructure were funded from other sources (budget of the Ministry of Economy, donor projects and local governments).

In order to direct and encourage the development of tourism, the budget of the Republic of Serbia provides funds every year, inter alia, for:

- Participation in the financing of promotional activities of tourist destinations and tourist areas, tourism and cultural events in the country and abroad, as well as training and skills-improvement programmes for employees in tourism
- Encouraging the development of tourist infrastructure, tourist superstructure, sports, recreational and other accompanying contents of a public character, important for improving the quality of the tourism offer
- Improvement of the existing tourism offer and intensification of its use
- Encouraging the improvement of tourist traffic of domestic tourists and organized tourist traffic of foreign tourists on the territory of the Republic of Serbia
- Participation in financing projects for the development and improvement of rural tourism and catering

The Regulation on the conditions and method of allocating and using funds for encouraging the improvement of tourist turnover of domestic tourists on the territory of the Republic of Serbia515 determines the conditions and methods for allocating and using funds to encourage the improvement of tourist turnover of domestic tourists on the territory of the Republic of Serbia. The promotion of domestic tourism development is carried out through the allocation of vouchers for subsidized use of accommodation services in catering facilities for at least five overnight stays, outside the place of residence of the users.

Accommodation services are provided by economic entities, other legal entities, health institutions that organize stay and provide services of prevention, treatment and rehabilitation, and provide accommodation and meals to third parties in accordance with the Law on Tourism, as well as natural persons providing catering services in categorized domestic facilities and rural tourist households, where catering activities are carried out in accordance with the Law on Tourism. The value of the voucher is 5,000 RSD (42 EUR) and this is the maximum amount of funds that the beneficiary can use during the calendar year for subsidized use of accommodation services in catering facilities, regardless of the value of accommodation services used. Vouchers could be used by November 20, 2018. A total of 100,000 vouchers were distributed in 2018 and the same was planned for 2019. The vouchers have been available since 2015.

514 SWG RRD (2016): Analysis of the Agricultural and Rural Development Policies of the Western Balkan Countries
515 Official Gazette of the Republic of Serbia, No. 119/2017
The Regulation on the conditions and methods of allocating and using credit funds for promoting the quality of the tourism offer sets out the conditions and methods of allocating and using credit funds for projects aiming to improve the quality of the tourism offer of natural persons (registered agricultural household, entrepreneur) and companies in the field of tourism. The participation of credit funds in project financing cannot exceed 50% of the total value of the project. The main goals are:

1) Improvement of the quality of the tourism offer and intensification of its use, meaning:

- Construction, development and reconstruction of hotel and other accommodation facilities, restaurants and sports, recreational and entertainment facilities
- Restoration of rural facilities and their conversion into tourist facilities
- Procurement, reconstruction and adaptation of floating facilities, as well as transport and recreational facilities intended for visitors and tourists
- Improvement of marketing of domestic catering offer
- Design, preparation and souvenir production

2) Construction of tourist infrastructure and superstructure

3) Harmonization of tourist capacities with the law governing the field of tourism and catering

The minimum amount of approved credits, with a currency clause and an annual interest rate of 1%, is 500,000 RSD (4,240 EUR) for agricultural households, entrepreneurs and micro-legal entities, and 2,000,000 RSD (17,000 EUR) for other companies. The repayment period is up to 72 months after the expiration of a 12-month grace period, except for green-field investments that finance the construction of tourist infrastructure and superstructure, for which the grace period is 24 months.

The Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia announced in February 2019 a public competition for granting loans for raising the quality of the tourism offer in 2019 through the Development Fund of the Republic of Serbia. The application for that should be submitted to the tourism sector of the Ministry of Trade, Tourism and Telecommunications until October 1, 2019. This call was announced in 2018 based on the Regulation for the respective year.

Based on the above-mentioned regulation from 2019, the Development Fund of the Autonomous Province of Vojvodina published a call in 2019 for long-term loans for the development of rural tourism subsidized by the Provincial Secretariat for Economy and Tourism. The main objective of the loan is to support the development of tourism through increasing the level of equipment of tourist capacities, creating conditions for increasing the quality and expanding the offer of tourism services, raising the level of competitiveness and increasing employment. The specific objectives of the loan are the development of tourism activity characteristic for the geographical area of Vojvodina, that is, for the development of:

- Rural tourism: hunting and fishing tourism, eno-gastro-tourism, religious tourism, cultural tourism, health tourism
- Rural tourism: agritourism and tourism in the rural household, small family hotels in villages, camps, ethno-villages, ethno-houses, picnics, folklore

Loans will be provided for financing the following investments in the fields of tourism and catering:

- Construction, adaptation and equipping of tourist facilities – accommodation and service facilities
- Construction, adaptation and equipping of sports recreation and rehabilitation facilities for the purposes of providing tourist services
- Restoration of traditional rural households for the purposes of tourism
- Procurement, reconstruction and adaptation of floating facilities, as well as transport and recreational facilities intended for visitors and tourists
- Design, preparation and souvenir production
- Other purposes in the field of tourism and catering
Natural persons – holders of a commercial family agricultural household in the territory of AP Vojvodina, with an active status and under the age of 70 have the right to apply. The financed investment must be realized on the territory of AP Vojvodina. The minimum loan amount is 300,000 RSD (2,500 EUR) and the maximum amount of 10,000,000 RSD (84,750 EUR). The annual interest rate is 1-4%, depending on the type of guarantee and development zone in AP Vojvodina where the farm is located. The loan repayment period is 7 years, including a grace period of 24 months.

The Regulation on the distribution of subsidies in agriculture and rural development in 2018 in the Republic of Serbia 517 prescribes the volume of resources, types and maximum amounts by type of subsidies in agriculture and rural development, in accordance with The Law on Subsidies in Agriculture and Rural Development and the Law on the Budget of the Republic of Serbia for 2018. Funds are allocated for: 1) direct payments; 2) rural development measures; 3) credit support in agriculture; 4) special subsidies; 5) IPARD subsidies. The amount of funds for subsidies for rural development measures in 2018 was 2,392,820,891 RSD (20.3 million EUR) for rural development measures including support for programmes related to:

- Improving competitiveness (1,428,820,891 RSD or 12.1 million EUR)
- Preserving and improving the environment and natural resources (204,000,000 RSD or 1.7 million EUR)
- Diversifying income and improving the quality of life in rural areas (355,000,000 RSD or 3 million EUR) for
  - Improving economic activities in the countryside through support to non-agricultural activities (60,000,000 RSD)
  - Support to young people in rural areas (200,000,000 RSD)
  - Carrying out activities aimed at raising competitiveness in terms of adding value through processing, as well as for the introduction and certification of food quality systems, organic products and products with geographical indications on farms (95,000,000 RSD)
  - Subsidies for the preparation and implementation of local rural development strategies (25,000,000 RSD)
  - Subsidies for improving the system of knowledge creation and transfer (380,000,000 RSD)

The total amount of planned funds for IPARD II subsidies for IPARD measure M7: Farm diversification and business development (construction and equipment) is 20,000,000 EUR, of which 15,000,000 EUR of budget funds and 5,000,000 EUR of financial assistance from the European Union for IPARD subsidies. Measure 7 was not active 2017-2019. The first call for applications will be announced during 2020, with an estimated total amount of 14,700,000 EUR. Reallocation of funds to M1 and M3 measures is possible.

517 Official Gazette of the Republic of Serbia, No. 18/2018
2. Develop non-agricultural sectors of rural economy

Diversification of economic activities in rural areas broadens the scope of services available to rural population and encourages products and services based on traditional knowledge and technology, natural resources and cultural heritage and will be supported with national support measures. Rural tourism projects within the IPARD measure Farm diversification and business development will be focused on zones showing appropriate development potential. Economic diversification should encourage growth, employment and sustainable development in rural areas, and thereby contribute to better territorial balance, both in economic and social terms, increasing directly the income in rural areas by developing non-agricultural activities.

3. Improve the capacity of local stakeholders to implement the LEADER approach

Up to 24 potential Local Action Groups (LAG) have been established at local and regional levels, supported by 605 thematic action groups. Strong progress has been made in developing the civil society and social dialogue within the rural population in Serbia and in facilitating good governance through local partnerships and fostering employment and developing human capital. With this approach of
integrated territorial development tool at the local level, a balanced territorial development of rural areas, which is one of the overall objectives of the rural development policy, could be better guaranteed. To reach a more comprehensive coverage of the territory by LAGs and to finance first projects prioritized in the Local Development Strategy (LDS), the IPARD measure Implementation of Local development strategies - LEADER approach is planned to be implemented in the second phase of implementation of IPARD II. The Technical Assistance (TA) and NDPR measure will be used to facilitate creation of partnerships and the development of skills of potential local action groups for the elaboration and implementation of LDS.

In 2018, the Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia announced a call to award subsidies and grants for tourism development projects in that year. Public non-financial companies and organizations, companies or other organizations and institutions founded by the government or LSGUs, which are not indirect budget beneficiaries, as well as legal entities in which the Republic of Serbia is the majority owner and legal entities governing the tourist area or tourist infrastructure and superstructure facilities had the right to use these grants.

The Ministry of Trade, Tourism and Telecommunications announced a public call for grants for financing tourism development projects in 2019 at the amount of up to 60,000,000 RSD (508,500 EUR) from funds pursuant to the Law on the Budget of the Republic of Serbia for 2019. Non-profit institutions have the right to use grants if their projects provide:

- Promotion of tourism products, tourist destinations and tourist areas of Serbia and encourage the improvement of receptive tourism and catering offer
- Improvement and realization of statistical surveys and methodology of satellite accounts
- Education and training in tourism

The participation of the Ministry funds in project funding can be up to 50% of the total value of the project. The maximum duration of the project is 12 months.

Direct technical support

The Ministry of Agriculture, Forestry and Water Management – Directorate for Agrarian Payments, announced a call for applications in the period June-September 2019 for subsidies to support the preparation of a local rural development strategies in 2019. Partnerships for Territorial Rural Development were eligible for the subsidies, established in accordance with the Law on Associations, registered with the Business Registers Agency, which in their Partnership Statutes, include the goal of implementation of the local strategy in the area of partnership by mobilizing participants at the local level to carry out rural development activities in local rural areas – the LEADER approach. Eligible recipients for grant allocations under this call received a total of 34,000,000 RSD (288,100 EUR), with a maximum of 800,000 RSD (6,800 EUR) per user. The aid intensity of the subsidy was 100% of the eligible amount.

Indirect support

The Master Plan for the Development of Rural Tourism prescribes, in its plan of priority activities for rural tourism development, the establishment of service centres for human capacity development. Human Resource Development Centres are the main centres for awareness raising, training and support necessary for the development of human capacities in the development of rural tourism in the Republic of Serbia. There is no evidence that such a centre has been established since 2011.

Public opinion on available support for rural tourism

Nine semi-structured interviews were organized with rural tourism households, suppliers of food and beverages (stakeholders in supply chains), CSOs working in rural tourism, LSGs and local tourism organizations from various parts of Serbia in the period February-March 2019. They provided relevant stakeholder opinions about the issues of importance for rural tourism activities, including existing and required support to rural tourism development, their satisfaction with targeted support, amounts,
criteria, information availability, methods of implementation, especially the complexity of applications, beneficiary participation in designing support measures and actions, quality of provided technical support and institutions in charge of services.

Strengths

✓ Satisfaction with local government support for food and beverage producers
✓ Great connectivity between food and beverage producers with other local food and beverage producers
✓ The producer is familiar with the legal regulations concerning the production of food and beverages
✓ The producer is familiar with the regulations on food safety, considers that they make sense and complies with them in the production of food and beverages
✓ The producer is familiar with the regulations on food safety in the segment of quality alcoholic beverages, considers that they make sense and should even be more stringent, and complies with them
✓ Good quality and satisfaction of guests with the organization of stay, accommodation, food and drink
✓ Good information sharing with potential visitors about the rural tourist household using catalogues, fairs and the Internet
✓ Good quality of food and drink produced and customer satisfaction
✓ Organization of tours in rural areas with breakfast and local drinks for medium-sized groups that are satisfied with the quality of the tours
✓ For the existing range of offers – organization of tours in rural areas with breakfast and local drinks, with enough information for potential guests
✓ Support from the Regional Rural Development Standing Working Group (SWG RRD) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to attend fairs, visit other tourist farms and to rural tourism in the segment of quality alcoholic beverage production
✓ Sufficient accommodation capacities in the local rural area
✓ Known and compliant with legal regulations in the segment of CSO that offers organization, accommodation and food for tourists
✓ Satisfaction with the current support from LSGs and tourism organizations (type, amount, criteria, participation of users in designing support) for CSOs offering food, folk costumes and handicrafts

Weaknesses

✓ The producer is not familiar with the types and methods of obtaining state subsidies in the segment of food and beverage production
✓ Insufficient offer of activities for tourists
✓ Poor linkage of rural service providers (organization, accommodation, food, drink) with local food producers
✓ Poor linkages with EU tourist networks in the segment of accommodation and food for tourists
✓ Legislation is moderately sensible in the segment of CSO offering organization, accommodation and food for tourists
✓ There is no interest among the population to work in rural tourism, although LSG organizes lectures and trainings
✓ Lack of municipal tourism organization
✓ Lack of records of tourist visits at municipal level
✓ Tourist tax in private accommodations rarely paid
✓ Insufficient and poor accommodation quality for tourists in well-visited locations

Opportunities

✓ Planning to increase the production of food and beverages, if the state provides some kind of financial assistance (subsidies) to set up and ex-
pand production facilities and recruit workforce

✓ Expand current medium-sized connections between service providers in rural tourism (organization, accommodation, food, drink) and local food producers

✓ Strengthen the current medium-sized connections with EU tourism networks in the segment regarding rural tourism households with complete offer – organization, accommodation, food, drinks

✓ Planning to increase the offer in the segment regarding rural tourist households with complete offer – organization, accommodation, food, drinks, regardless of whether or not they receive help from the state

✓ Planning to increase supply quantity in the segment regarding accommodation and food for tourists regardless of whether they receive help from the state

✓ Planning to increase supply in the segment regarding the preparation and serving of food and beverages to tourists with subsidies from the state or favourable loans and after developing the road, water and sewage infrastructure of Rajačke Pimnice which the LSG promised to do many years ago

Threats

✓ Overall dissatisfaction with state support in the segment of quality alcoholic beverages production

✓ Fully dissatisfied with the existing support to rural tourism in the organization of tours in rural areas

✓ Dissatisfaction with legal regulations related to rural tourist households with a complete offer – organization, accommodation, food, drinks. From this year, rural tourist households must pay a lumpsum tax to the state according to the number of beds, regardless of their occupancy, which, according to taxpayers’ opinion, is wrong

✓ Fully dissatisfied with the existing support to rural tourism in the segment of production of quality alcoholic beverages – relevant institu-

In general, according to the above SWOT analysis, the following can be concluded about the rural tourism of Serbia:

Strengths: familiarity and positive opinion of all stakeholders on legal regulations in the segment of food and beverage as well as the interconnection of local producers; familiarity and positive opinion of all stakeholders on legal regulations in the segment of organization, accommodation and food for tourists; good quality and satisfaction of guests by organization of stay, accommodation, food and drink; information provided to potential guests in line with the scope of the offer, good support from LSGs and/or tourism organizations to the stakeholders; sup-
port from SWG and GIZ.

**Weaknesses:** ignorance of the types and methods of obtaining state subsidies in the segment regarding food and beverage production; poor linkage of rural service providers (organization, accommodation, food, drink) with local food producers; poor linkage with EU tourist networks in the segment of accommodation and food for tourists; insufficient offer of activities to tourists; insufficient and poor quality accommodation for tourists at well-visited locations; lack of interest among the population to work in the field of rural tourism despite the LSG efforts to engage them; lack of municipal tourism organizations and records of tourist visits at municipal level.

**Opportunities:** planning to increase the offer of existing stakeholders in all segments (organization, accommodation, food, food and beverage production) even if assistance from a state or local government is lacking; increasing the current medium-sized connection between the service providers in rural tourism (organization, accommodation, food, drink) and local food producers; strengthening the current medium-sized connection with EU tourist networks in the segment regarding rural tourism households with complete offer – organization, accommodation, food, drinks.

