
POLICY INSTRUMENTS FOR THE DEVELOPMENT OF RURAL TOURISM IN THE LEAST DEVELOPED AREAS OF SERBIA: THE EXAMPLE OF THE MUNICIPALITY OF MEDVEĐA

Tijana Ljubisavljević¹, Miroslav Knežević²

*Corresponding author E-mail: t.ljubisavljevic@gmail.com

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ABSTRACT

The paper analyzes the instruments of rural tourism development policy in the least developed areas of the Republic of Serbia on the example of the Municipality of Medveđa. It is based on the hypothesis that economic policy makers, with new legal solutions, have made it possible for agricultural households engaged in rural tourism to apply for IPARD incentives on an equal basis with other agricultural households. Using the semi-structured interview technique, research was conducted on the importance of IPARD incentives for the development of rural tourism in the least developed areas of Serbia on the example of the Municipality of Medveđa as well on the significance of the synergistic effect of the development of rural and spa tourism in this local community.

Introduction

Agricultural holdings, in accordance with the new legal solutions of the Republic of Serbia, can also engage in rural tourism, which is achieved through the use of IPARD incentives. The use of incentives leads to the development of undeveloped areas that have tourism as an unused potential. The synergetic effect of agriculture and tourism can best be shown through the development of rural tourism, that is, by enabling agricultural farms to engage in rural tourism in addition to agriculture, through which they can, among other things, market their agricultural products.

The first part of the paper explains the incentives for the development of tourism in rural areas, which are available based on new legal solutions. The policy of balanced regional development of the Republic of Serbia is implemented by achieving investments in devastated areas. Investors are allowed to use the IPARD incentive programs, as well

1 Tijana Ljubisavljević, lecturer, Singidunum University, Faculty of Tourism and Hospitality Management, 32 Danijelova St., Belgrade, Phone: +318631017524, E-mail t.ljubisavljevic@gmail.com, ORCID ID (<https://orcid.org/0000-0002-3924-9896>)

2 Miroslav Knežević, Associate Professor, Singidunum University, Faculty of Tourism and Hospitality Management, 32 Danijelova St., Belgrade, Phone: +381642318101, E-mail miroslav.knezevic@singidunum.ac.rs, ORCID ID (<https://orcid.org/0000-0002-5586-7213>)

as incentives for direct investment in spa areas. The Municipality of Medveđa has unused economic potentials for the development of rural tourism and tourism in the area of the spa Sijarinska Banja, which is located on the territory of this municipality. In the second part of the paper, data on the resources and level of development of the Municipality of Medveđa are given, as an example of a local administrative unit (LAU) that is classified by level of development into devastated areas. The third part of the paper presents the research conducted using the semi-structured interview technique on the importance of IPARD incentives for the development of rural tourism in the Municipality of Medveđa.

Incentives for the development of tourism in rural areas

The Law on Amendments and Supplements to the Law on Agriculture and Rural Development (“Official Gazette of the Republic of Serbia”, No. 114/2021) stipulates in Article 2, Point 4 that an agricultural holding is “a production unit where a business company, agricultural cooperative, institution or other legal person, entrepreneur or natural person - farmer performs agricultural production, i.e. performs processing of agricultural products, i.e. performs other non-agricultural activities (rural tourism, old crafts, etc.)”. By amending the aforementioned article, the legislator recognized for the first time as agricultural holdings those engaged in rural tourism. This is an important fact because the activities of rural tourism (and other non-agricultural activities in the countryside) have become equal to agricultural activities when applying for IPARD project subsidies.

The financial instrument of the European Union to help rural development is IPARD. IPARD programs are adopted by the Government, in accordance with Article 7a of the Law on Agriculture and Rural Development, and they are financed from the pre-accession assistance funds of the European Union and the budget of the Republic of Serbia. The Republic of Serbia moderates its rural development policy, among other things, towards the goal of improving the quality of life in rural areas and reducing poverty. In fact, the implementation of the IPARD program is one of the instruments of the agricultural policy and rural development policy of the Republic of Serbia.

