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Rural Tourism in the Republika Srpska: Political Framework and Institutional Environment

^aSinisa BERJAN,^b Hamid EL BILALI, ^cGordana RADOVIC, ^aBorko SORAJIC, ^bNoureddin DRIOUECH, ^cAdriana RADOSAVAC

^aFaculty of Agriculture, University of East Sarajevo, Bosnia and Herzegovina

^bCIHEAM-Mediterranean Agronomic Institute of Bari, Italy

^cFaculty of Agriculture, University of Novi Sad, Serbia

*Corresponding author: sinisaberjan@yahoo.com

Abstract

The entity of the Republika Srpska (RS) in Bosnia and Herzegovina has great natural, cultural, gastronomic, religious and historic potential for rural tourism development. Rural tourism encompasses a range of activities, services and amenities provided by farmers and rural people to tourists. It includes agro-tourism, farm tourism, nature tourism, ecotourism, wine tourism, etc. The paper aims at analyzing the political, legal and regulatory frameworks as well as the governance of rural tourism in the RS. It is based on an extended literature review and primary data collected through structured questionnaires carried out in summer 2012 with 45 rural tourism operators and 49 municipality dwellers in 11 municipalities in the RS. The competencies in tourism and rural development are mostly at the entity level. Support to rural tourism development in the RS is provided by the Ministries of Agriculture, and of Trade and Tourism. The main strategic documents dealing with rural tourism in the RS are: Law on Tourism; Law on Hospitality; Tourism Development Strategy 2011-2020; and Rural Development Strategy (RDS) 2009-2015. Many measures are foreseen in the RDS for rural tourism development: promotion of rural tourism; improvement of touristic services provision; and organizational support and capacity building. There are limited dynamics and coordination between involved stakeholders e.g. ministries of agriculture and tourism, municipalities, touristic organizations, donors, rural households, etc. Legal framework and institutional environment for rural tourism development have considerably improved in the recent period. However, there is room for improvement in particular regarding governance and rural hospitality tax regimes.

Keywords: Rural tourism, policy, governance, Republika Srpska, Bosnia

Introduction

Bosnia and Herzegovina (BiH) consists of two governing entities i.e. the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS). The situation in BiH is very peculiar as regards governance issues: alongside decentralisation efforts towards local government units a centralization process from the entities to the central State is ongoing (Coletti and Stocchiero, 2011).

The official statistics confirm that tourism is one of the fastest growing sectors in BiH (Bejtović, 2008). Tourism is a growing sector also in many Bosnian rural areas and can create new employment opportunities and increase the overall attractiveness of these areas. Rural areas have many places of natural beauty to draw upon, including mountains, rivers and forests (MoFTER, 2007).

Primary producers and rural communities have increasingly turned to tourism as an alternative means of achieving sustainable economic growth and development through restructuring and greater diversification of economic activity (Hall, 1997). Rural tourism is considered as a form of alternative tourism. Alternative tourism can be viewed as being synonymous with the concept of sustainable tourism development (Holden, 2000). Rural tourism encompasses a huge range of activities, attractions, amenities and facilities (Sharpley and Sharpley, 1997 in Irshad, 2010). According to Gopal et al. (2008), tourism is termed rural when the rural culture is a key component of the product on offer. Depending on the primary activity component of this product, the terms used are agri-tourism; green tourism and eco-tourism; or gastronomic, equestrian, nautical, hunting, adventure,

historical/cultural tourism and so on (Gopal et al., 2008). In Europe 'rural tourism' is usually used to describe agri-tourism (tourism on farms) but expands to encompass basically all tourism activities in the countryside (AEIDL, 1995).

Tourism has a wide range of positive livelihood impacts, many of which go beyond monetary benefits. Tourism in rural areas offers a viable option for livelihood diversification. Moreover, tourism considerably expands rural households' economic prospects by improving education, health, physical amenities and financial assets (Shakya, 2011).