**Threats:** dissatisfaction and full dissatisfaction with state support in segments: production of quality alcoholic beverages, organization of tours in rural areas, rural tourism household with a complete offer (organization, accommodation, food, drinks), CSO that offers organization, accommodation and food for tourists, a local self-government that offers the organization and transport of tourists; dissatisfaction with the condition of membership in the ruling party in order to obtain financial support at the local and state level; dissatisfaction with legal regulations that apply to a rural tourism household with a complete offer (organization, accommodation, food, drink) - forcing them to make business only through private agencies that do not want such connection, unnecessarily frequent renewal of contracts with private agencies accompanied by the consumption of time and money, payment of lump sum tax by number of beds regardless of their occupancy; full dissatisfaction with laws which do not recognize some of the most attractive tourist destinations.

### B.6.4. CONCLUDING REMARKS ON RURAL TOURISM DEVELOPMENT STATUS IN SERBIA

#### B.6.4.1. Rural tourism development status

**Rural tourism definition and typology in practice of the Republic of Serbia**

The Sustainable Rural Tourism Development Programme in the Republic of Serbia defines rural tourism as tourism that offers a visitor a “rural environment” by allowing him/her to experience a combination of nature, culture and people.

Rural tourism is firmly linked to other tourism products in Serbia. The groups of products that are highly connected with rural tourism are: cultural tourism, nature, sports and adventure tourism, including nautical, health tourism, family and children’s tourism (edutainment) and tourism of special interest. Groups of products that are highly connected with rural tourism are: tour operator, excursions and MICE tourism.

Rural tourism has already been identified by the Government of the Republic of Serbia as one of the priorities of development in the Tourism Development Strategy and in 14 master plans for the development of tourism adopted on the entire territory of the Republic of Serbia.

**Estimation of the level of rural tourism development achieved in Serbia**

The total average assessment of the natural factors for rural tourism in the Serbia is 3.6, reflecting a great potential to host tourists and high attractiveness of natural factors.

The assessment of human resources in Serbia is 2.5, showing:
• The great diversity of cultural traditions in rural areas of Serbia
• The generally high level of technical skills due to educated young and middle-aged people who speak foreign languages; however, there are vast contrasts between rural areas and their urban centres
• The technology and equipment level upgraded over the past years, but still in need of further improvements
• Least competitive among the factors salaries and employment conditions in rural areas, which remain low compared to other sectors

The assessment of natural attractors was rated 3.3 reflecting a high attractiveness of the natural attractors.

The assessment of cultural attractors was rated 3.4 reflecting a high attractiveness of the cultural attractors that mostly have to be further developed.

The assessment of man-made attractors was rated 3.1. Leisure supply highlights that these attractors should be increased and more diversified.

Infrastructural problems are among the main obstacles to the development of tourism even in already established destinations, let alone areas and municipalities with weaker tourism development, where the structure of attractions does not appeal to large numbers of tourists. These are mostly problems with water supply, transport infrastructure, waste and sewage systems, local public transport, but also telecommunications and electricity supply.

### B.6.4.2. Main legal, institutional and policy gaps and obstacles for development of rural tourism in Serbia

#### Legal frameworks

The development of rural tourism in the territory of the Republic of Serbia is legally defined by the following laws: the Law on Tourism, the Law on Hospitality, the Law on Agriculture and Rural Development, the Law on Subsidies in Agriculture and Rural Development, as well as their corresponding by-laws. Legislation on rural tourism is related to other legislation (environment, natural and cultural heritage conservation, infrastructure, finances, education, food safety and quality standards, health and risks management, etc.), with numerous laws as well as their by-laws.

Regarding support for rural tourism development and the implementation of laws, there seem to be certain level of issues to be resolved, while gaps within legal frameworks are not that great, except for the lack of understanding that rural environment and businesses should be encouraged as much as possible and not burdened with additional taxation. Rural economy in Serbia is very fragile, especially in the most attractive for areas rural tourism, and these pressures should be eliminated, while financial and all other types of support increased. Legal frameworks should provide derogations for marginalized rural areas, marginalized social groups, multicultural regions, border regions, etc.

#### Support policies framework

The following most important strategic documents for the development of Serbia should be updated: the sustainable development strategies (national and local, the last one being the National Strategy for Sustainable Development of the Republic of Serbia 2008-2017) and the economic development strategy (the last one was the National Strategy for Economic Development of the Republic of Serbia 2006-2012) as they have expired. New development strategies should recognize the importance of linkages between businesses and local economies, valorize properly ecosystem services, natural and cultural heritage, which are all the basis for successful rural tourism.

The following main national strategic documents are related to rural development and in line with EU and international documents: the Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024, the National Rural Development Programme for the period 2018-2020 and the Strategy of Spatial Development of the Republic of Serbia 2009-2013-2020, but further efforts
are required to implement measures that directly benefit the development of rural tourism as unique businesses that can enable sustainable valorization of small-scale farming while providing support to natural resources, traditional knowledge and other cultural features of rural areas conservation.

The following national and regional strategic documents related with rural tourism development are harmonized with EU and international documents:

- Strategy of Tourism Development of the Republic of Serbia 2016-2025
- National Master Plan for the Development of Rural Tourism
- Strategic Master Plan of Tourist Destination
- Sustainable Rural Tourism Development Programme in the Republic of Serbia
- Tourism Development Programme of the Autonomous Province of Vojvodina 2018-2022
- Marketing Strategy of Tourism in Vojvodina
- Operational Marketing Plan for Tourism Development Through the Promotion of Multiculturalism in Vojvodina

Straight adoption of international standards and practices is useful but requires careful selection of modes of implementation, as well as adaptation to the national context by creating concrete solutions adapted to the local situation. It is crucial to introduce the critical approach to applying best practices, no matter how tempting they are.

Preserving specific features and diversity of traditions of living in rural Serbia is much more suitable than copy-pasting successful rules, but inadequate for local conditions.

Serbian administration must learn how to actively and continuously cooperate with the rural population when designing policies and legislation important for rural tourism, to be able to recognize important local features and fight for their recognitions as factors which in the future might become attractors for the development of rural tourism. It must also provide suitable support policies or even derogations from some regulations if needed.

Institutional framework

The institutional framework related to rural development in Serbia, and consequently economic diversification which includes tourism, is organized at three hierarchical levels – national, regional and local. At the national level, rural tourism is under the jurisdiction of the Ministry of Trade, Tourism and Telecommunications, which is managing and supporting rural tourism through legislation and other basic activities: finance, organization, education, etc. Significant support is provided by the Ministry of Agriculture, Forestry and Water Management. The other institutions are: the National Tourism Organization of Serbia (NTOS), the National Council for Tourism Development of Serbia, YUTA, etc.

At the regional level, there are numerous institutions that have different roles and responsibilities in the vertical decision-making chain and varying levels of autonomy from the central authorities: regional networks of the Chamber of Commerce, Cooperative Association, Agricultural Advisory Services, business incubators, professional bodies and associations, etc. The regional Chambers of Commerce, through their tourism boards and other bodies, participate in the improvement and promotion of tourism and tourism potentials of the regions of Serbia. The same is done by tourism organizations of the regions of Serbia and presumably leading to inconsistencies and waste of money. At the level of the Autonomous Province of Vojvodina, the Provincial Secretariat for Agriculture, Forestry and Water Management plays an especially important role in rural tourism and rural development. The Provincial Secretariat for Interregional Cooperation and Local Self-Government, the Provincial Secretariat for Economy, Employment and Gender Equality, the Provincial Secretariat for Urban Planning, Construction and Environmental Protection, etc. are also important. Their measures and activities must be consistent with the measures and activities of national ministries.

The local self-governments – municipal tourism organizations and a number of CSO organizations and educational institutions are also involved in rural tourism development at the local level. The cooperation between them is insufficient, sometimes there is hostility and competition among them, which is
quite harmful. Cooperation and networking among the stakeholders interested in rural tourism should be supported and cherished. Cross-border regional cooperation can help learn how to make this cooperation effective.

B.6.4.3. Opportunities for rural tourism development

Institutions perspective

Closer cooperation between the Ministry of Agriculture, Forestry and Water Management and the Ministry of Trade, Tourism and Telecommunications in the formulation of laws and by-laws will contribute positively to the development of rural tourism in Serbia. From the experts’ perspective, as mentioned above, networking of all stakeholders in the branch and cross-border cooperation should be promoted to be able to benefit from good practices as much as to join forces in inventing new tools, or at least not repeat the same mistakes in creating legal and policy frameworks. Destination management in every sense should be strengthened, not only marketing (and possibly overlapping activities).

Service providers view

Increasing state subsidies to stakeholders in rural tourism, as well as providing favourable loans, would significantly contribute to increasing the offer and quality in rural tourism in all segments: organization, accommodation, food and beverage production and serving, etc.

Changing the legislation to appreciate authentic and unique live rural tourist attractions (Rajačke and Rogljevačke Pimnice and others) as a special category with special rules would significantly contribute to their valorization, the satisfaction of their owners and their motivation to continue and increase their business.

Changing the legislation in terms of more friendly and more favourable business environment for rural tourism households: no payment of lumpsum tax according to the number of beds regardless of their occupancy, etc.

Regional cross-border initiatives

Tourism in border regions has an opportunity to activate these areas that are often neglected by the state. This kind of tourism development can be applied in Serbia and, in that way, activate Serbian border areas. However, in order to develop tourism in these areas, it is necessary to create adequate and continuous international cooperation and coordination between two or more states. This can be achieved by various instruments of cross-border cooperation in tourism through the engagement of neighbouring countries/territories in joint plans and cooperation, but also national and local governments should support these areas by providing financial support when locals are competing for funds like the Instrument for Pre-Accession Assistance supporting cross-border cooperation.

Namely, it has been noticed that support is increasingly taken by LSGs themselves (or the same organizations linked to a local administration), which is competing with other stakeholders for IPA CBC project support, instead of making partnerships and supporting good project ideas and applications from local stakeholders regardless of their affiliation. To make things even worse, the quality of such projects and their relevance for the local community seems to be often questionable, according to the opinion of the local population – or their results remain unknown.
### B.6.5. PERSPECTIVES AND RECOMMENDATIONS

#### B.6.5.1. Utilizing rural tourism as an effective rural economy diversification tool – strengthening, shortening and greening agriculture-tourism value chains

Benefits from integral development of agriculture and tourism, i.e. their interconnectedness is observed worldwide, especially for those types of tourism that include specific local agricultural and food products in their offer. Particular emphasis is on organic production and the concept of integral development of organic agriculture and tourism in the fight against poverty is proposed. Agricultural food products are an unrivalled content of the tourism offer. Increasing the number of tourists in a certain area i.e. increasing tourist spending at the local level, stimulates the production of food and beverages for the needs of tourists, contributing to the development of the agro-food sector. Sustainable integral development of agriculture and tourism in Serbia is distracted by insufficient commitment to this synergy, accompanied by an unfavourable situation in practice and a slow introduction of a more advanced approach tailored to the specificities and needs of integral development of domestic agriculture and tourism.

It is necessary to make more creative use of Serbian agritourism resources through more promising directions of integrated development of agriculture and tourism on a sustainable basis. Positive effects, which should be also made measurable, monitored and publicly reported, are the following:

- Increasing the volume of agricultural production, arrivals and tourist overnight stays
- Improving the quality and attractiveness of agro-food and tourism products
- Growth in income from agriculture and tourism, as well as accompanying activities, directly or indirectly related to agriculture and tourism
- Employment growth in the agricultural food sector, tourism and rural economy, with an increase in their contribution to GDP growth and exports
- Diversification of agricultural production, non-agricultural rural economy and tourism offers
- Reducing poverty and social exclusion of the population and improving the demographics of those areas in which agriculture and tourism develop in the long term and integrally

Through institutional stimulation and intensified linking of agriculture and tourism, and by implementing the concept of integrated sustainable development, it is possible to expect more favourable economic effects in the development of the agro-food sector, tourism and the rural economy as a whole. The current situation in agriculture and rural economy points to insufficient institutional support, and in particular insufficient support for linking agriculture with tourism. Although there are many known models in theory and practice for successful linking of agriculture and tourism, the ways in which they connect in Serbia and the benefits that they achieve are not at a great level.

Good examples in practice can be seen in wine tourism (Gudurica), conservation of agrobiodiversity and rural tourism, especially in protected areas (Zasavica) and also in village partnership initiatives (Skorenovac), etc.

The development of domestic agricultural production is not always in line with the development of the food industry, tourism and other activities that rely on it. Trends in tourism are not enough successfully accompanied by the volume and structure of agricultural production while local food supply chains are still underutilized.

#### B.6.5.2. Upgrading policy and legislation

Introduce legally the OECD or another widely accepted methodology (DEGURBA\(^\text{519}\)) for determining

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519 The Degree of urbanisation (DEGURBA) is a classification that indicates the character of an area. [https://ec.europa.eu/eurostat/web/degree-of-urbanisation/background](https://ec.europa.eu/eurostat/web/degree-of-urbanisation/background)
rural areas in Serbia and make the official definition of rural areas, rather then use the definition of rural areas for the purposes of implementing certain programmes (such as currently IPARD II).

Introduce statistical monitoring of rural areas in Serbia using indicators on population, economy, employment, socio-demography, education, quality of life and other, in order to monitor the status, processes and perspectives of rural areas as a specific entity.

Organize reliable statistical monitoring of the basic tourism parameters (accommodation capacities, number of arrivals, number of overnight stays, local and regional socio-economic impacts, etc.) annually and according to the main categories of tourism defined by strategies and national programmes. Now, the data on the number of tourists and overnight stays in rural tourism, capacities in rural tourism and the contribution of rural tourism to the Serbian economy are incomplete and often contradictory. The similar situation is with other types of tourism. Organize reliable and regular follow-up on FAS parameters.

Intersectoral cooperation and communication seem to work better than before\(^5\), yet closer cooperation between the Ministry of Agriculture, Forestry and Water Management and the Ministry of Trade, Tourism and Telecommunications in the formulation of laws and by-laws could still be established to contribute positively to the development of rural tourism in Serbia. It is crucial even to get on board other ministries responsible for environment, infrastructure, local self-government, education etc. to achieve sustainable and faster rural tourism development.

Increase state subsidies to stakeholders in rural tourism, as well as favourable loans, which would significantly contribute to increasing the offer and quality in rural tourism in all segments: organization, accommodation, food and beverage production and serving, etc. Support to rural tourism development should come from different sectors in the government and should be territorial rather than sectoral, if effective tourist destination development becomes one of the new legitimate priorities on the national level in the future development strategies overall.

Changing the legislation to appreciate authentic and unique live tourist rural attractions of national importance (such as Rajačke and Rogljevačke Pimnice wine cellars as a UNESCO World Heritage Site candidate and others) as a special category with special rules would significantly contribute to their valorization, the satisfaction of their owners and their motivation to continue and increase their business.

Changing the legislation in terms of more favourable business environment for rural tourism households, would mean the following for local rural tourism service providers:

- No payment of lumpsum tax according to the number of beds regardless of their occupancy
- No forcing households that do not want to do business only through private agencies
- No obligatory renewal of contracts with agencies every two years
- No payments for using natural protected areas for local residents, etc.

### B.6.5.3. Improving institutional capacities

The current insufficient institutional support to sustainable integrated development of agriculture and tourism in Serbia should be significantly increased through: financing; creating a more stimulating environment for long-term survival and development of domestic economic entities in agriculture and tourism; modernization of economic entities and significant integration of business in agriculture and tourism.

Institutional capacities at all levels should be improved in terms of collecting and processing data which enable precise measurement of interactions between agriculture and tourism. To this end, insufficient economic and similar quantitative indicators of the impact of agriculture on the development of tourism should be increased. Also, insufficient economic and similar quantitative indicators of the im-

\(^5\) Strong animosities between partners were present over the jurisdictions for rural tourism during UNJP project, which was trying to set-up integrated management for achieving goal of quick rural tourism development with support of both ministries responsible for tourism and rural development.
Impact of tourism on the development of agriculture should be increased. Finally, insufficient economic and similar quantitative indicators of integral development of tourism and agriculture should be increased.

**B.6.5.4. Recommendations for improvement of public awareness and participation**

The current funds for tourism development need to be increased, but it would be best to support integrated products (other than separate investments in accommodation or equipment, etc. without a clear picture of the tourism product and its marketing), as well as establishment of firm linkages of tourism with local food production through short supply chains and local partnerships. To be able to achieve good results with such projects, it is crucial to provide advisory support and align it with financial support through NTOS and their counterparts at the local level, formal and non-formal educators, those that carry out the activities of promotion and improvement of tourism, as well as receptive tourism organizations of Serbia, etc.