Pre-accession assistance instruments (IPA), as one of the European Union’s support to candidate countries, is available in the Republic of Serbia (Glušćević et al., 2017; Luković et al, 2023; Šobić et al., 2023). IPARD represents part of IPA support intended for rural development. IPARD aims, among other things, to develop rural communities and improve the quality of life of the people who live in them.

Four IPARD measures are currently accredited in the Republic of Serbia (Ministry of Agriculture, Forestry and Water Management, Directorate for Agrarian Payments, IPARD EU4Rural Areas, 2021):

“Measure 1 - Investments in physical assets of agricultural holdings for investments in the sector of primary agricultural production;

Measure 3 - *Investments in physical assets related to the processing and marketing of agricultural products and fishery products for investments in the sector of processing agricultural products and fishery products;*

Measure 7 – *Diversification of agricultural holdings and business development for investments in the development of non-agricultural economic activities and improvement of the quality of life in rural areas;*

Measure 9 - *Technical assistance to support the IPARD Governing Body in the implementation of the IPARD II program”.*

Measure 7 aims to support the development of rural areas that are highly dependent on agriculture and the use of natural resources. Measure 7 includes: rural tourism and recreational activities (establishment of “tourist households and recreational zones, modernization of existing tourist facilities, facilities and equipment for recreational fishing, hunting and horse riding, development of tourist catering, equipment for recreational activities”) and renewable energy resources (equipment for facilities, construction and/or reconstruction of facilities). Investments contribute to the development of the rural area, which will lead to new employment and an increase in household income, which will lead to a reduction in the depopulation of these areas. Measure 7 allows “potential users to obtain support for a wide range of investments, such as the construction and reconstruction of accommodation facilities, landscaping, recreational activities, areas for tasting and selling food and beverages, creating a website, purchasing equipment for the production of energy from renewable sources and others” (Ministry of Agriculture, Forestry and Water Management, IPARD Program Management Department, IPARD Management Body, IPARD EU4Rural Areas, 2023).

The Republic of Serbia has great untapped economic potential for the development of rural tourism, which is encouraged precisely by Measure 7 of the IPARD program. Users of this measure can get a return of up to 65% (Ministry of Agriculture, Forestry and Water Management, Administration for Agrarian Payments, IPARD EU4Rural Areas, 2021) of the invested money if they opt for one of the listed investments.

The Annual Report of the Ministry of Agriculture, Forestry and Water Management on the implementation of the IPARD II program for 2022 (2023) confirms that there is a great interest in using incentives that include the establishment of tourist households and recreational zones within the Rural Tourism and Recreational Activities Sector within Measure 7, which in the total number of requests submitted under Measure 7, they have a share of 97.7% with 591 requests submitted. The largest number of requests for using the IPARD program under Measure 7 were submitted for investments to establish tourist households and recreational zones. Eighty-two requests were submitted for the modernization of existing tourist facilities. The largest number of approved requests, according to the aforementioned report, within the Sector of Rural Tourism and Recreational Activities refers to the establishment of tourist households and recreational zones. The value of submitted requests is 17.7 million euros of approved public support, and 34 requests in the amount of 3.2 million euros were approved for

investments in the modernization of existing tourist facilities. The average amount of approved public support for investments for the establishment of tourist households and recreational zones is 175,439 euros, while the lowest average amount of 37,043 euros was achieved per request for investments in equipment for recreational activities.