Serious work on education of tourism entrepreneurs as much as raising of public awareness with the potential customers should include skills for making local partnerships, create active interactive links with urban areas and create and make permanently active and growing practice of conducting local development of rural tourist destinations through establishing and strengthening short and green value chains for rural tourism as well as cooperation with international partners promoting this type of tourism.

**B.6.5.5. Recommendations for improvement of regional (cross-border) cooperation**

Tourism in border regions has an opportunity to activate rural economies in places which are often neglected by the state for decades. Rural tourism development can be applied in these regions due to the exceptional and mainly well conserved nature (high mountain chains and big rivers) and their attractive cultural heritage including multiculturality. However, in order to develop tourism in these areas, it is necessary to have adequate and sustainable cross-border cooperation and coordination between two or more states at all levels – starting with ministries, primarily those responsible for rural development and tourism, local administrations, civil and business sectors, since the nature of these regions are shared resources, meaning that they are naturally one destination – from the visitors’ viewpoint. This can be achieved by various instruments of cross-border cooperation, but also requires dedicated support from the highest level in respective governments.
Rural Economies Diversification Prospects with Focus On Rural Tourism In South-East Europe (Regional Synthesis)

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C.1. Rural tourism of SEE – definitions and scopes

Rural tourism as a term exists in official national documents (strategies, action plans and programmes, laws and by-laws) of all studied countries/territories. Direct definitions of rural tourism in presented countries/territories are the following:

- In Albania: rural tourism is the tourism activity performed in a rural environment and is oriented towards the use of local tourism resources (Stamo, 2020)

- In Kosovo*: rural tourism is the stay of tourists in home businesses (households), which is organized as rural tourism for vacations and recreational purposes, including harvest of fruits and vegetables, harvest of various crops, renting horses for riding purposes and other home business services in the village (Sharku, 2020)

- In Montenegro: rural tourism is a multifaceted activity that takes place in rural areas, which is functionally rural, built on the specific characteristics of the rural world (small business, open space, contact with nature, traditional character), usually locally controlled in terms of development, which should imply sustainability, i.e. the controlled use of resources and the preservation of nature, culture and general rural character of the area. Rural tourism includes not only farm holidays, but also a variety of other products and experiences, e.g. nature-based and adventure travel activities, such as hiking, cycling, horseback riding, wildlife conservation tourism, birdwatching, culinary experiences, fishing, etc. (Bataković, 2020)

- In Serbia: rural tourism is tourism that offers a visitor a “rural environment” by allowing him/her to experience a combination of nature, culture and people (Đorđević-Milošević, 2020)

Rural tourism has been explained in other studied countries/territories as:

- One of the specific types of tourism in the same ranges as other types (rural, spa, adventure, ethno-tourism, etc.) in two entities of B&H (Sivrić, 2020)

- Integrated tourism and hospitality activities (that can be combined with primary agricultural and forestry sectors) occurring in rural environment in North Macedonia (Nikolovski, 2020)

National specifics related to the scope of rural tourism are:

- In Albania: rural tourism is viewed as a new component of the Albanian supply of tourism, providing opportunities for small villages and rural regions of the country, such as mountains, hills, rivers, lakes, farms, etc. (Stamo, 2020)

- In Kosovo*: rural tourism is one of the development priorities of the Government, as stated in the current Government Programme and Kosovo* Private Sector Development Strategy (Sharku, 2020)

- In B&H: rural tourism is one of the activities through which potentials (rich natural, cultural and historical heritage, diversity of gastronomic offer and pronounced biodiversity) can be better utilized to diversify rural production (Sivrić, 2020)

- In Montenegro: rural tourism includes a wide range of different tourism products, the following of which are crucial in Montenegro: agri-tourism, tourism based on activities in nature, other products related to rural cultural heritage (Bataković, 2020)

- In North Macedonia: the rural tourism reality in the country is quite close to the Adventure Travel Trade Association’s definition of adventure tourism – a type of travel that includes at least two of the following: “a physical activity, a cultural exchange or interaction, and engagement with nature”.521 This is a frame in which rural

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C.2. Rural tourism and its place in rural economy of the SEE

Although all studied countries/territories emphasize in their strategies and plans the importance of development of tourism as a significant industry, the lack of reliable data on the number of tourists, the number of overnight stays and the economics of tourism is evident. In such a situation, it is practically impossible to obtain the mentioned data in rural tourism as a specific type of tourism. In 2016, only Serbian national statistics included rural tourism, through accommodation in rural households, as a separate category. State institutions use only estimations that differ significantly from institution to institution. Therefore, all the information of the kind should be taken with caution and might not be directly compared but should be analyzed separately.

In Albania, the direct contribution of the travel and tourism sector in GDP in 2016 was 8.4% and forecasted to increase by 5.2% in 2017. Tourism in 2016 directly supported 85,500 jobs (7.7% of the total employment) and indirectly 267,000 jobs (23.9% of the total employment). Visitor exports generated 56.1% of the total exports in 2016. There has been a sharp increase in the number of foreign visitors over the last years. During the period of 2014-2018, the number of foreign visitors with the number of nights spent (including visitors which stay at least one night in a hotel or in other accommodation, with relatives or in their own home, etc.) was around 21 million, increased by 10.7% during 2018. The number of daily visitors for the period 2014-2018 was around 1.7 million, increased twice in 2018 compared to 2017. Studies have shown that the number of total arrivals to hotels decreased in the period 2000-2015 from 50% to 10%. It means that alternative accommodation, e.g. rural accommodation is gaining importance. In 2018, 1,326 accommodation facilities (hotels, motels, camps, guesthouses, mountain shelters and other structures for short-term stays) were functioning throughout the country with 17,000 rooms and 38,000 beds (Stamo, 2020).

In Kosovo* territory, there were 34,569 domestic tourists and 86,032 foreign tourists with 192,847 overnight stays in total in 2017. However, the average stay of visitors is very low compared to international holiday destinations: domestic – 1 night, foreign – 1.9 nights. This is comparable to city visits and is showing a high dependence on business and conference tourism. Around 70% of tourists were registered in the district of the capital Prishtina. The seasonal spread shows only a small peak of tourism demand from foreign visitors during the summer months. There was a steady increase in the number of foreign visitors in the period 2008-2014, but a drastic reduction after that. National statistics record only the total number of tourists without further classification by type of tourism. There were 10,710 tourist accommodation beds available in 2018. Around 90% of the beds were in hotels and motels and only 79 in guesthouses (Sharku, 2020).

In B&H, the number of tourists was steadily increasing over the period 2013-2018: foreign tourists – from 315,619 to 384,269 (21%), domestic tourists – from 528,579 to 923,050 (70%). There was also a 47% increase in the number of overnights, but the length of stay was about 2 nights. It is assumed that these indicators are even higher due to a large number of non-registered accommodation facilities. Unfortunately, there is no official information on how many of these guests stayed in rural areas.
of B&H. It is only on the basis of tourist overnights according to the type of accommodation that it can be concluded that the increase of stays in smaller accommodation units in the area over the period 2013-2017 rose from 5% to 7.8% compared to hotels (Sivrić, 2020).

In Montenegro, in 2018, there were 10.2% more tourist arrivals compared to 2017, while the number of nights spent increased by 8.2%. Of the total number of overnight stays, 96.2% were foreign and 3.8% were domestic tourists. In the structure of overnight stays by types of tourist resorts in 2018, the highest number of overnight stays was recorded in coastal towns (94.9%), the capital (2.2%), mountain resorts (1.7%) and other tourist resorts (1.2%). The low percentage of overnight stays in mountainous areas is evident in northern Montenegro (Bataković, 2020).

In North Macedonia, there were 998,841 tourists in 2017, with 368,247 domestic and 630,594 foreign visitors. Altogether, they realized 2,775,152 overnights. In 2017, mountain resorts had 58,752 annual arrivals: 40,907 were domestic and 17,845 foreign. Together they accumulated a total of 136,436 overnights. Houses, vacation apartments and rooms for rent hosted 124,949 guests in 2017: 124,238 domestic and 711 foreign. The same accommodation category hosted 793,667 overnights: 792,312 by domestic and 1,355 by foreign guests. Furthermore, the following numbers are related to the most recognizable rural tourism municipalities in 2018: Kruševo – 15,853 domestic and 2,329 foreign tourists. In 2017, mountain resorts had 58,752 annual arrivals: 40,907 were domestic and 17,845 foreign. Togeth

In Serbia, according to national statistics, only 4,094 domestic and 237 foreign tourists spent time in 174 rural tourist households in 18 municipalities in 2016. Tourist arrivals/overnight stays in rural tourist households in 2017 were: total – 5,061/16,040; foreign – 293/727; domestic – 4,768/15,313. In 2017, the Tourist Association of Serbia issued a Catalogue of rural tourism households with 221 registered households in over 120 villages. The total number of beds offered in rural tourist households in 2017 was 675, out of which in spas – 104, mountain resorts – 120, other tourist resorts – 390 and other resorts 61. In 2018 the offer of rural accommodation included a total of 1,723 beds, out of which in spas – 320, mountain resorts – 307, other tourist resorts – 941 and other resorts 155. At the beginning of 2019, the National Association “Rural tourism of Serbia” had in offer over 600 rural tourism facilities. Almost all of these were rural households providing both accommodation and food services in rural tourism. In 2017, the total catering turnover, including rural tourism, at current prices, was 9.7% higher than in the previous year. The turnover by type of services in 2017 was: food and beverages – 51.2%, alcoholic and non-alcoholic beverages – 27.3%, overnight stays – 19.0%, etc. The total catering turnover, at current prices, was 44.1% higher in 2017 than in 2010. According to national statistics, in 2017 gross value added for accommodation services was 0.3% of GDP, food and beverage services was 1.0% of GDP. The number of employees in tourism can only be estimated based on the statistics on employment in accommodation and food service activities, bearing in mind that many public services and enterprises as well as other entities directly and indirectly participate in the tourism industry. The number of employees directly involved in tourism in 2015 was around 37,000 people (125th place in the world), while the number of employees contributing to the functioning of the tourist industry indirectly was 93,400 people (127th place in the world). There are no specific data available on the involvement with diverse tourism products (Đorđević-Milošević, 2020).
C.3. Potentials of the SEE rural tourism development

Destinations

Rural tourism development potential is represented by destinations – developed, partially developed or suitable for future development, grouped into several categories: traditional, popular holiday destinations; rich agricultural areas; remote areas; mountain or forest locations; protected areas; areas near the sea; rural areas with small historic towns. Each of the studied countries/territories has five to seven of the mentioned types of rural tourism destinations. In most cases, each category that exists in one of the countries/territories is quite rich in number of sites and number of attractions at those sites.

Traditional, popular holiday destinations

These destinations are quite numerous and diverse in each country/territory. They are well known to domestic and foreign tourists, have many visitors and numerous natural, cultural, sports and other attractions. Officially, some of them have rural tourism as their key tourism product, while some key tourism products of other kinds highly correlate with rural tourism: cultural thematic routes, nautical, ecotourism, ethno-tourism, health tourism including spa, mountain tourism, sports tourism and special interests – cycling, wine, culinary and gastronomic routes.

In Albania, most of traditional popular holiday destinations are located near traditional villages. There are some excellent handicrafts, famous dances and folklore with distinctive costumes, rich traditional cuisine, etc. attracting guests.

In B&H, such destinations are locations which already have defined mass tourism services and satisfy big structures represented mainly by hotels – ski centres, attractive mountains, spas and Neum – the only important tourism location for coastal summer holidays. The most visited tourist destinations in Montenegro in recent years have been four towns on the coast and five National Parks. Potential for rural tourism development has been especially developed in and around the National Parks. Durmitor and Biogradska Gora are the most developed ones, while Prokletije is still lagging. The key tourism products connected with rural tourism in these destinations are mountain tourism, cultural and nature-based recreational tourism. Villages in and around the Lake Skadar are picking up in cultural and culinary trips and the four new panoramic roads are supposed to bring more individual travelers to the less known backcountry places as well.

In North Macedonia, traditional, popular holiday destinations are mainly the areas the towns Ohrid, capital Skopje, Kruševo and Bitola. Rural areas receive up to 2/3 of guests that initially come to towns (Skopje or Ohrid, for instance). The most important tourism attractors located in these areas are museums, archaeological sites and other cultural sites.

In Serbia, these destinations have developed accommodation and catering facilities, which are continuously improved in quantitative and qualitative terms but their links with local economies in terms of, for instance, food supply chains are separated from local provision. Statistically, the most visited tourist destinations in the last few years have been the city of Belgrade, Novi Sad with Fruška Gora, Kočaonik and Zlatibor mountains and spas – Vrnjačka Banja and Sokobanja. The guests that visit towns rarely also stay in rural accommodation, while spas and mountains have both – guests staying in both hotels and rural accommodation. Rural catering might benefit in both cases, although this service is rarely promoted by hotels. Hospitality and accommodation facilities, transportation and guides are provided, but often human resources as in other countries/territories of the region are not locally recruited but seasonally available and coming from urban areas.
Rich agricultural areas

Each of the SEE countries/territories has few compact and relatively large parts of the territory which belong by their characteristics to rich agricultural areas. There is an increased number of agritourism activities which combines the farm, agro-processing units, restored old or new restaurants in traditional style and guest rooms with creative activities on the spot as tourism products highly connected with rural tourism: cultural thematic routes, nautical, ecotourism, ethno-tourism, health tourism including spa, sports tourism and special interests – cycling, wine, culinary and gastronomic routes. There is still a lot of room for improvement of the tourism offer in quality and quantity at existing locations as well as the activation of new rich agricultural areas in tourism.

In Albania, these destinations are seen as an immense potential for rural tourism, because of the consolidated tradition of living by cultivating agricultural land, easy access, most developed services and similar in Tirana, Durrës region, Korça region, Lezha region, etc. (Stamo, 2020). In B&H, these destinations are located in the north of the country, however the current supply is not satisfactory, except for the gastronomy supply, especially for passengers in transit. One exception is the Semberia area, where the offer of rural households around Bičanj has increased. In Montenegro, the following destinations have rural tourism as one of their key products: Durmitor National Park (Žabljak), Prokletije National Park, Skadar Lake National Park (surrounding villages), Lovćen National Park (Cetinje, Njeguši, Ivanova Korita), Nature Park Piva (Plužine), Nature Park Dragišnica-Komarnica (Šavnik), Nature Park Ulcinj Salina (wildlife conservation tourism), Nature Park Orjen (Herceg Novi; nearby villages), Natura Park of the River Zeta, Bar (Crmnica), mountains: Sinjajevina, Bjelasica, Komovi, Ljubušnjë, etc. (Bataković, 2020).

In North Macedonia, these recognizable rural tourism destinations, are found all around the country. In recent years, Vardar valley and Demir Kapija region, apart from wine production as their central attractiveness factor for both domestic and international tourists, have started to develop and market new offer that includes rural tradition, cultural sightseeing of Stobi Locality and Polog Monastery, outdoor and adventure activities like hiking, one-day regatta and guided rock climbing (Nikoloski 2020).

In Serbia these destinations are in economically strong agricultural areas in large plains, great river valleys and also in higher areas suitable for intensive production of certain agricultural crops: Upper Danube with Bački Kanal, Lower Danube, Kragujevac/Pomoravlje, Aranđelovac, Topola, Novi Pazar and Ivanjica, Niška Banja, Stig and Kučajski Planine (Đorđević-Milošević 2020).

Remote areas

Remote areas exist in all SEE countries/territories. SEE is predominantly a mountainous area with an immense space of remote territories. In some countries/territories like Montenegro, these remote mountains represent the largest part of their territories. Remoteness is predominantly the consequence of neglected road infrastructure. Thanks to the limited access, these areas are the best- preserved ones and the most valuable areas in SEE regarding wildlife and geodiversity (e.g. Natura 2000 potentials). The best existing tourist destinations in remote areas in the rural part of northern and eastern Montenegro are of this type, yet underutilized due to their inaccessibility. This is often the case in Albania, due to the characteristic rough mountain terrains as much as in Montenegro. In B&H these destinations also cover a large part of the country, including: twelve high mountains, the world’s largest karst field Livanjsko polje, the White Trail of Via Dinarica, the Sutjeska National Park with one of the two remaining primeval forests in Europe – Perucica, deep river canyons, etc.

The accessibility problem is expressed also in the case of heavy rains (landslides and muddy roads) or forest fires. Remote areas often have generally poor infrastructure. Tourism products in these destinations relate to local tradition, crafts, local food, hiking and trekking, SUV tours, cycling, herbs gathering and horseback or donkey riding. Most of these areas are bordering with a neighbouring country/territory so some of them are on the international routes of well-established cross-border products that even include green passes (Via Dinarica,
Peaks of the Balkans, the High Scardus Trail). Some of these products have become very popular in the international community and gained respectable visibility and promotion, owing to the assistance provided through internationally funded projects. If accessibility is the main criterion for enlisting one area into the group of remote areas, even mountains with big tourism mountain centres often become remote during the winter season because the responsible road maintenance and other organizations fail to keep the roads clear. In addition to poor road network, poor utility infrastructure presents limitations for rural tourism development as much as it is a threat to environmental protection if tourist activities intensify.

One key challenge in the development of rural tourism in remote areas is the low number of inhabitants and consequently the low number of (active and potential) service providers. Rural tourism as much as any other kind of tourism is limited due to depopulation which has left some of the most attractive mountain rural destinations completely abandoned. SEE was populated by hunter and gatherer communities during prehistory, which evolved to settle in migratory pastoral communities which were further diversified with the influences of invaders throughout the turbulent history of the Balkan Peninsula. The live heritage of diverse cultures and livelihoods spreads over a relatively small area or even the same territories; multi-ethnic communities are particularly well preserved in remote mountain border areas. Many highland settlements can be found dating back to medieval times in the whole SEE, which is extremely attractive, yet their accessibility being not just bad, but service providers being so scarce that often there is no one out there to present it. In B&H in particular as much as the whole Dinaric mountain chain in Serbia, Montenegro, Albania and Kosovo*, together with Scardo-Pindhic mountains, hide centuries of history of pastoral livelihoods and ancient mountain tribes which can help design completely new tourism products for the rural space. For their exceptional cultural heritage – folklore, gastronomy and lifestyles, some areas are the most recognizable tourist rural destinations in the SEE region, even though they are fairly remote from main urban centres and road communications (highland shepherd settlements of Montenegro, Serbia, B&H, Albania). On the other hand, some other attract tourists, but their specific cultural heritage – community rules and closeness limit tourism activities in traditional rural households. In these cases, unavailable accommodation even prevents them, except for the truly adventurous globetrotters ready to, for the sake of enjoying local heritage, survive in impossible conditions or even sleep out in the open.

Rural tourism in such multidimensional remoteness requires very carefully shaping, profound design (lots of knowledge and participation of local knowledge and diverse specialists in cultures, architecture, ethnopsychology, etc.) not to disturb their fragile life patterns (Kosovo*, Sandžak). Considering modern tourism trends and understanding how tourists perceive “accessibility”, even some of the urban settlements (for instance in North Macedonia – Berovo and Kruševo) can be categorized as remote areas. In Serbia, these destinations, being quite “natural”, attract tourists which focus on wilderness, wildlife, and high-mountain sports activities. Rural tourism is underdeveloped, even though indisputable advantages of such natural and cultural heritage richness still exist. Yet, authentic rural tourism is the key tourism product and the potential of remote areas of SEE.

Mountain or forest locations

Mountain and forest locations in SEE countries/territories are numerous because the mountains dominate their territory. Taking into account their geological constitution and geographical position, the individual mountains in SEE could be classified into four major mountain systems: the Dinaric mountain system (Dinaric Alps), the Scardo-Pindhic mountain system, the Balkan-Rhodope mountain system and the Carpathian mountain system (Rhodope could also be classified separately from the Balkan, which would in that case be added to the Carpathian mountain system). Some of these locations belong to the remote areas group, but others are easily accessible due to the existence of big mountain ski centres, forests exploitation or rare high activity settlements. Dense forest areas rich in wildlife exist on all the mountains, while lowlands in the Balkans are characterized by much smaller and less dense
compact remnants of former large forests (especially precious components of lowlands simplified countryside in intensive agriculture areas). The SEE mountains are attractive for tourism both in winter and in summer, offering a countryside with mountain rivers and lakes, forests and grasslands, scattered agriculture farmland and agroforestry systems of high natural value (Cooper et al, 2010, Đorđević-Milošević 2020c), often located in or next to protected areas. Officially rural tourism is the key tourism product of the SEE mountains and forests, but also some other key tourism products are highly connected with rural tourism, like described further above.

In Albania, Bjeshkët e Nemuna (Albanian Alps) located in the northern part of the country, is considered the main destination for mountain tourism, which is in some areas connected with well-developed rural tourism. In B&H, the mountain and forest locations are also destinations for hiking and caving, but also hunting and fishing, with rural households providing a big portion of the services. In Montenegro, the northern region is the centre of mountain and ski tourism. Three National Parks are situated here – Durmitor, Biogradska Gora and Prokletije, together with four nature parks – Piva, Dragišnica-Komarnica, Komovi, and Nature Park Ulcinj Salina – all promoting nature-based and rural tourism. Most of the territory of North Macedonia, especially its western parts, is covered by mountains and mountain ranges longer than 200 km. Mountain areas are also recognizable rural tourism destinations, especially those with protected nature and equipped with ski tracks around rural tourism service providers such as three National Parks: Pelister, Galičica and Mavrovo and also Sharr Mountain range and Jablanica Mountain. In Serbia, there are 17 tourism mountain centres around the country. Rural tourism in Serbian mountains exists where there are major natural attractors or ski centres operating with more or less success, depending on the demand, but also on competition with hotels, especially in the vicinity of ski centres.

Popular hiking tourism destinations in Kosovo*: Gropa e Erenikut in Junik Municipality, Brod in Dragash Municipality, Boge in Pejë Municipality and Rugova Valley in Pejë Municipality belong also to this group of destinations (Sharku, 2020).

Protected areas

All studied countries/territories have numerous protected areas and sights from the largest – National Parks, to the smallest – nature monuments. Except a few strict natural reserves, all other protected areas are accessible to tourists. The largest areas – National Parks and nature parks – include a significant number of permanent settlements. In all countries/territories it is accepted that in the nature protected areas tourism management is or should be, by default, coordinated with the management of the protected environment. Also, the entire local economy is spiced with specific features of protected natural values. This mode of management is developing, based on many lessons learned from all over the world, which have shown that only integrated resource management and socio-economic development provide sustainable results. In line with this, tourism success depends on intervening in nature and environmental protection with all local economic activities and community-based definition of common goals.

The protected areas in Albania are transformed into territories for the conservation and protection of nature and biodiversity, promoting a multitude of other values (tourism/recreational, cultural, gastronomic, health, spiritual, etc.), by supporting sustainable development and positively affecting local communities. Some of the 15 National Parks are well known and frequently visited by tourists, but at the same time they are exposed to high environmental risks due to poor utility infrastructure (Butrinti, Llogora, Divjaka-Karavasta and Thethi) (Stamo, 2020). Even though protected areas offer great potential for rural and ecotourism development, a much better enforcement of law is needed, controlling and stopping illegal activities, as well as better education and management. This need is common in each of the SEE countries/territories.

In B&H, protected areas include four National Parks, two nature parks, 16 strict natural reserves, nine natural resources with management, eight special reserves of nature, 11 natural reserves and 110 nature monuments. B&H is on a good path to develop attractive offers in protected areas. Unlike Albania, where hunting is forbidden, B&H is also successfully developing hunting and fishing tourism offers and
more organized birdwatching (Sivrić, 2020). In Montenegro, there are several categories of protected areas that are accessible for various forms of tourism, the most of which important are five national parks, one special nature reserve, six nature parks, two areas under UNESCO protection and three areas designated Wetlands of International Importance (Ramsar sites). Attractive offers compatible with rural accommodation and hospitality include nature-based tourism such as hiking, cycling, rafting, kayaking, canyoning, climbing, caving, tour skiing, snowshoeing, birdwatching, wildlife conservation, etc. (Bataković, 2020).

North Macedonia has three National Parks – Pelister, Galičica and Mavrovo – which include 58 live and active rural communities (Nikoloski, 2020). These rural settlements are the pioneer hubs of diversified tourism products like hiking, trekking, horseback riding, wine tasting, ski adventures, culinary classes, 4x4 off-road trips, mountain and road biking, kayaking, paragliding. The other nationally and internationally protected areas can also contribute to the rural economy diversification process: UNESCO Prespa Biosphere Reserve, 4 strict nature reserves (Ezerani, Lovki-Golemo Konjari, Ploče Litotelmi and Tikveš), 33 natural monuments, 3 landscapes with special natural characteristics, 14 areas with distinct plant and animal species, Prespa/Ohrid biosphere reserve, Ramsar protected wetlands Ezerani, etc. However, at this stage of (tourism) development, they are not ready to offer competitive and attractive tourism experiences.

In Serbia, there are several categories of protected areas that are accessible for various forms of tourism, the most of which important are: five National Parks, seven nature parks, 11 areas of exceptional qualities, seven nature reserves, nine Ramsar sites, five monuments of nature, ten caves (Đorđević-Milošević, 2020). Rural tourism in Serbia is actively offered in all protected areas independent of their size and location.

Areas near the sea

These areas exist in three countries of the SEE: Albania, B&H and Montenegro. Local agricultural products that are produced and processed along the coastline and in its hinterland are often served to tourists staying in rural accommodations, but this opportunity is not well enough used by local hotels. They are still more often using long food supply chains. Despite the number of day visitors coming from the Adriatic Sea to Herzegovina hinterland to enjoy its natural beauties, cultural heritage, the rivers Trebišnjica, Trebizat, Neretva – with developed services of water sports, gastronomy, wine routes and numerous outdoor and adventure activities as well as religious sites such as Međugorje – there is an interesting phenomenon with the promotion of these rural tourism offers: tour operators of the coastline rarely promote rural tourism of the hinterland in general and in an organized way (Sivrić, 2020). This short-sightedness prevents further development of cross-border cooperation as well as cooperation of tourism stakeholders in neighbouring regions of the same country. As a result, benefits to both rural tourism in the hinterland and the seashore tourism through diversification of the offer are missed. When it comes to the food supply, service providers still prefer long supply chains over short ones with producers in the hinterland. Rare good examples usually cover fresh products and very few processed ones. This situation prevents the development of the market – although demand exists – which could help small producers to add value and diversify their farm economies.

Some good practices could be found on the Albanian coast. In Albania, the countryside near the coastal area attracts tourists by providing on-farm tourism activities and facilities for leisure and recreation, focused on integrating seaside tourism with agrotourism / rural tourism and cultural tourism. The Integrated Inter-Sectoral Plan for the Coastal Area in Albania aims to increase the accessibility of these territories, develop professional education in agriculture and agritourism, provide incentives for development, etc. There is a high level of awareness that rural tourism and traditional domestic foods and wineries should be offered along with the diverse marine products and attractions. For this purpose, stakeholders in hinterland are clustering their products and services (Stamo, 2020).
Rural areas with small historic towns

These areas exist in all studied countries/territories but not in the same way. In Albania, the development of rural tourism in some areas is combined with cultural heritage based on UNESCO World Heritage Sites such as Butrinti archaeological park, Berat and Gjirokastra. Focusing on several pilot cultural heritage sites, and other local destination assets, aims at supporting target territories in exploiting their potential to attract visitors, and at raising the quality of the tourism offer (Stamo 2020). In B&H, rural areas with small historic towns are only partially developed, in towns such as Konjic, Bihać, Višoko, Jajce, Trebinje, Višegrad, where small towns relate to their rural areas and supply that is offered. There are several cities in B&H with the same potential. In North Macedonia, this category should be considered reversely: historic towns with their rural areas. This includes Ohrid, Bitola, Resen and Kruševo. Their historical legacy is protected with a lex specialis, giving them higher attractiveness and boosting their competitiveness. Their rural areas act as complementary destinations, usually for one or half-day excursions, including traditional food, crafts, outdoor activities, sport activities and soft/medium level adventures. In this manner, a relation between both is established in a symbiotic manner: towns as destinations can offer optional variety of programmes to their guests, i.e. extending their stay and increasing their spending, while rural communities benefit by gaining some extra income through diversification of their local economy (Nikoloski, 2020). Due to its turbulent history, the majority of Serbia does not have rural areas with complete small historic towns. There are some pieces of authentic architecture within small towns in rural Vojvodina which are still present and able to conjure up the past. Multiculturality of this shared rural space is its main feature and gastronomy one of the major attractors (Đorđević-Milošević, 2020).

Popular rural areas with small historic town destinations in Kosovo* are: Hoça e Madhe in Rahovec Municipality and Junik in Junik Municipality (Sharku, 2020).

The analysis of rural tourism destinations on the national/territory level was completed by using the basic FAS methodology provided by Fayos-Sola, Fuentes and Munoz, 2012. The range for the assessment of Factors, Attractors and Support Services was 1-5. The Factors represent resources and their potential for attracting tourists, which have not yet been sufficiently involved in tourism. Attractors are active tourism products, while Support services are all those services that support tourism in the given destinations.

C.4. FAS Analysis for Rural Tourism in South East Europe

Attractors

Rural tourism development potential is represented by the above-mentioned destinations, but also by attractors – natural, man-made and cultural. Each of the studied countries/territories has a significant number of attractors in all mentioned categories. Many of them are underutilized as part of the tourism offer. Some of them are only registered and listed, attracting a limited number of tourists – often on their own research, rather than the promotion of any kind – and waiting for ways to be designed for inclusion in the tourism offer.

The numerical evaluation of attractors is, on the average, 3.6 out of possible 5 with small variations around this value among the countries (ratings from Kosovo* are not available for the estimation of the three attractors.)

This means that all of the studied countries/territories are considered to have many valuable tourist attractors in rural areas. All of them have slightly higher ratings for cultural than other attractors,

which indicates that cultural attractions are better promoted on the national levels.

**Natural attractors**

All studied countries/territories are extraordinarily rich in natural attractors. First, there are all kinds of nationally/internationally protected areas and natural beauties, followed by local natural attractions. In particular, all national parks represent an asset for tourism. The average assessment of natural attractors is 3.5, with small variations around this value among the countries/territories. This means that all of the studied countries/territories are considered to have many valuable natural tourist attractors. The example of countries that provided more complete data shows that, within one country/territory, there are significantly lower and significantly higher rated localities compared to the national average, i.e. ±1 point or more. Significantly lower rated are: Lura Lakes, Grunas Waterfall and Prespa National Park in Albania; Kozuf Mountain in North Macedonia; Drina River in Serbia. Significantly higher rated were: Fir of Hotova National Park in Albania; Durmitor National Park in Montenegro; Sharr Mountain, Ohrid Lake and National Parks: Pelister, Mavrovo, Galičica in North Macedonia; mountains Zlatibor and Kopaonik in Serbia (Stamo, 2020; Sivrić, 2020; Nikoloski, 2020, Bataković, 2020).

In Albania, the Albanian Alps are one of the most attractive tourist areas. Mountaineering demand has developed other than common itineraries; the diversity of inherited wealth, cultural, ethnographic, gastronomic, and landscaping represents the potential and enables the development of rural tourism, ecotourism and cultural tourism. Also, it enables cross-border cooperation between units that are part of the park by aligning tourism development plans and cross-border itineraries. In B&H, the rivers Neretva, Drina, Vrbas, Trebižat and Una provide the supply of different water sports: rafting, abseiling, diving and canyoning. Owing to the cross-border project *Via Dinarica*, other natural beauties have gotten significant attention over the last few years. This was greatly contributed by the White Trail, with hiking and cycling trails over the highest mountains of B&H. The Green Trail is of somewhat less significance, leading through the north of B&H, while the Blue Trail leads through a smaller part of Herzegovina near the borders with Croatia. The following examples are of places where the number of tourists increases each year and at the same time the supply around those destinations is continuously growing: waterfalls Kravice in Ljubuška, Pliva in Jajce, Skakavi in Sarajevo, caves Vjetrenica in Ravno and Bijanbare in Sarajevo (Stamo, 2020; Sivrić, 2020; Nikoloski, 2020, Bataković, 2020).