It is important to note that, in addition to the IPARD program, the state also awards incentives for investment in spa areas that represent untapped economic potential for the development of rural areas, with larger amounts of incentive funds being awarded to investors who are distinguished for investing in less developed areas where the areas of spas are located, and all in accordance with balanced regional development. Article 28 of the Law on Tourism (“Official Gazette of the Republic of Serbia”, No. 17/2019) prescribes incentive funds for the development of tourism that are allocated from the budget of the Republic of Serbia, among other things, for participation in financing projects for the development and improvement of rural tourism and catering. Also, Article 2 of the Law on Investments (“Official Gazette of the Republic of Serbia”, no. 89/2015 and 95/2018) defines the goals of this law, namely “improving the investment environment in the Republic of Serbia and encouraging direct investments in order to strengthen the economic and development, and employment growth”. On the basis of this law, in 2018, the Regulation on conditions and methods of attracting direct investments has been adopted (“Official Gazette of the Republic of Serbia”, No. 18/2018) whose article 4, paragraph 2, stipulates that incentive funds can also be used for “financing investment projects in the sector of hotel accommodation services on the territory of the local self-government unit where the area of the spa was established”. On the basis of this regulation, for the first time, policy makers of attracting direct investments included areas of spas as places where investors can receive incentives from the state for their investments. Already in the following year, 2019, a special Regulation was adopted on determining the criteria for awarding incentives to attract direct investments in the hotel accommodation services sector (“Official Gazette of the Republic of Serbia”, no. 33/2019 and 42/2019). Namely, Article 1 of the said regulation stipulates that “the criteria, conditions and method of attracting direct investments in the sector of hotel accommodation services in spa and climatic zones are regulated more closely”. With the adoption of this regulation, the economic-system framework of the policy of attracting direct investments for investments in the hotel accommodation service sector has been enriched, and potential investors have been offered, in addition to spa areas, a list of climatic zones by investing in which they can obtain incentives from the budget of the Republic of Serbia. Some areas of spas and climatic zones are located in rural areas by entering into which investors would receive higher amounts of incentives (Ljubisavljević, Gnjatović, 2020). Investment incentives can be granted for investment projects in the hotel accommodation services sector with a minimum value of 2,000,000 euros and which ensure the employment of at least 70 new employees for an indefinite period associated with the investment project.

The aforementioned incentive measures, i.e. the IPARD program and incentives granted by the state to investors for investments in spa and climatic zones can have a positive effect on the development of tourism in rural areas.

Resources and level of development of the municipality of Medveđa

The classification of LAU according to the degree of development is prescribed by the Law on Regional Development (“Official Gazette of the Republic of Serbia”, no. 51/2009, 30/2010 and 89/2015 - other law). The degree of development of LAU is compared with the national GDP average. Namely, in accordance with the aforementioned law, there are four groups of LAU according to the level of development. The first group consists of LAU whose level of development is above the national average and they are considered developed. The LAU belonging to the second group have a level of development ranging from 80% to 100% of the national average and they can be said to be at the level of the national average. Furthermore, LAU classified into the third group are underdeveloped and their degree of development is in the range of 80% to 100% of the national average, while the fourth group consists of LAU whose level of development is below 60% of the national average and they are extremely underdeveloped. It is important to note that the fourth group of LAU in terms of development also includes those units whose level of development is below 50% of the national average. This subgroup of the fourth group is considered devastated areas. In 2014, in accordance with the Law on Development, the Regulation was adopted on establishing a unique list of the development of regions and LAU for the year 2014 (“Official Gazette of the Republic of Serbia”, No. 104/2014). LAU has been classified into the first, second, third and fourth groups, as well as the group of devastated areas. The Municipality of Medveđa is in accordance with the aforementioned regulation has been classified into a subgroup of the fourth group, i.e. into devastated areas.

Corrective macroeconomic indicators of the level of development of LAU, in accordance with the aforementioned regulation, are the decrease or increase in the number of inhabitants, i.e. demographic decline or growth, unemployment rate and population density. Demographic growth or decline, in accordance with Article 3 of the aforementioned regulation, is “an indicator of demographic changes and depopulation in the territory of a LAU, measured by the growth rate of the total number of residents of the LAU in the observed year in relation to the Census data from 1971”. A change in the number of inhabitants can be caused by various factors. Some of them are birth rate, mortality, immigration and emigration (Mladenović et al., 2003; Stanciu et al., 2019; Popescu et al., 2017; Popescu et al., 2018) or departure from underdeveloped rural regions to developed ones.

The average rate of demographic decline in the municipality of Medveđa, which is shown in Table 1, was based on the data obtained from the Statistical Office of Serbia (1975, 2022), that is, the number of inhabitants of the municipality of Medveđa from the Census of 1971 and the estimate of the number of inhabitants for the year 2021 and according to the pattern (Mladenović et al., 2003):

$$r = \sqrt[t-1]{\frac{P_i}{P_{i-1}}} - 1$$

where:

r - is an average rate of demographic growth or decline,

P_i - is number of inhabitants in the observed period (estimates of the number of inhabitants for the year 2021),

P_{i-1} - is number of inhabitants in the base period (number of inhabitants from the 1971 Census),

t - the time that passed between the Census in the base period and the observed period.