In North Macedonia, large protected areas as well as mountains have the leading role in the development and implementation of rural tourism products. Their best-sellers include mountain hiking, mountain biking, horseback riding, donkey and 4x4 safaris, tandem paragliding, ski touring, free ride and culinary classes. These locations do not represent hubs that are primary targets of visits, but in most of the cases they simply contribute to larger travelling programmes, including single destination trips (North Macedonia) or, most often, tours (North Macedonia, Albania, Kosovo*). The average length of stay in these destinations is around 2.5 days, mainly due to a limited and not competitive offer. Potentials for future development should include ski and snow activities, rock climbing, cave exploration, soft adventures like kayaking, hunting, api-therapy, yoga and bird watching. Tikveš region with its wine production, culture and tradition can also be perceived as an attractiveness factor with somewhat developed products, the wine routes (Nikoloski, 2020). Ten main natural attractors have been identified in Serbian rural areas. These include natural heritage sites and mountains (National Parks and preserved natural parks and reserves), the diversity of scenic landscapes, rivers and gorges, thermal springs, etc. Natural elements are well preserved and have great potential to be attractive for tourists. Therefore, the assessment has been rated at 3.3 reflecting a high attractiveness of the natural attractors: Zlatibor mountain, Kopaonik mountain, Derdap Gorge, Tara National Park, Divčibare, Fruška Gora National Park, Davolja Varoš geomorphology attraction, Drina river, Zlatar mountain and thermal springs (Đorđević-Milošević, 2020).
**Man-made attractors**

This type of attractor are shaped by the leisure elements within the tourism industry such as bars, restaurants, shopping, and other entertainment activities. In all SEE countries/territories assessed, there are rural areas which offer rural tourism, eco-tourism, nature-based activities (river rafting, paragliding, mountain biking, fishing, trekking, climbing, hiking, horseback riding, etc.), spas as well as fairs of typical products and handicrafts and other agritourism facilities. Existing attractors of this type should be increased qualitatively and quantitatively to make rural areas more attractive for tourists. Live and unique experiences of traditions like handicrafts, events, weddings, local celebrations, folk dances, cooking, farming and food production are top attractions for international guests.

The average assessment of man-made attractors is high – 3.5 with small variations around this value among the countries/territories. This indicates that all countries/territories involved have valuable man-made tourist attractors. The example of countries/territories that provided more complete data shows that, within one country/territory, there are significantly lower and significantly higher rated localities than the national average, i.e. ±1 point or more. Significantly lower rated ones were events in North Macedonia and traditional craft shops in Serbia, obviously requiring improvements. Significantly higher rated ones were gastronomy in North Macedonia and the Šargan railway (with stations and restaurants), which is obviously one of the top attractors in Serbia (Đorđević-Milošević, 2020).

In Albania, there are initiatives to develop recreational and leisure tourism in rural areas, which are near to urban centres as well, relying on the increasing interest of the urban population in the combined experience of nature, rural life and traditional food. The Ministry of Agriculture has also provided support for setting up production incubators and the network of retailers of traditional products, related to the development of rural tourism (Stamo, 2020).

**Cultural attractors**

There are many cultural monuments in all of the studied countries/territories. Some of them are part of the UNESCO World Heritage. Churches, monasteries, mosques, archaeological sites, museums, fortresses and cultural events are just some of the cultural attractors. Rural tourism products are heavily dependent on the cultural, tangible and intangible heritage, especially on its presentation and interpretation. As the travellers’ needs constantly change, these assets need further and continual improvement in terms of better access, more comprehensive and understandable tourism valorization, and efficient promotion.

The average numerical evaluation of cultural attractors is 3.7 (without the rating from Kosovo*) with little variations around this value among the countries/territories. This means that all of the studied countries/territories possess many valuable cultural tourist attractors, which are actively contributing to rural tourism. The example of states that provided more complete data shows that, within one state, there are significantly lower and significantly higher rated localities than the national average, i.e. ±1 point or more. Significantly lower rated ones were:
Folk Festival “Logu i Bjeshkeve”, Bylis archaeological park in Albania; warfare-related remnants (WW1, WW2) in North Macedonia. Significantly higher rated ones were UNESCO World Heritage sites Berat, Gjirokastra, Butrinti in Albania; City of Ohrid in North Macedonia; Guća brass band festival in Serbia.

In Albania, there are about 2,000 cultural monuments/sites. As already mentioned, three of them, Berat, Gjirokastra and Butrint, are part of the UNESCO World Heritage. Even archaeological parks like Apollonia, Bylis, Amantia, etc., represent a significant potential for the tourism offer. Rural tourism, with strong linkages to cultural heritage and other related activities, has good potentials for development both for domestic and foreign markets (Stamo, 2020). In B&H, the most recognizable is the cultural and historical heritage, which is again mostly found in major cities in B&H but owing to which the range is offered in the rural areas around them. There are primarily the Old Bridge in Mostar and the Sokolovica Bridge in Višegrad, both on the UNESCO World Heritage List. Because of their historical core, some smaller cities are also among the more attractive destinations: Trebinje, Jajce, Počitelj (Sivrić, 2020). Religious sites play a significant role in the development of rural tourism: Medjugorje, Tekija in Blagaj, Tvrdoš Monastery near Trebinje, monasteries in Fojnica and the royal confluence among the most important. The cultural events of greater importance to local and ex-YU guests are the Nevesinje Olympics, Kočić Choir, Kupres Mowing Days.

North Macedonia’s abundance with nationally and internationally protected cultural and historical tangible and intangible heritage mostly interacts physically with the country’s most important natural richness. With UNESCO protected sites (city of Ohrid, Prespa cross-border Biosphere Reserve), several thousand of churches, monasteries, mosques, warfare structures, archaeological sites vividly presenting at least 10 millennia of civilizational narrative, North Macedonia has a huge potential to target different market segments and to bridge existing tourism seasonal gaps. Considering historical developments, most of North Macedonia’s competitor destinations (neighbouring and other Balkan countries/territories) also possess huge cultural heritage with the same levels of civilizational, aesthetical and historical values. Care, protection, valorization and promotion of cultural heritage must be high, efficient and continuous in order to make it a useful tourism asset. With minor exceptions (e.g. St. George monastery in Kurbinovo), the majority of the monumental cultural heritage is fairly accessible to tourists and offer acceptable representation of their values. Some progress has been made in souvenirs and refreshment availability for the visitors on site, but further modernization is still welcome (Nikoloski, 2020).

In Serbia, eleven main cultural attractors were identified in rural areas. The best example is Felix Romuliana which is UNESCO World Heritage site. There are monasteries recognized as UNESCO World Heritage sites (Studenica; Stari Ras and Sopočani) but they still have to upgrade their presentation for tourists. Unique remains of prehistoric civilisations in Europe, Lepenski Vir archaeological site in the Iron Gate (Đerdap) Gorge was reconstructed, but its potential to become one of the best sites has still not been achieved. Guća brass band festival has become the bestseller, based on elements of traditional folk music. Cultural attractors that are continuously developing include Fruška Gora’s monasteries and Sremski Karlovci, Sirogojno ethno-park, Viminacium archaeological park, Golubac fortress on Danube, Homolje Motives Event, Kosidba na Rajcu Event (Đorđević-Milošević, 2020).

Factors

The current status of rural tourism development potential is presented under attractions, however, for a bigger picture and a full view of the potential for rural tourism development, important factors must also be considered: natural factors, human resources and capital factors.

The average numerical evaluation of factors in the assessed SEE countries/territories is 3.0, with small variations around this value among represented countries/territories. This means that all of the studied countries/territories still have potential to further develop the attractiveness of their rural tourism. According to the assessment it seems that natural factors can play a bigger role in the further development of rural tourism than other factors. (Ratings
Natural factors

The average numerical evaluation of natural factors is 4.1 with small variations around this value among the countries/territories. This means that all the studied countries/territories consider that they have favourable natural factors for rural tourism development. The example of countries/territories that provided more complete data shows that, within one country/territory, there are significantly lower rated natural factors than the national average, i.e. ±1 point or more. Significantly lower rated ones were: Lura Lakes, Shkodra Lake, river flows and their buffer zones in Albania; mountains Sinjajevina and Ljubišnja in Montenegro; Palić and Ludoš lakes, Danube-Tisa-Danube main channel, climate in Serbia on which rural tourism development can rely in the future a bit less than expected compared to other factors, yet still contributing. There were no significantly higher rated natural factors, which is not a surprise, considering the very high marks given to the majority of factors (Đorđević-Milošević, 2020).

Human resources

The average numerical evaluation of human resources is 2.4 with small variations around this value among the countries/territories. Additional to the missing data from Kosovo*, no data was provided for North Macedonia either. This means that all the studied countries/territories consider their human resources to be medium developed. The logical conclusion is that this factor should be significantly improved in the future to contribute to scaling up rural tourism.

Capital factors

The average numerical evaluation of capital factors was 2.3, with small variations around this value among the countries/territories indicating that their capital factors are medium developed. Capital factors should be significantly improved in the future. The example of states that provided more complete data shows that, within one state, there are significantly lower and significantly higher rated capital factors than the national average, i.e. ±1 point or more. Significantly lower rated ones were the rail infrastructures in Albania as well as the road and rail infrastructure in Montenegro. Significantly higher rated ones were the level of entrepreneurship and potentials to attract capital in Montenegro.

Services

Finally, in order to complete the potential for rural tourism development, it is important to study the status of services: hospitality, transport and complementary services which refer to the tourism industry businesses that run and support tourism activities in the destinations.

The average numerical evaluation of the status of services is 2.4, with mainly small variations around this value among the countries/territories. The only exception is North Macedonia with the rating of 3.3. Rating from Kosovo* is not available. All assessments for the SEE countries/territories, except North Macedonia, indicate that their services are medium developed. The logical conclusion is that services should be significantly improved in the future. Almost all of them, except Montenegro, have higher ratings of hospitality than other services. Also, Montenegro has higher ratings for complementary services than other services.

Hospitality

The average assessment for hospitality in the SEE countries/territories is 2.9, with mainly small variations around this value among the countries/territories. The only exception is North Macedonia with the rating of 4. In all the countries/territories, restaurants are slightly better rated than accommodations. Rating from Kosovo* is not available. Medium ratings for hospitality should be raised in the future. Further analysis is required to identify in which segments interventions are necessary to increase the potentials defined with this service.
Transport

The average numerical evaluation of transport is 2.4, with mainly small variations around this value among the countries/territories. The only exception is North Macedonia with the rating of 3.5. Rating from Kosovo* is not available. This means that all the studied countries/territories are considered to have medium developed transport. The logical conclusion is that transport systems should be significantly improved in the future; this certainly refers also to the efficiency of cross-border procedures of individual and group travels.

Complementary services

The average numerical evaluation of complementary services (tourism information assistance, security and health and organization of destinations) is 2.4, with mainly small variations around this value among the countries/territories. The only exception is North Macedonia with the much higher rating of 3.5. No rating from Kosovo* is available. This means that complementary services are medium developed in the majority of the countries/territories in the region and therefore should be significantly improved in the future. Risk management might be crucial, and today, much more than before, careful prevention of health risks.

C.5. New opportunities and threats – implications of COVID-19 crisis on rural tourism

The unprecedented global emergency caused by COVID-19 has an unparalleled impact on our societies and livelihoods. Travel and tourism as a sector is one of the most heavily affected by this crisis, but also uniquely equipped to be part of “glocal” (global and local) recovery efforts going far beyond its direct impact. 525

The first visible effect of the Corona virus on rural areas got stopped – perhaps just in time – when governments radically restricted not only international but also domestic travel. The first run to “safe”, “healthy”, “spacious”, “virus-free” areas started in many countries/territories, because suddenly rural areas seemed to be better off than cities, owing to their lower population density, reducing opportunities for virus spread. In some countries, the run of millions back to villages started out of pure desperation after loss of jobs, and the basic need to survive. 526

The slow timeline of tourism recovery is estimated to follow three phases between autumn 2020 (domestic) and the second half of 2021 (travel to long-haul destinations). 527 The “Corona cloud” bears several silver linings for rural areas, but also threats which must be systematically dealt with.

526 https://www.ft.com/content/10d8f5e8-74eb-11ea-95fe-fcd274e920ca
527 Prof. Carlos Costa: Presentation, 10th April 2020, OTS Webinar Series: After the Virus https://www.youtube.com/watch?v=4__L3xMc_Fg&list=PLn37JFVUAei7qMS1e4sfQ_i6eimqXCrpQ&index=100
Opportunities

• The first travel and tourism that will be perceived and promoted as “safe” is domestic. Rural destinations, protected areas, places “off the beaten path” and small businesses that cater for smaller groups of people should benefit.

• Longer stays in one country/territory will follow, because cross-border itineraries will stay more complicated for a while.

• Psychologically, there could not be better places to escape from the lockdown feelings than rural and natural spaces. National tourism campaigns for the summer 2020 mostly chose to address exactly this need.

• Visiting remote communities does not trigger the fears that crowded places may.

• Rethinking the concept of “essential” as it relates to the economy, the people who truly keep countries running, and the fundamental basic needs of everyday life show the real meaning of rural areas and local produce.

• There is a chance that to “live like a local, travel like a local, buy local” will become the new norm.

• Digital transformation that has been forced upon could continue and support decentralisation and new work: start-ups, e-commerce, last-mile delivery, logistics and many service professions can go on from rural areas as well, provided that they are digitally well connected with the rest of the world.

• Tourists that have proven more robust to crisis times are the active ones that visit rural areas, prefer local food, authentic experiences, travel more individually, as couples or in small groups, with nature, culture, adventure and special interests. They also leave a significantly better socio-economic footprint than mass tourism.

• Trends to watch and support include the lifestyle of health and sustainability, and the – now even much stronger – need for safety and security, with the new aspect of physical distancing.

• Self-driving holidays along panoramic roads, camping and mobile homes, can cater to the need for more personal space and safety. Farms, protected areas, rural campsites, restaurants, “farm-to-fork” producers and self-harvesting offers can profit from this type of travels.

• Chances for the “value not volume” type of offers are growing – the demand for healthy air, organic food, back to nature, mindfulness – everything that rural areas can offer without big interventions.

• “If not now, when?” Destinations can continue or start working towards more sustainability as a rebuilding strategy, reducing mass tourism and (seasonal and location-based) overtourism (= undermanagement) burdens. Without wise management, those burdens would return and grow.

• The current reality is that rural populations are older, often living without a service network, partly in greater isolation and with less social interaction. The tasks of local and regional tourism organizations could be shifted to become more diverse service centres, supporting the local population as well; the need for good information and services – which must not always be free of charge – has become extremely clear during lockdown.

Threats

• Local small business capacities could get further reduced, facing the stronger competition of big companies and economies of scale (food production, tourism services); “the rich getting richer, the poor getting poorer” could happen, especially if the discounts that surely will be offered leave too little margin for SMEs to recover.

• The so-far powerful might see rural areas on their radar as the next opportunity, seize EU and other funds, expand investments with focus on fast one-time sales (apartments, holiday homes etc.), without respect for rural destination needs, authenticity, and without involving local communities in the business – other than providing low-paid service jobs.
• Competition over price instead of quality would be a dangerous short-term survival strategy, with a downward spiral of less jobs and less income.

• The demand for high hygiene, food safety, waste management etc. standards will grow – will rural places and their hosts be equipped to respond?

• Access to essential resources, like medication or groceries is further away and the quality/capacities cannot be compared with those in urban areas. Travellers with special needs might decide to stay away; rural areas with less robust health care infrastructure could then enter a vicious circle of lack of trust, less income and even less services.

The current epidemic, climate emergency and the resulting socio-economic crisis are global problems that can be solved only by European and global cooperation. For the prevention (early-warning systems, physical distancing, and finally, vaccine availability for all), care (testing, analytics, information, protective equipment) and cure (in self-isolation or public healthcare), cross-border cooperation in the Western Balkans region, in Europe and globally is essential. This applies also to the case of rural areas and rural tourism. Although probably being the trendier thing to do after the crisis than, for example, a cruise ship trip – fundamental and accountable support is required.

The difference between COVID-19 and the climate crisis is: the virus is an external threat and we just do not have the cure yet. But to reach the Paris Agreement goals, we know what we must do. If economic growth looks like the best measure of success, the biggest threat is in the human brains: when countries/territories come out of the lockdown – especially in developing destinations with weak management, high corruption, undervalued natural resources and local communities – their focus might return to the “heads & beds” metric: fast economic growth, no matter what. Sustainable development would then be found under “nice to have” on the political agenda. Therefore, to continue to work bottom-up and join forces for the full meaning of sustainability and gain commitment for wiser tourism policies is crucial. This discussion on rethinking development has started.

Political measures at national and international level should be based on the principles of ecological and social sustainability, future compatibility and gaining resilience. Measures that are based on broad scientific evidence and political and social consensus before the COVID-19 crisis must not be weakened but must continue to be implemented with high priority and even strengthened. Economic stimulus programmes must be compatible with the goals of the European “Green Deal”.

528 The time after COVID-19 is also a “major test of citizenship”: https://amp.ft.com/content/19d90308-6858-11ea-a3c9-1fe6fedc75

529 https://www.weforum.org/agenda/2020/04/there-is-only-one-option-for-a-global-coronavirus-exit-strategy

530 https://ec.europa.eu/clima/policies/international/negotiations/paris_en

531 https://greendays.me/ and the conference recording, https://www.youtube.com/channel/UCirtPllMnz12j1Q

C.6. Concluding remarks on economic diversification policies & institutions supporting rural tourism in SEE

C.6.1 Gaps and constraints

Rural tourism main value chains legal frames

All studied countries/territories have legislation on: tourism; agriculture and rural development; spatial planning; environment, natural and cultural heritage conservation; infrastructure; finances; education; food safety and quality standards; health and risk management and other related legislation (except B&H, where they exist only on the entity level).

Rural tourism value chains in SEE, as in other regions worldwide, consist of numerous interrelated economic activities characterized by different levels of development and strength. These value chains are naturally specific for every single situation, yet legal frameworks for their functioning share some common deficiencies in SEE. Rural tourism main value chains in SEE are sometimes hard to distinguish or delineate from other tourism activities and products related to the rural space, since they are intertwined or overlapped with other kinds of tourism. Being still a weak component of the overall tourism offer, SEE rural tourism converges with general tourism, especially related to marketing and promotion; still more as a side or optional offer, rather than the main stake or strength. Working under the same rules as the big tourism players, rural tourism suffers in an overregulated and undersupported environment and rigid frames. Lack of derogations from legal requirements that would be more suited to its specificities, similar as for small farming and artisan processing, which supply it, often limits its development.

The rural tourism value chain has complex legal frames and different participating stakeholders must harmonize their activities under diverse legal frames. Almost all SEE countries/territories have complete relevant legislation setting the framework for tourism in general. Also, the legislation on rural development, spatial planning, environment, natural and cultural heritage conservation, infrastructure, finances, business environment, is in place. Education includes relevant space for building the human capital involved, while mitigation of health and various other risks (related to tourism infrastructure) are available in relevant frames to provide security to visiting tourists as much as their hosts. However, various legislation which makes up the complex legal framework on tourism is not always harmonized in a way to support rural tourism. Financial regulatory frameworks, for instance, are often set in a way that overlooks specific conditions in less developed rural communities. These frequently discourage small rural tourism initiatives, which should be treated more flexibly, considering their importance for poverty and outmigration reduction, employment creation and quality of life aspects also for their own communities. This is especially because of difficult conditions caused by bad infrastructure in remote and underdeveloped rural areas that often offer the best chances for rural tourism.

Rural tourism is recognized in national development strategies of SEE states as an important engine for rural development and revitalization of rural economy through the reduction of unemployment, boosting regional economy and improving the living standard of the local rural population. However, growing rural tourism in an unplanned manner has also negative impacts on the countryside, and due to mag-

533 Tourism infrastructure refers to the physical elements needed to access the destination and enjoy it safely. It includes transport infrastructure (roads, airports, parking facilities), health infrastructure (hospitals, health centres) and infrastructure for tourist safety and protection (police, civil protection, embassies, tourist information centres).
nification of the environmental pressure, these im-
pacts will show even more in future, if the deficient
utility infrastructure is not seriously considered and
developed. In reality, the conflict between econom-
ic development and environmental protection as
much as heritage conservation has already become
one of the important challenges that stakeholders
in rural tourism have to face up to. Existing legal
frameworks are too general to prevent damage in
the rural environment, especially considering pollu-
tion of surface and ground waters by sewage and
solid waste disposal produced in accommodation
and catering facilities and by tourists themselves.
Legal frames regulating construction (especially di-
version or a run-of-river type of mini hydro-power
plants) as much as those for cultural heritage con-
sicervation do not support appropriately the pres-
ervation of authentic features of the countryside
either. They rather allow for the destruction of cul-
tural and natural landscapes of the rural SEE for the
sake of short-sighted business development with
actual zero contribution to local rural communities
and their economies. According to rural develop-
ment stakeholders on the local levels, support pol-
icies for such investments are very often inappro-
riate. These favour outflow of benefits from local
communities, while lack of consistent control and
monitoring cause inevitable damage to the nature
and the countryside, preventing rural economies to
sustainably benefit from ecosystem services in their
own environment.

Rural tourism main supply chains
legal frames

At their beginnings, SEE rural tourism supply chains
were short. Catering and accommodation were
mainly locally provided (if not by the rural tourism
service providers themselves on-farm, then off-
farm by agriculture and artisan producers / service
providers in the vicinity. Activities in the rural en-
vironment and entertainment were simple, but al-
most completely local – part of local people life and
their skills and knowledge. Since recently this has
changed – products and services are no longer nec-
essarily provided through short supply chains or by
local providers, but to a large extent outsourced and
shared with other tourism segments, with remote
urban sources and logistics.

By imposing new food safety regulations, gradual
replacement of short with long, highly regulated
supply chains of foods and drinks tend to under-
dine the basics of rural tourism as a diversification
option, which provides improved use of local re-
sources and stabilizes the small farming sector.

New developments in providing derogations for
small producers of food in some countries/territo-
ries indicate that better times are coming for both
stakeholders in short food supply chains and rural
tourism service providers. Legal frameworks for ru-
ral tourism in SEE are still to be improved by defin-
ing rural tourism less vaguely, making it hit the point
of supporting short supply chains. For instance, the
Law on Hospitality in Serbia requires the served
food to originate “predominantly” from the farm
providing rural tourism service, while the Albanian
legislation requires at least 30% from the household
offering services and the rest from the respective
municipality, which is much clearer, and therefore
the better option.

A damaging discrepancy could be observed in reg-
ulations concerning food safety issues and cultural
heritage conservation. For example, wine regula-
tions in Serbia are strangling traditional wine making
by insisting on modernization of the wine-making
process and facilities the same as industrial, while
cultural heritage conservation regulations insist on
preserving original cellars (with soil floors and natu-
ral stone walls) in tangible cultural heritage protect-
ed locations such as Rajačke Pimnice in East Serbia).

Support policy to rural tourism

Almost all countries/territories in the studied region
have national strategies for sustainable rural devel-
opment, agriculture development and tourism de-
velopment as separate documents. The exception is
only B&H, which does not have a tourism develop-
ment strategy or an agricultural development stra-
tegy, but these topics are contained in the Strategic
Plan for Rural Development and the Strategic Devel-
opment Framework. On the other hand, Northern
Macedonia and Serbia have separate strategic doc-
uments even for rural tourism development.
Almost all countries/territories in the studied region have the IPARD Programme and can use EU pre-accession funds. The exception is B&H which does not have the Programme and does not use IPARD funds yet. It is uncertain when this will be introduced, but IPARD funds will certainly not be available in the next few years. The territory of Kosovo* does not yet have access to the IPARD funds either.

In all the studied countries/territories, regional strategies for sustainable rural development, agricultural development and tourism development are in place as separate documents. Through regional strategies of both entities in B&H, the country has major rural development documents. In the absence of a national strategy, entity strategies should be harmonized as soon as possible, to ensure their consistency and compatibility.

In all countries/territories in SEE, there are also some municipal strategies on sustainable rural development, agricultural development and/or tourism development.

A lot of key statistical data on national level, related to rural areas and rural tourism development, are missing or are significantly contradictory. Despite the complexity of the system responsible for support, regulation and promotion of rural and tourism development, still some elementary quantitative indicators about rural areas and their population (size of territories classified as rural areas in km² and % of the total country territory, number of citizens in rural areas, inhabitants per km², age structure, unemployment rate, average income, migration, etc.) as well as tourism and rural tourism (accommodation capacities, number of arrivals, number of overnight stays, income, local and regional socio-economic impacts, etc.) are not methodically or not at all measured by any institution. For the part of the parameters which are measured and monitored, there is no unique methodology at the state level.

Numerous locally inspired or centrally initiated support measures exercised in all SEE countries/territories have specific gaps and constraints regarding the support policy to rural tourism. In Albania, the implementation of the so-called 100 Villages Programme was aiming to initiate the development process of rural areas, by matching public and private investors and donors, but the programme was lacking detailed planning and its was badly affected by out-migration from rural areas. Also in other countries/territories such support programmes have caused failures or only short-term success, since the interventions included just some segments of the value chains, although it was clear that they are generally weak. Support has been too often ad hoc and not followed by the overall support for achieving the necessary conditions for their success (such as road infrastructure, water supply, waste management, maintenance of signposting, strengthening marketing and sales support, etc.)

One of the major concerns related to external support (IPARD) schemes, was and still is the gap between the requirements imposed by legislation – often introduced uncritically and prematurely in the context of EU approximation process – and the reality. Various standards required as eligibility criteria are not and cannot be fully implemented by most farmers, especially by the smallest ones.

The rural tourism development policy in SEE region in general still shows a high level of instability, causing the offered support to fluctuate in amounts and quality. It is often inconsistent with the medium-term goals of respective rural development policies as well as rural tourism strategies – if they exist at all. Political instability exacerbates these problems to such a large extent that failures become regular, leaving the sector on the margins of rural economic development.

Support policies for rural tourism seem not to respond to all rural tourism stakeholder needs. Throughout SEE, the measures supporting rural tourism bounce off the walls of its limitations in human, administrative, capital, strategic and business capacities.

Institutional capacity for exercising support to rural tourism

All the studied countries/territories have institutions that deal with rural development and rural tourism as an element of rural development support set-up. The institutional framework related to rural development and consequently economic diversification, which includes tourism, is organized at three hierarchical levels – national, regional and local. At the national level, rural tourism is under the jurisdiction
of relevant ministries which manage and support rural tourism through legislation and other basic activities: finance, organization, education, etc. Other institutions include national tourism organizations, national bodies for tourism development, etc.

At the regional level, there are numerous institutions that have different roles and responsibilities in the vertical decision-making chain and varying levels of autonomy from the central level: regional networks of the chamber of commerce, cooperative associations, agricultural advisory services, Regional Development Centres / Regional Development Agencies, business incubators, professional bodies and associations, etc. The local self-governments – municipal tourism organizations and a number of CSOs and educational institutions are also involved in rural tourism development at the local level.

Institutions in charge of different aspects of rural tourism in SEE are often understaffed (not necessarily in total number, but they do not have enough educated staff, capable for efficient work at all levels of the institutional hierarchy). Protocols for their work and their responsibilities are not the same and their work is often left to their own talents and individual initiatives. As a result, there is a lack of unified statistical methods; drastic lack of comparable, reliable, objective and accurate statistical data; slow perception of the chances and opportunities on the market and often the absence of timely and effective action; insufficient capability to absorb funding under the IPARD programme for rural development and increased risks of decommitment, etc.

A particular and little understood challenge in the development of rural tourism is its complexity. This complexity stems primarily from the complexity inherent in tourism in general: a large number of actors providing services, i.e. creating unique experiences, are operating inside inconsistent administrative boundaries which often care little about the tourists’ perception of a destination. Also the characteristics related specifically to rural tourism increase this complexity: sharing space for agriculture, nature protection, forestry and tourism, dependence of the rural product authenticity on the existence of adequate supply of local agricultural products, and the understanding of architecture and landscaping, as well as rural tourism as a form of diversification of the rural economy. Due to this complexity, a multitude of powers emerge.

In all studied SEE countries/territories insufficient cooperation between the institutions is noted. Sometimes their relationship is even hostile or competitive, which is completely inadequate and harmful.

Institutional capacities to manage and coordinate donor/development funds are not always at the desired level and they should be better adapted to the constantly changing external aid context.

Of course, every country/territory has also its own specificities regarding this issue, yet the entire SEE has problems with institutional capacities, which is well summarized in the elaboration of problems that North Macedonia faces in this sector: entire policies development and distribution chain, including policy makers (Government, national ministries and their local branches, state agencies), policy implementation facilitators (LSGUs, CSOs, consultants, public institutions, Public Revenue Office, Central Registry, commercial banks) are weak.

### C.7. Needs for improvements

#### Needs for improvements of legal set-ups on the national levels

Although legal set-up for rural tourism mainly exists in the SEE region, certain improvements are still possible and highly recommended to cover the identified gaps:

- Legislation upgrade related to agriculture and rural development should be reviewed to allow transition in a more realistic time period
- Funding and Tourist Agency for compliance with new regulations should be provided
- Improving the certification system and standards might increase the quality, as well as build human capacity to improve tourism services
Introducing a rescue and risk management system with a Law on Emergency Situations is necessary in countries/territories where it is missing

Multiple legislation changes are needed in some cases to appreciate the authenticity and unique live tourism rural attractions of national importance (as a special category with special rules or exceptions from general rules)

Need for improvements of national support policies

Significant and sustainable progress cannot be achieved if policies and planning are not evidence-based. Every reasonable policy should be backed up by enough and qualified statistical data. Key roles in data collection and provision should be a shared responsibility between the Ministry of Agriculture, the ministries responsible for tourism and the National Statistical Office.

Upgrading of the support policy no longer makes sense if new strategic planning fails to recognize rural tourism as a business that integrates local economic activities, properly valorizing ecosystem services, natural and cultural heritage, which are the basis for successful rural tourism.

Prioritising engagement of local people in the business, planning, management and maintenance of rural destinations is crucial for sustainable rural economic diversification.

Introducing efficient property issues resolving mechanisms and rural space planning is a must

Ensuring sustainability in resource management has to include special care for indigenous rights of local rural communities

Designing new tourism destinations around the less known or promoted natural and/or cultural heritage sites and strengthening the existing ones might significantly help rural tourism development.

Improved promotion of rural tourism destinations needs to become a regular and synchronized activity of all relevant stakeholders.

Establishment of a monitoring plan for rural tourism development and its interaction with rural economic development in general, including defining milestones, is a prerequisite for evaluating achieved results, removing obstacles, clearing mistakes and upgrading support policies.

Institutional set-ups needed to sustain rural tourism development in the future

Entire policies development and implementation facilitators must be reinforced to become capable to continuously improve the conditions for rural economic diversification.

There is need to enhance, as soon as possible, national institutions relevant for rural development, agriculture, tourism and statistics: ministries, agencies, advisory services, chambers of commerce and others should act in harmony to make their support to rural economic diversification and rural tourism development more efficient.

Cooperation and networking between stakeholders interested in rural tourism should be supported and cherished.

The administration has to upgrade its capacity to learn how to actively, accountably and continuously cooperate with rural inhabitants when designing policies and legislation important for rural tourism (as much as for rural development in general), to be able to recognize important local features and fight for their recognition as factors which in the future might become attractors for rural tourism development. It must also provide suitable support policies or even derogations from some regulations, if needed, instead of uncritical copy-pasting of unmanageable solutions and insisting on their implementation. Sometimes just reducing the red tape is helpful.

To be the ones behind the steering wheel, institutional capacities to manage donor/development funds need a consistent and continuous upgrade
Existing institutions need to be upgraded at all levels in several aspects: organization and networking, staff, technical capacities

Staff capacity should be built at all levels of the institutional hierarchy

There is need to encourage and develop personal initiatives, especially of young people and professionals, increasing the level of motivation for younger rural populations, encouraging the introduction and implementation of quality standards in service delivery, and improving mutual cooperation between households and all other participants on the supply side in rural tourism

C.8. Recommendations for improving institutional support to economic diversification in SEE with focus on rural tourism

C.8.1. Recommendations for improving national policies

There are several recommendations for improvement, relevant for all studied countries/territories:

- A shared methodology for SEE should be introduced to obtain comparable, comprehensive and reliable statistical data
- Compatibility and links with other relevant legislation should be provided
- Regional and municipal strategies for sustainable rural tourism, agricultural and tourism development should be harmonized with relevant national strategies
- Municipal strategies for sustainable rural development with or without rural tourism components should be harmonized with relevant national strategies in all relevant sectors
- Spatial information systems should be digitized and spatial planning data available to monitor space utilization and introduce efficient control mechanisms

C.8.2. Recommendations for improving legal set-ups on the national levels

- Reduce VAT for all rural tourism services/products to 5% in regular areas and 0% in high mountain areas, areas with specific development needs and depopulated areas
- Increase the number of support measures and amounts for sustainable agriculture and diversification of the rural economy
- Increase state subsidies for stakeholders in rural tourism
- Change the legislation to create more pleasant and more favourable business environment for rural tourism households and with regards to the means of local rural tourism service providers
- Some recommendations for the improvement of national legislation, might be relevant for the entire SEE region even though they might not be seen as relevant at the moment
- Preparation of the Law on Rural Tourism as a *lex specialis* is seen as a necessary step forward by North
Macedonian stakeholders (updates and compliance with EU legislation is in that case much easier to introduce)

- Harmonizing legislation regulating tourism and cultural and natural heritage conservation as well as environmental protection

C.8.3. Recommendations for improving institutional set-ups on the national levels

Recommendations for improving institutional set-ups are primarily related to establishing an efficient and responsive system for quick problem solving as well as to continuous monitoring and evidence-based policy change and legislative upgrade. The set of most relevant recommendations for prompt action are:

- Rural tourism departments/offices should be established in all ministries dealing with rural development, agriculture and tourism, at regional and local levels, as part of local governments. Further strengthening of the role of municipalities in rural tourism development is a must.