Population density represents, in addition to the average rate of demographic growth/decline and the unemployment rate, a corrective macroeconomic indicator of the level of development of the LAU. Population density is calculated as the ratio between the total number of inhabitants and the surface area expressed in km². The population density was obtained based on the data of the Statistical Office of Serbia (2022).

The third selected corrective macroeconomic indicator on the basis of which the position of the Municipality of Medveđa in relation to the level of development of the Republic of Serbia can be seen is the unemployment rate. The unemployment rate tells about the living standard of the population. Namely, higher unemployment rates show that the quality of life is worse, and that the population does not have available funds for consumption and the purchase of goods and services.

The unemployment rate, according to Gnjatović and Leković (2019, 72), represents the ratio between the number of unemployed persons and the active population and is calculated as follows:

$$n_a = \frac{N_a}{P_a} \times 100$$

where:

n_a - is an unemployment rate,

N_a - is number of unemployed persons,

P_a - active population (the active population or labor force is the sum of unemployed and employed persons).

The average rate of demographic decline, population density and unemployment rate are shown in Table 1 for the Republic of Serbia and the Municipality of Medveđa in order to show the indicators on the basis of which the Municipality of Medveđa is classified as devastated areas.

Table 1. Average rate of demographic growth or decline, population density and unemployment rate in the Republic of Serbia and the Municipality of Medveđa

Indicators	Total
The average rate of demographic growth or decline based on the number of inhabitants according to the 1971 Census and the estimate of the number of inhabitants for the year 2021	
Republic of Serbia	-0,43
Municipality of Medveđa	-2,46
Population Density	
Republic of Serbia	77
Municipality of Medveđa	12
Unemployment rate	
Republic of Serbia	17,36
Municipality of Medveđa	35,21

Source: Statistical Office of Serbia (1975, 2022)

Analyzing the average rate of demographic decline, it is noticeable that an intensive process of depopulation is present in the Municipality of Medveđa, that is, a decrease in the number of inhabitants. The decrease in the number of inhabitants negatively affects the development of the economy. On the one hand, the labor force is an economic resource that is becoming limited, while on the other hand, the population is a consumer of goods and services, and the decrease in demand for goods and services leads to less consumption and production of the same. With the arrival of investors and the realization of investments, the existing regional differences would be mitigated (Stamenković et al., 2017), the existing population would be retained and new ones would be attracted, and finally a larger labor market and greater consumption of goods and services would be ensured, which further leads to the increase in the production of goods and services and increase in the standard of living of the population.

The Municipality of Medveđa has a very low population density compared to the national average. By connecting the population density with the average rate of demographic decline recorded, it can be concluded that the demographic depletion in this Municipality is very intense and that due to the low population density, i.e. the large dispersion of the population, the problem is both on the supply side and on the demand side. Namely, for the development of tourism as a labor-intensive branch, a population is needed that will participate in the creation of the offer of tourist services, but on the other hand, will also be able to be a user of them on the demand side.

The unemployment rate of the Municipality of Medveđa is 35.21 and it significantly exceeds the national average. It is important to point out that the Regulation on conditions and methods of attracting direct investments from 2018 and the Regulation on determining the criteria for awarding incentives for attracting direct investments in the hotel accommodation services sector from 2019 stipulate that one of the conditions for awarding incentives for investments is that in the area of spas, the employment of at

least 70 new employees, that is, the creation of 70 new jobs. This condition imposes the conclusion that any new investment in rural areas leads to new employment (Gnjatović, 2016) and to a decrease in the unemployment rate. Given that the aforementioned legal solutions were adopted a few years ago, it is expected that the effects of encouraging direct investments will be visible in the coming period, i.e. that new investments in rural tourism in the Municipality of Medveđa will induce the creation of new jobs, increasing employment opportunities and reducing the unemployment rate.