- All institutions involved need to become capable to fully and permanently monitor the sector, more ready to promptly respond, efficient and mobile. Their technical capacities need to be improved qualitatively and quantitatively, starting with computers and vehicles to specialized equipment for particular tasks within their jurisdiction.

- Institutions relevant to rural tourism should strengthen cooperation and coordination in the preparation, improvement and implementation of legislation on rural tourism and problem-solving work.

- Establishing various forms of associations of rural tourism service providers (unions, clusters, chambers, DMOs) to provide institutional support for the development and promotion of rural tourism and networking of all participants in the supply chains can increase the relevance of rural tourism for rural development and provide better conditions for its support within rural communities

- The collection and dissemination of good practices from various projects conducted in the past in the SEE region can offer valuable material for upgrading national support policies as much as institutional set-ups, respectively.

- Cross-border regional cooperation and area-based development approach can help with learning how to improve this cooperation to shape it more efficiently.

C.9. Recommendations for supporting rural tourism development in SEE

C.9.1. Strengthening, shortening and greening agriculture-tourism value and supply chains

Although each of the studied countries/territories has its own recommendations to support the development of rural tourism, when it comes to strengthening, shortening and greening agriculture-tourism value chains as well as supply chains, the following recommendations are common for all of them.

Rural tourism value chain has to function as a system in which private sector entities, in collaboration with the government, civil society and broader social factors, receive resources as inputs, add value through various processes (planning, development, financing, marketing, distribution, pricing, positioning) and sell the resulting products to domestic and foreign visitors.

In order to utilize the full potential of rural tourism and to create a sustainable, competitive tourism product of rural tourism, it is necessary to conduct market surveys, as well as survey of needs, motives and preferences of consumers in general and tour-
ists. Based on such information and taking into account available resources, rural tourism can be developed appropriately.

Identifying the relevant segments of potential visitors (e.g., families, youth, active tourists, tourists with special interests, etc.) is important to create an adequate offer. Each visitor category has different preferences, interests, and requirements; thus it is necessary to form different offers and services in rural tourism.

Adventure tourism, ecotourism, interest in folklore, arts and crafts, culture and culinary, health and spa tourism and many other categories have important overlaps for rural tourism that can be developed in all the studied countries/territories. The material cultural heritage can be one good starting point and a local development instrument because of the rich heritage visible at nearly every step and due to the compatibility with the development of cultural tourism. Elsewhere, nature offers a strong backdrop for rural tourism. Relying on micro, small, and medium-sized enterprises that promote material cultural heritage and nature conservation allows development based on local specificity and characteristics of the region. Many rural tourism products have not been yet developed as separate products, but they exist in the form of activities.

Agritourism and authentic accommodation in rural households may not seem as a priority from the aspect of market value, but from the aspect of the basic goal of rural tourism development, it is extremely important to support this product. Namely, many tourists (especially the ones interested in nature-based activities and local culture) prefer to use rural households for accommodation and food supply, consuming other tourism products which bring them to rural areas in the first place.

Benefits from integrated development of agriculture and tourism, i.e. their interconnectedness, is observed worldwide, especially for those types of tourism that include specific local agricultural and food products in the offer. Particular emphasis is on organic production. The concept of integrated development of organic agriculture and tourism is proposed to support the fight against poverty in SEE too.

Interventions to improve and connect the existing individual offers of services (accommodation, restaurants, leisure services) and local products (handicraft and food products) in order to offer more options to potential tourists, can have a significant and synergetic impact on all private actors and rural communities in general. It is necessary to make more creative use of the countries/territories’ agritourism resources through more promising directions of integrated development of agriculture and tourism on a sustainable basis.

The development of domestic agricultural production and the food industry in general is not in line with the development of tourism and other activities that rely on it. Trends in tourism are not accompanied enough by the volume and the structure of agricultural production.

Additionally, applying a territorial marketing approach can support cohesion, networking and a common vision of all relevant local stakeholders; attracting tourists to the territory; sales promotion of local goods and services in a target territory market as a way to increase sales and diversification; clustering vs. competition of rural service providers in order to work together and to adapt to today’s market demands and fight the real competition from other areas and countries.

In the marketing and promotional part, but also in education, it is essential to take advantage of today’s diversified digital technologies and to work with modern media, social networks and international web portals.

Providing access and enough travel guides while also supporting self-guided and self-organized types of tourism (especially nature-based/adventure travellers) to help tourists get to remote places, will increase the number of interested visitors. This alternative also includes investment in public transport intended for the transportation of tourists to all tourist places, as well as improving road infrastructure outside major roads.

The tourism utility infrastructure should be continuously improved because, in most cases, it represents a serious threat to the development of an integrated tourism product as much as the conservation of its natural environment.
Even though protected areas offer great potential for rural tourism development, much better enforcement of laws is needed, controlling and stopping illegal activities, as well as better education and management.

Institutional stimulus for intensive interlinking of agriculture and tourism, within the realization of the concept of integral sustainable development, can possibly bring more favourable economic effects in the development of the agro-food sector, tourism and the rural economy as a whole. The real situation in agriculture and the rural economy points to insufficient institutional support, and in particular insufficient support for linking agriculture with tourism. Although there are many known models in theory and practice for successful linking of agriculture and tourism, how they connect in SEE countries/territories and the benefits that they achieve are not at an optimum level.

C.9.2. Increasing public awareness and participation

Raising awareness of the importance of improved management of natural resources and the benefits of sustainable development and the use of natural resources should be achieved through partnerships with experts and educational organizations. Those partnerships lead to the development of educational material (digital, literature, documentaries, TV spots) for all educational levels and the wider public. Familiarization of the local population with their own destinations has a dual role: they are potential tourists on one hand and on the other, they are the living part of the destination’s image.

Relevant institutions should be much more active in providing information related to rural tourism and training – a classic task for good destination management. This would raise awareness of farmers and the rural population about the socio-economic importance and opportunities that come from rural tourism development.

Several tools might be considered useful to disseminate, educate and motivate the local population and rural tourism stakeholders in general, to get better involvement and direct participation in the business: improvement of public awareness and participation, being mainly the responsibility of the public stakeholders while CSOs and successful entrepreneurs can act as reliable motivators by sharing positive examples; sustainably funded destination management (not only marketing); adequately qualified (not politically staffed) and transparently and long-term working public private organization. This is a process, not a one-time setup.

Collection and dissemination of good practices should be permanent task of the education and science systems on national levels as well as through regional and international cooperation.

C.9.3. Improving regional cross-border cooperation on the destination management level

In border areas, cooperation has a special relevance in providing sustainable management of shared resources, while accessing and using efficiently available financial assistance and maximizing the impact of the cross-border IPA funds for the SEE region. There are opportunities to extend cross-border cooperation in the framework of the Instrument of Pre-Accession Assistance IPA 2020-2027.

Improvements of cross-border cooperation should be reflected in increased cooperation among all the stakeholders in rural tourism on the design and realization of projects with long-lasting positive effects on rural development and rural tourism, especially including the following activities:

- Capacity building by raising the level of knowledge and skills of all actors on both sides of the border
- Networking within the country/territory and with actors across the border to create new products and manage destinations based on shared natural and cultural resources, to agree on and harmonize standards, to improve the promotion and marketing of mutually developed products and destinations
- Increase financial resources for implementing and maintaining development initiatives, activities, projects and diversifying the economy in these areas, improving traffic communication between these areas (roads, border crossings, bicycle and hiking routes)
RESOURCES

1. Bataković R. (2020): Overview of the economic diversification policies (focus on rural tourism) in Montenegro, National Report, SWG RRD


5. Costa C. (2020): Presentation, 10th April 2020, OTS Webinar Series: After the Virus https://www.youtube.com/watch?v=4__L3xMxFg&list=PLn37JFVUAel7qMS1e4sfQ_J6eimqK-CrpQ&index=100


8. Đorđević-Milošević S. (2020): Overview of the economic diversification policies (focus on rural tourism) of the Republic of Serbia, National Report, SWG RRD


Krise nachhaltig überwinden”, 13th April 2020 - https://www.leopoldina.org


25. Sharku A. (2020): Overview of the economic diversification policies (focus on rural tourism) of Kosovo*, National Report, SWG RRD

26. Sivrić I. (2020): Overview of the economic diversification policies (focus on rural tourism) of Bosnia and Herzegovina, National Report, SWG RRD

27. Stamo B. (2020): Overview of the economic diversification policies (focus on rural tourism) in Albania, National Report, SWG RRD


29. Belgrade (Serbia and Montenegro)
30. 24 and 25 June 2002
31. Kielce (Poland)
32. 6 and 7 June 2003
33. Yaremcha (Ukraine)
34. 25 and 26 September 200

WEBSITES

2. Kosovo*
5. http://ruralholiday.me
7. http://ruralportal.me
8. http://ruralsrbija.rs
14. https://amp.ft.com/content/19d90308-6858-11ea-a3c9-1fe6fedcca75
20. https://eng.bergsteigerdoerfer.org/6-1-The-Philosophy-of-Mountaineering-Villages.html
25. https://fallangetorp.se
27. https://online-learning.tudelft.nl/courses/circular-economy-design-and-technology/
29. https://tem.fi/majoitus-ja-ravitsemustoiminta
30. https://tourismmanifesto.eu
31. https://tourismmanifesto.eu/who-we-are
33. https://viadinarica.com
38. https://www.dachmarke-suedtirol.it
39. https://www.ft.com/content/10d-8f5e8-74eb-11ea-95fe-fcd274e920ca
42. https://www.sbb.it/Home/News
43. https://www.sbb.it/roter-hahn
44. https://www.thetravelfoundation.org.uk/invisible-burden
45. https://www.thetravelfoundation.org.uk/invisible-burden
50. https://www.weforum.org/agenda/2020/04/there-s-only-one-option-for-a-global-coronavirus-exit-strategy
ANNEXES

ANNEX I – An overview of the legal documents and regulations related to rural tourism mentioned in the national reports

**Albania**

1. Law No. 93 / 2015 on Tourism
2. Law No. 9871, dated 22/10/2007 on Agriculture and Rural Development, amended (Official Gazette of Albania, No. 148 of 6 November 2007)
3. Law No. 124/2015 on Energy Efficiency
4. Law No. 7/2017 on Promoting the Use of Energy from Renewable Sources
5. Law No. 107 dated 31 July 2014 on Territorial Planning and Development, amended
7. Law No. 27/2018 on Cultural Heritage and Museums
8. Law No. 107 dated 31 July 2014 on Territorial Planning and Development, amended
9. Law No. 9863, dated 28 January 2008 on Food, amended
10. Law No. 9587 dated 20 July 2006 on Biodiversity Conservation, amended 2014
11. Law No. 8906 dated 06 June 2002 on Protected Areas
12. Law No. 40/2018 dated 09 July 2018 on Amendments to the Law No. 92/2014 on VAT, amended
14. DCM No. 22 dated 12 January 2018 on the Approval of the Criteria for Certification of Agritourism Activities
15. Law on Budget for the respective years
16. DCM on the definition of basic criteria of the sectors to be supported and on the financial measures from the Agriculture and Rural Development Fund for the respective years

**Bosnia and Herzegovina**

- **The national laws**
  1. Framework Law on Protection and Rescue of Persons and Material Property from Natural and Other Disasters in Bosnia and Herzegovina (Official Gazette of B&H, No. 50/08)
  2. General Law on Cooperatives (Official Gazette of B&H 18/03, No. 55/06)
  3. Law on Geographical Original Mark Protection (Official Gazette of B&H, No. 53/10)
  4. Law on Agriculture, Food and Rural Development of B&H (Official Gazette of B&H, No. 50/08)
  5. Law on Amendments to the Law on Associations and Foundations of B&H (Official Gazette of B&H, No. 42/03)
  6. Law on GMOs (Official Gazette of B&H, No. 23/09)
  7. Law on Standardization (Official Gazette of B&H, No. 29/00 and 19/01)
8. Law on Statistics of B&H (Official Gazette of B&H, No. 34/02, 26/04 and 42/04)
9. Law on Veterinary Medicine in B&H (Official Gazette of B&H, No. 34/02)

- The entity laws

**Republika Srpska**

1. Law on Fisheries (Official Gazette RS, No. 4/02)
2. Law of food (Official Gazette RS, No. 19/17)
3. Law on Agricultural Land (Official Gazette RS, No. 93/06 and 86/07)
4. Law on Agriculture (Official Gazette RS, No. 70/06, 20/07 and 86/07)
5. Law on Air Protection (Official Gazette RS, No. 53/02)
6. Law on Animal Health and Veterinary Activities (Official Gazette RS, No. 11/95, 10/97 and 52/01)
7. Law on Concessions (Official Gazette RS, No. 25/02 and 91/06)
8. Law on Crafts and Entrepreneurship (Official Gazette RS, No. 72/07)
9. Law on Encouraging the Development of Small and Medium-sized Enterprises (Official Gazette RS, No. 64/02 and 34/06)
10. Law on Enterprises (Official Gazette RS, No. 24/98, 62/02, 66/02, 38/03, 97/04 and 34/06)
11. Law on Environmental Fund (Official Gazette RS, No. 51/02 and 53/07)
12. Law on Environmental Protection (Official Gazette RS, No. 28/07)
13. Law on Forests (Official Gazette RS, No. 66/03, 53/05 and 91/06)
15. Law on Hospitality Industry (Official Gazette RS, No. 45/17)
16. Law on Hunting (Official Gazette RS, No. 4/02 and 34/08)
17. Law on Inspections of RS (Official Gazette RS, No. 113/05 and 01/08)
18. Law on Land Registry (Official Gazette RS, No. 67/03, 46/04 and 109/05)
19. Law on National Parks (Official Gazette RS, No. 21/96 and 74/05)
20. Law on Nature Conservation (Official Gazette RS, No. 50/02 and 34/08)
21. Law on Organic Food Production (Official Gazette RS, No. 75/04)
22. Law on Property and Legal Relations (Official Gazette RS, No. 60/80, 36/90 and 38/03)
23. Law on Providing and Directing Funds for Stimulating the Development of Agriculture and Rural Areas (Official Gazette RS, No. 43/02 and 44/02)
24. Law on Public Ski Centre (Official Gazette RS, No. 15/10 and 33/16)
25. Law on Real Estate Survey and Cadastre (Official Gazette RS, No. 34/06)
26. Law on Registration of Business Entities (Official Gazette RS, No. 42/05)
27. Law on Residence Taxes (Official Gazette RS, No. 78/11 and 106/15)
28. Law on Spa (Official Gazette RS, No. 20/18)
29. Law on Spatial Planning (Official Gazette RS, No. 84/02, 14/03, 112/06 and 53/07)
30. Law on Tourism (Official Gazette RS, No. 63/07 and 112/07)
31. Law on Tourism (Official Gazette RS, No. 45/17)
32. Law on Trade (Official Gazette RS, No. 6/07)
33. Law on Usurpation (Official Gazette RS, No. 70/06)
34. Law on Waste Management (Official Gazette RS, No. 53/02, 65/08)
35. Law on Water (Official Gazette RS, No. 50/06)
36. Law on Wine and Brandy (Official Gazette RS, No. 3/97)
37. Livestock Law (Official Gazette RS, No. 34/06)
38. Rulebook on Conditions for Providing Apartment, Holiday Home and Rental Room Service (Official Gazette RS, No. 62/18)
39. Rulebook on Conditions for Provision of Services in Rural Households (Official Gazette RS, No. 77/10)

**The Federation of B&H**

1. Law of Freshwater Fisheries (Official Gazette FB&H, No. 64/04)
2. Law of Hunting (Official Gazette FB&H, No. 4/06)
3. Law on Agricultural Land (Official Gazette FB&H, No. 02/98, 04/04)
4. Law on Agriculture (Official Gazette FB&H, No. 88/07)
5. Law on Air Protection (Official Gazette FB&H, No. 33/03)
6. Law on Associations and Foundations (Official Gazette FB&H, No. 45/02)
7. Law on Business Companies (Official Gazette FB&H, No. 23/99, 45/00, 2/02, 6/02, 20/03, 68/05 and 91/07)
8. Law on Catering (Official Gazette FB&H, No. 32/09)
9. Law on Concessions (Official Gazette FB&H, No. 40/04, 61/06)
10. Law on Conditions and Method of Carrying Out Wood Sawing (Official Gazette FB&H, No. 27/97 and 25/06)
11. Law on Crafts (Official Gazette FB&H, No. 52/02, 29/03 and 11/05)
12. Law on Environmental Protection (Official Gazette FB&H, No. 33/03)
13. Law on Environmental Protection Fund (Official Gazette FB&H, No. 33/03)
14. Law on Financial Support for Primary Agricultural Production (Official Gazette FB&H, No. 28/04)
15. Law on Forests (Official Gazette FB&H, No. 20/02, 29/03 and 37/04)
16. Law on Incentives for the Development of Small Businesses (Official Gazette FB&H, No. 19/06)
17. Law on Inspections in FB&H (Official Gazette FB&H, No. 69/05)
18. Law on Land Registry (Official Gazette FB&H, No. 19/03, 54/04)
19. Law on Measures for Improving Livestock Production (Official Gazette FB&H, No. 23/98)
20. Law on Nature Protection (Official Gazette FB&H, No. 33/03)
21. Law on Property and Legal Relations (Official Gazette FB&H, No. 06/98)
22. Law on Registration of Business Entities in FB&H (Official Gazette FB&H, No. 27/05 and 68/05)
23. Law on Spatial Planning and Land Use at the Level of the Federation of B&H (Official Gazette FB&H, No. 2/06)
24. Law on the Recognition and Protection of Varieties of Agricultural and Forest Plants (Official Gazette FB&H, No. 31/00)
25. Law on Touristic Activities, (Official Gazette FB&H, No. 32/09)
26. Law on Trade (Official Gazette FB&H, No. 64/04)
27. Law on Veterinary Medicine (Official Gazette FB&H, No. 46/00)
28. Law on Waste Management (Official Gazette FB&H, No. 33/03)
29. Law on Water (Official Gazette FB&H, No. 70/06)
30. Rulebook on Provision of Catering Narrows in Peasant Households (Official Gazette FB&H, No. 35-10)
31. Rulebook on the Classification and Categorization of Facilities Providing Catering Facilities in the Household (Official Gazette FB&H, No. 32-10)
**Kosovo**

1. Law No. 04/L-176 on Tourism
2. Law No. 03/L-027 on Accommodation Tax in Hotel and Tourist Facilities
3. Law No. 05/L-130 on Services
4. Law No. 04/L-121 on Consumer Protection
5. Law No. 04/L-174 on Spatial Planning
6. Law No. 05/L-079 on Strategic Investments in Kosovo*
7. Law No. 02/L-88 on Cultural Heritage
8. Law No. 03/L-181 on Market Inspectorate and Inspective Supervision
9. Law No. 03/L-051 on Civil Aviation
10. Law No. 06/L-161 on Ratification of the Financial Agreement for IPA 2018 between Kosovo* and European Union
11. Law No. 06/L-088 on Amending and Supplementing the Law No. 05/L-042 on Regulation of Water Services
12. Law No. 06/L-113 on Organization and Functioning of State Administration and Independent Agencies
13. Law No. 06/L-016 on Business Organizations
14. Law No. 04/L-179 on Road Transport

**Montenegro**

1. Law on Tourism and Hospitality of Montenegro (Official Gazette of Montenegro, No. 2/18, 04/18, 13/18 and 25/19)
4. Law on Regional Development of Montenegro (Official Gazette of Montenegro, No. 26/11)
5. Law on Rafting (Official Gazette of Montenegro, No. 53/11)
6. Law on Mountain Trails (Official Gazette of Montenegro, No. 53/11)
7. Law on National Parks (Official Gazette of Montenegro, No. 39/16)
8. Law on Food Safety (Official Gazette of Montenegro, No. 57/15)
10. Law on Quality Schemes, Agricultural and Food Products (Official Gazette of Montenegro, No. 22/2017)
11. Law on Tourism Organizations (Official Gazette of Montenegro, No. 011/04, 046/07, 073/10, 040/11, 045/14, 042/17 and 027/19)
12. Law on Residence Tax (Official Gazette of Montenegro, No. 011/04, 013/04, 073/10 and 048/15)
13. Law on Ski Resorts (Official Gazette of Montenegro, No. 40/11 and 21/14)
14. Law on Territorial Organization of Montenegro (Official Gazette of Montenegro, No. 054/11, 026/12, 027/13, 062/13, 012/14, 003/16 and 031/17);
16. Law on Environment (Official Gazette of Montenegro, No. 12/96, 55/00)
18. Law on Forests (Official Gazette of Montenegro, No. 074/10, 040/11 and 047/15)
19. Law on Wild Animals and Hunting (Official Gazette of Montenegro, No. 052/08, 040/11 and 048/15)
20. Law on Investment and Development Fund (Official Gazette of Montenegro, No. 88/09)
21. Law on Inspection (Official Gazette of Montenegro, No. 039/03, 076/09, 057/11, 018/14, 011/15 and 052/16)


23. Law on Higher Education (Official Gazette of Montenegro, No. 044/14, 052/14, 047/15, 040/16 and 042/17)


North Macedonia


10. Law on the ratification of the Agreement between the Government of Republic of Macedonia and the European Commission for the establishment of articles for management and implementation of the financial assistance of the EU for the Republic of Macedonia according to the Instrument for Pre-Accession Assistance in the area of agricultural and rural development IPARD (Official Gazette of RNM, No. 38/16)


15. Law on the Proclamation of the Memorial Complex Kruševo as Cultural Heritage of Partic-
ular Significance (Official Gazette of RNM, No. 95/2012 of 26 July 2012)


18. Law on the Proclamation of National Park Mavrovo (draft)


23. Law on Hunting (Official Gazette of RNM, No. 26/09, 82/09, 136/11, 1/12, 69/13, 164/13 and 187/13)

24. Law on Forest Management (Official Gazette of RNM, No. 64/09, 24/11, 53/11, 25/13, 79/13, 147/13 and 43/14)


32. Law on Crafts (Official Gazette No. 215/2015 of 07 December 2015)


34. Law on Construction Parcels (Official Gazette of RNM, No. 15/2015 of 02 February 2015, 98/2015; 193/2015; 226/2015; 31/2016; 142/2016 and 190/2016)

Serbia

1. Law on Agricultural Land (Official Gazette of the Republic of Serbia, No. 62/06, 65/08, 41/09, 112/15 and 80/17)

2. Law on Agriculture and Rural Development (Official Gazette of the Republic of Serbia, No. 41/09, 10/13 – other laws and 101/16)

3. Law on Catering (Official Gazette of the Republic of Serbia, No. 17/2019)

4. Law on Cultural Goods (Official Gazette of the Republic of Serbia, No. 71/94, 52/11 – other laws, 92/11 – other laws)

5. Law on the Emergency Situation (Official Gazette of the Republic of Serbia, No. 111/09, 92/11 and 93/12)


7. Law on Fees for the Use of Public Goods (Official Gazette of the Republic of Serbia, No. 95/2018)


9. Law on Forests (Official Gazette of the Republic of Serbia, No. 30/10, 93/12 and 89/15)

10. Law on Game and Hunting (Official Gazette of the Republic of Serbia, No. 18/2010)


12. Law on Incentives in Agriculture and Rural Development (Official Gazette of the Republic of Serbia, No. 10/13, 142/14, 103/15 and 101/16)


14. Law on Mining (Official Gazette of the Republic of Serbia, No. 88/2011)

15. Law on National Parks (Official Gazette of the Republic of Serbia, No. 84/2015 and 95/2018 - other laws)


22. Law on State Aid Control (Official Gazette of the Republic of Serbia, No. 51/09)


25. Law on Waters (Official Gazette of the Republic of Serbia, No. 30/2010)

26. Rulebook on small quantities of primary products supplied to consumers, area used for this activity, and derogations applicable to small entities in the animal origin food business (Official Gazette of the Republic of Serbia, No. 111/17)

27. Regulation on the conditions and method of allocating and using funds for encouraging the improvement of tourist turnover of domestic tourists on the territory of the Republic of Serbia (Official Gazette of the Republic of Serbia, No. 119/2017)

28. Regulation on the conditions and methods of allocating and using credit funds for promoting the quality of the tourism offer (Official Gazette of the Republic of Serbia, No. 6/19)

30. Rulebook on the conditions for placing on the market and manner of marking wild game and wildlife trophies, as well as on the manner of keeping records (Official Gazette of the Republic of Serbia, No. 16/2012, 31/2012, 67/2013, 44/2018 - other law)

31. Rulebook on subsidies for income diversification programmes and improving the quality of life in rural areas programmes through support to young farmers (Official Gazette of the Republic of Serbia, No. 29/17 and 33/17)

32. Rulebook on subsidies for income diversification programmes and improving the quality of life in rural areas programmes through support to young farmers (Official Gazette of the Republic of Serbia, No. 30/10, 93/12 and 46/18)
ANNEX II – The Strategic and programming documents of importance for rural tourism based on national reports

Albania

2. Inter-sectoral strategy for agriculture and rural development 2014-2020 (ISARD)
3. National Tourism Strategy 2019 - 2023
4. Albania Rural Development Programme 2014-2020 under the Instrument for Pre-Accession Assistance (IPA) June 2018
5. IPARD II Programme 2014-2020
7. Inter-sectoral environmental strategy 2015 -2020
9. Spatial plans (national, regional, local, special such as nature protected areas etc.)
10. Development Strategy of Protected Areas
11. Integrated Waste Management Strategy (draft), 2018–2033
12. Integrated Programme for the Rural Development (IPRD) – “The 100 Villages Programme”

Bosnia and Herzegovina

The national strategic and programme documents

5. Strategy for Adaptation to Climate Change and Low Emission Development for B&H by 2025, Council of Ministers of Bosnia and Herzegovina 2013
7. The Indicative Energy Strategy of B&H until 2035, Ministry of Foreign Trade and Economic Relations of B&H

The entity strategic and programme documents


3. Mid-term Strategy for Providing Consultancy Services in the Federation of Bosnia and Herzegovina (2017-2021), Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina

4. Spatial Plan of the Federation of B&H, Ministry of spatial planning of the Federation of Bosnia and Herzegovina

5. Spatial Plan of RS, Ministry of Spatial Planning, Construction and Environment of Republika Srpska

6. Strategic Plan for the Development of Agriculture and Rural Areas of Republika Srpska 2016-20, Ministry of Agriculture, Forestry and Water Management


10. Strategy of Agricultural Development of Republika Srpska by 2015,


12. Tourism Strategy for FB&H 2011-2020, Ministry of environment and tourism of the Federation of Bosnia and Herzegovina


**Kosovo***


7. Spatial Plan of Kosovo* 2010-2020+, Ministry of Environment and Spatial Planning, 2010

8. Strategy on Local Self-Government 2016-2026


19. National Long-Life Education Strategy for Sustainable Agriculture in Kosovo*
24. The Youth Strategy 2019 – 2023, Ministry of Culture, Youth and Sports, 2018

Montenegro

1. Programme for the Development of Rural Tourism in Montenegro with action plan until 2019
3. National Strategy for Sustainable Development until 2030
6. Montenegro Tourism Development Strategy to 2020

North Macedonia

1. National Budget of RN Macedonia
2. Fiscal Strategy of RN Macedonia 2018-2020
7. Instrument for Pre-Accession Assistance 2017-2013
8. Instrument for Pre-Accession Assistance 2014-2020
9. Strategy for Tourism Development in Municipality of Tetovo
10. Strategy for Rural Development of Municipality of Tetovo
12. Sub-Strategy for Traditions and Events
13. Sub-Strategy for Development of Sport Tourism 2015-2018
16. Regional Development Programmes (Skopje, Polog, Vardar, Pelagonija, South West, South East, East, North East regions)
18. Strategy for Development of Rural Tourism in Municipality of Pehčevo 2018-2023

Serbia

3. The National Programme for Agriculture for the period 2018-2020 (Official Gazette of the Republic of Serbia, No. 120/17)
4. The National Programme for Rural Development 2018-2020 (Official Gazette of the Republic of Serbia, No. 60/18)
9. The Spatial Plan of the Republic of Serbia, 2010
13. The Tourism Development Programme of the Autonomous Province of Vojvodina for the period 2018-2022, 2018
ANNEX III – Institutions responsible for rural tourism

**Albania**

1. Ministry of Agriculture and Rural Development
2. Ministry of Tourism and Environment
3. Ministry of Infrastructure and Energy
4. Ministry of Culture
5. Ministry of Finance and Economy
6. Ministry of Education, Sports and Youth
7. Agricultural and Rural Development Agency – ARDA
8. Albanian National Tourism Agency (NTA)
9. National Coastal Agency (NCA)
10. Institute of Statistics (INSTAT)
11. Albanian Development Fund (ADF)
12. Albanian Investment Development Agency (AIDA)
13. Institute of Monuments of Culture
15. Albanian Tourism Association (ATA)
16. Union of Albanian Tourism Operators

**Bosnia and Herzegovina**

**National level**

1. Ministry of Foreign Affairs and Economic Relations
2. B&H Foreign Trade Chamber
3. Association of Tourism Agencies (UTAB&H)
4. Association of Hotel Managers and Restaurant Managers B&H (UHiRB&H)
5. B&H Tourism Association
6. Alliance of Mountain Rescue Services in Bosnia and Herzegovina (GSS in B&H)
7. Rural Development Network in B&H

**Entity Level**

1. Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina
2. Federal Ministry of Environment and Tourism
3. Ministry of Spatial Planning of the Federation of Bosnia and Herzegovina
4. Chamber of Commerce FB&H
5. Chamber of Crafts FB&H
6. Tourism Association of FB&H
7. Ministry of Agriculture, Forestry and Water Management of Republika Srpska
8. Ministry of Trade and Tourism of Republika Srpska
9. Tourism Organization of Republika Srpska
10. Chamber of Commerce of Republika Srpska
11. Crafts and Entrepreneurial Chamber of Republika Srpska
Kosovo*

1. Ministry of Agriculture, Forestry and Rural Development
2. Ministry of Economic Development
3. Ministry of Culture, Youth and Sport
4. Ministry of Environment and Spatial Planning
5. Ministry of Local Government Administration
6. Ministry of Trade and Industry
7. Ministry of Finance

Montenegro

1. Ministry of Agriculture and Rural Development
2. Ministry of Sustainable Development and Tourism
3. Chamber of Commerce
4. Ministry of Economy
5. National Tourism Organization

North Macedonia

1. Ministry of Agriculture, Forestry and Water Management
2. Ministry of Environmental Protection and Spatial Planning
3. Ministry of Economy
4. Agency for Financial Support to Agriculture and Rural Development
5. Agency for support of agriculture development – National Extension Agency
6. Agency for Promotion and Support of Tourism
7. Ministry of Transport and Communication
8. Council for Agriculture and Rural Development
9. National Rural Network
10. IPARD Monitoring Committee
11. Inter-sectoral Body for Rural Development

Serbia

1. Ministry of Agriculture, Forestry and Water Management
2. Ministry of Trade, Tourism and Telecommunications
3. Ministry of Economy
4. Ministry of Finance
5. Ministry of Construction, Transport and Infrastructure
6. Ministry of Education, Science and Technological Development
7. Ministry of Public Administration and Local Self-Government
8. Ministry of Labour, Employment, Veteran and Social Affairs
9. Ministry of Health
10. Ministry of Environmental Protection
11. Ministry of Mining and Energy
12. Ministry of Youth and Sports
13. Ministry of Culture and the Media
14. National Tourism Organization of Serbia
15. Intellectual Property Office
16. National Council for Tourism Development
17. National Association of Travel Agencies
18. Municipal Tourism organizations (137)