The Municipality of Medveđa has unused natural resources and assets that, if used for the purpose of tourism, can represent the development potential of this municipality. With the development of tourism in the territory of the Municipality of Medveđa, there would be a decrease in unemployment, a decrease in the departure of young people, and there would be a return of the population that had migrated. In this way, the population density would also increase, so all corrective macroeconomic indicators would show relatively more favourable values and the Municipality of Medveđa would be classified as a LAU that is at a higher level of development. Realization of investments with the help of incentives that are determined for the arrival of investors would lead to more even regional development, as a long-term goal (Aničić et al., 2011).

On the territory of the Municipality of Medveđa, the Sijarinska Banja area is also located. In 2006, the Government of the Republic of Serbia determined the cadastral parcels that make up the area of Sijarinska Banja in the Decision on determining the area of “Sijarinska Banja” (“Official Gazette of the Republic of Serbia”, no. 88/06). Based on this decision and the Regulation on conditions and methods of attracting direct investments from 2018, the area of Sijarinska Banja has been designated as one of the potential places for investments in the construction of new or revitalization of existing accommodation facilities for which investors can receive investment incentives from the state. Using these investment incentives, in accordance with the regulation, along with the investments new employment is required. Given that the Municipality of Medveđa is located in a devastated area, if investors decide to invest in the zone of Sijarinska Banja, the state will give them a greater amount of incentives than if they decided to invest in LAU classified into more developed groups. Sijarinska Banja represents the untapped economic potential of the Municipality of Medveđa.

The special rehabilitation hospital “Geyzer” is a health institution in Sijarinska Banja that specializes in rehabilitation, in accordance with Article 30, paragraph 2 of the Regulation on the plan of the network of health institutions (“Official Gazette of the Republic of Serbia”, No. 5/2020, 11/ 2020, 52/2020, 88/2020, 62/2021, 69/2021, 74/2021 and 95/2021). This specialized hospital is on the list of the Ministry of Economy (2015) as one of the 11 special hospitals for rehabilitation that have been put forward for privatization. This specialized hospital operates successfully, and in addition to its main activity, which is the provision of extended rehabilitation services, it also deals with catering (Special Hospital for Rehabilitation Geyzer Sijarinska Banja, 2022). In Sijarinska Banja, in addition to the specialized hospital, there are also private accommodation facilities, which in most cases are located in family households (Tourist

organization Medveđa, 2023). These households, if they are registered as agricultural holdings, can apply for IPARD project subsidies and thus improve their activities in the field of tourism.

Materials and methods

The subject of the research was to explore the effects of the implementation of new legal solutions that enable agricultural households engaged in rural tourism to apply for IPARD incentives on an equal basis with other agricultural households. The aim of the research was to explain the importance of IPARD incentives for the development of rural tourism in the Municipality of Medveđa, which belongs to the least developed areas of Serbia.

Based on the subject and goal of the research, a general hypothesis was defined which reads:

X0 - The least developed areas in the Republic of Serbia offer a number of opportunities for the development of rural tourism.

Specific hypotheses were set on the basis of the general one and they read:

X1 - Economically systemic solutions related to the allocation of IPARD incentives have a positive effect on the development of tourism in rural areas.

X2 - Economic systemic solutions that regulate the allocation of investment incentives have a positive effect on the development of rural areas.

In order to be as objective as possible in proving the set hypotheses, and due to the lack of quantitative data, empirical research was conducted using a qualitative method, using the semi-structured in-depth interview technique. Interviews that were used for research on the views of representatives of relevant institutions and organizations were based on the methodology applied by Johnson, Crooks and Ormond (2015) in a scientific paper on the health system of Jamaica. The respondents' answers were saved in the audio recording and the examiner's notes. All audio recordings have been typed, with the names of the persons who represented the selected institutions and organizations, their functions in the institutions and organizations, with the date and time of each interview. The respondents' statements were grammatically corrected, without changing their meaning.

Representatives of the following organizations responded to the invitation to interview: Tourist Organization of the Municipality of Medveđa and a representative of the Special Hospital for Rehabilitation "Geyzer" in Sijarinska Banja, as well as a representative of an institution: a representative of the Municipality of Medveđa.

Selected respondents were asked questions, grouped into three thematic units: What are the unused economic potentials of the Municipality of Medveđa? How much encouraging the development of agricultural households engaged in rural tourism would contribute to its development as well as the development of spa tourism and

vice versa? What is the role of the Municipality of Medveđa in creating a positive environment for attracting investments?

Results and discussions

By answering the first group of questions, the respondents explained the economic specificities of their LAU, especially from the aspect of tourism development. Both the representatives the aforementioned institution and organizations spoke about the key unused economic potentials of the Municipality of Medveđa.

Through the analysis of the conducted interviews, it was determined that the key economic potential of the Municipality of Medveđa is tourism, that is, the development of the Sijarinska Banja area, which is located on the territory of this LAU. The development of tourism is possible, among other things, thanks to the untouched nature, which is suitable for the development of agriculture and organic production and the marketing of these products through tourism. According to the representatives of the Municipality of Medveđa, natural resources can be used for the development of animal husbandry, wood industry and mines (Pantović et al., 2022). In the vicinity of the Sijarinska Banja, there is Caričin Grad, which, due to its historical importance and archaeological sites, represents a tourist potential, as stated by the representative of the Municipality of Medveđa.

The representative of the Tourism Organization of the Municipality of Medveđa stated that the Special Rehabilitation Hospital “Geyser” was created in the 1990s using the accommodation facilities of a hotel that could not survive by dealing exclusively with commercial services in tourism. He explained that Sijarinska Banja had a lot of unused potential that would be better utilized by building at least two more hotels, but that would require the arrival of investors. Also, as the respondent from the Tourism Organization of the Municipality of Medveđa stated, “for the construction of the hotel, there would have to be an investment in the sense of arranging the spa and improving the superstructure at the destination itself.” The representative of the Special Rehabilitation Hospital “Geyser” pointed out that there is also a water polo pool in Sijarinska Banja, but that it is necessary to invest in covering and heating it in the winter months in order to extend the tourist season to the whole year. The specificity of this spa is the existence of a geyser, which is a source of thermo-mineral water with a temperature of 71 degrees, in the vicinity of which there are pools, which also represent economic potential.

As stated by the representative of the Tourism Organization of the Municipality of Medveđa, the Sijarinska Banja reached its peak in 1978, when the largest number of guests was recorded, which at that time was around 18,000. Respondents from aforementioned institution and organizations pointed out that there is only the Geyser Hotel in Sijarinska Banja. Namely, the representative of the Tourism Organization of the Municipality of Medveđa stated, among other things, that “in 1954, the first hotel with 120 beds, called Belgrade was built, and that in 1974 it was adapted and expanded into a hotel with 267 beds. Since then, the name of the hotel has been changed to Hotel

“Geyser”. The representative of the Municipality of Medveđa pointed out that in 2010 there was a plan to build a new hotel whose investors would be from Russia, but that this investment was not realized.

The representative of the Municipality of Medveđa stated, among other things, that that local government has started to invest in Sijarinska Banja, but that it is necessary to invest in the development of agricultural households in order to increase their accommodation capacity and engage in rural tourism.

All respondents agreed that there is room for better utilization of the healing factor. According to the respondents from the Tourism Organization of the Municipality of Medveđa, the potential of the healing factor in Sijarinska Banja is huge. In the 1990s, research was carried out and a well was made, from which a stream of water was obtained at 85 degrees. The thermal energy of this water is currently used only for heating a specialized hospital, but with investments, it could be used for heating other facilities on the territory of the Municipality.

Also, according to the representative of the Geyser Special Rehabilitation Hospital, the construction of a wellness and spa center in Sijarinska Banja and the completion of the restoration of the Roman bath belonging to the specialized hospital are planned. Then, the representative of the Municipality of Medveđa pointed out that it is planned to build a factory for bottling sour water on a plot of 3 ha in front of the entrance to Sijarinska Banja. With this investment, water utilization would be higher.

The second group of questions posed to respondents was related to encouraging the development of agricultural households engaged in rural tourism, that is, how much encouraging the development of agricultural households would contribute to the development of rural tourism as well as the development of spa tourism and vice versa.

The analysis determined that there were no realized investments in the territory of the municipality of Medveđa with the help of the IPARD project, and there were no investment incentives in the area of Sijarinska Banja.

Representatives of the aforementioned institution and organizations claimed that it would be good if some of the investors recognized the potential of rural tourism in the Municipality of Medveđa, as well as in Sijarinska Banja as a potential for investment, and that the level of incentives they receive for investing in devastated area would help a lot in that process. Respondents explained that there are no private investors, but the state invested in the development of health tourism. Namely, the representative of the Municipality of Medveđa stated that with the help of the state, the following investments have been realized or are in the process of being realized. First, the Ministry of Economy financed 40 million dinars for the reconstruction of a bathroom, while the Ministry of Tourism approved funds for the construction of a wellness and spa center, the construction of which is expected in the coming period. According to the representative of the Tourism Organization of the Municipality of Medveđa, the position of the Sijarinska Banja in the devastated area is also recognized in the subsidies

that the state gives for the use of vouchers for accommodation facilities in Sijarinska Banja,. Namely, there are no luxury resorts in Sijarinska Banja, the guests have a lower paying capacity, so the state subsidy in the form of a voucher of 5,000 dinars increases the number of overnight stays.

All respondents from the aforementioned institution and organizations were aware of the positive impact of IPARD and investment incentives on the development of rural tourism in agricultural households and the area of Sijarinska Banja. They all agreed that IPARD and government incentives are a necessary condition for attracting direct investments in the Municipality of Medveđa. They particularly pointed out to the problem of emigration of young people from their homeland hoping that investments in rural tourism could stop this negative trend.

The third group of questions related to the activities that the municipality of Medveđa carries out in order to create the best possible environment for attracting direct investments. The municipality of Medveđa is a scattered municipality with a large area, but with small budgets, according to the words of all the representatives of the examined institutions and organizations. The representative of the municipality points out that small funds are invested in improving the business environment to attract direct investments and that higher levels of government help them to make investments in road and communal infrastructure. The representative of the municipality of Medveđa, among other things, stated that they are ready to speed up the process of granting the necessary permits if an investor decides to invest in tourism in their municipality. engaged in the development of a project that would apply to the relevant ministries for the allocation of funds for the realization of the necessary investments in, for example, pool covering, water heating and construction of additional sports and recreational facilities. Also, the distance of the municipality from the highway is another obstacle for creating a favorable business environment.

The analysis of the answers of the respondents has shown that the specific hypotheses X1 (Economically systemic solutions related to the allocation of IPARD incentives have a positive effect on the development of tourism in rural areas) and X2 (Economically systemic solutions that regulate the allocation of investment incentives have a positive effect on the development of rural areas) have been proved. Namely, by using IPARD incentives and government incentives granted for investments in spa areas would increase the number of accommodation capacities in rural areas. This would increase the number of tourists, create new jobs and reduce unemployment, increase the income of households engaged in tourism, and lead to the development of the entire rural area in which the Municipality of Medveđa is located.

Conclusions

The conducted research proved the general hypothesis X0 - The least developed areas in the Republic of Serbia offer a number of opportunities for the development of rural tourism. Namely, the example of the Municipality of Medveđa shows the great

unused economic potential of the devastated areas. In addition to untouched nature, this Municipality has natural healing factor - water, which can be better used by investing in accommodation facilities in the area of Sijarinska Banja with the help of incentives. Also, rural tourism can be developed by using IPARD incentives that have a positive effect on the development of tourism in households that, in addition to carrying out agricultural activities, can dare to market their agricultural products to tourists staying in their households. The new legal solutions related to the IPARD project and incentives for spa areas show that the Republic of Serbia wants to support the development of tourism in rural areas. Positive effects of these economic systemic solutions will be visible in the coming period. With their application, balanced regional development goals could be carried out. The research showed that while new legal solutions represent an incentive for investments in rural and spa tourism, the Municipality of Medveđa needs the help of the state to create a favorable business environment for their realization.

Conflict of interests

The authors declare no conflict of interest.

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