What makes BiH unique as tourist destination is this mixture between the cultural and natural heritage of the country (Bejtović, 2008). BiH has unlimited capabilities to develop rural tourism in its rural areas (Vujovic, 2007 in Čejvanović et al., 2013). Nurkovic and Dzeko (2014) identified rural tourism as a factor of development of economic activities in Bosnian rural areas taking into consideration rural economy diversification trend and the positive outlook of the global tourism industry. From a diversification point of view the types of tourism that BiH could consider focusing on include: cultural heritage, religious heritage, soft adventure, and eco-tourism. BiH is already well positioned especially in eco-tourism that has been recognized as an area for strategic development (FAO-ROECA, 2012).

The RS has many comparative advantages that can be exploited for rural tourism development (Radovic et al., 2013): beautiful nature; variety of village types (Pannonian, mountain and Mediterranean); traditional hospitality; authentic gastronomy; rich cultural and historical heritage; preserved tradition of old crafts; and various events held in rural areas.

The paper aims at analysing the political, legal and regulatory frameworks as well as the governance of rural tourism in the RS. In particular, it provides an overview of the main policies, laws and institutions dealing with rural tourism at entity and local levels.

Material and Methods

The paper is based on an extended literature review and primary data collected by structured questionnaires carried out in summer 2012 with 45 rural tourism structures owners or managers and 49 villagers and municipality dwellers in eleven municipalities of the RS entity in BiH: Vlasenica, Han Pijesak, Milici, Zvornik, Kalinovik, Rogatica, Visegrad, Pale, Bratunac, Sokolac and Foca.

Apart from data about respondents (name, age, level of education, municipality) different issues were addressed with different actors:

- o Rural tourism structures owners and managers: type of rural tourism facility; principal clients; if rural tourism is the primary business; whether rural tourism is a family business; peak season; the main difficulties faced during the running of the facility; resources that could be used for the development of rural tourism in the area; suggestions to attract more tourists; evaluation of the activities of the local government for the improvement of the area attractiveness; institutions and organizations that supported the process of business development and how; collaboration with other actors for rural tourism activities development; and level of access to some infrastructure systems and services.

- o Villagers and municipality dwellers: suggestions to attract more tourists; assessment of the activities of the local government in the field of rural tourism; suggestions of important activities that can be coordinated to initiate rural tourism activities; and sources of advice and information on rural tourism.

The age of the interviewed rural tourism entrepreneurs ranges between 22 and 66 years; average is 43. As for education level, most of the interviewees have high school education (77.7%) while the remaining has university (13.4%) and elementary school (8.9%) education. Meanwhile, the average age of the interviewed villagers and municipality dwellers is 38 (minimum: 17, maximum: 69). As for education level, 76% of them have high school education, 18% of them reached university while 6% of the interviewed villagers have only elementary school education.

Results and Discussion

Analysing the legal framework regulating the field of tourism in BiH, several key conclusions emerge, among them being the one referring to the need of forming a stronger institutional framework. The current legal framework is obsolete, incomplete and does not stimulate tourism development. All the more so, given that the current legal framework is undefined. Furthermore, this legal framework abounds in inadequate regulations for quality management and development (Dowes, 2008). This has implications also for rural tourism.

Many institutions and organisations are involved in the governance of tourism industry in general and rural tourism sector in the RS. These include (Bejtović, 2008; Coletti and Stocchiero, 2011; Draganic, 2011): Ministry of Trade and Tourism; Ministry of Agriculture; Commission to Preserve National Monuments of BiH; vocational associations in the tourism sector; international organisations (USAID, SIDA, GTZ, UNDP, etc.); the European Commission; training and education

institutions; RS Association of Municipalities and Cities; tourism organisations and associations; tourist information centres; others (sport associations; public utility companies; ethno-villages authorities; associations of agricultural producers, honey producers, and wine makers; funds for regional development, etc.).

The main strategic documents that deal, directly or indirectly, with rural tourism development in the RS are those regarding rural development and tourism. These include (Radovic et al., 2013): Law on Tourism; Law on Hospitality; Tourism Development Strategy 2011-2020; Strategic Plan for Rural Development 2009-2015; Regulation on registration of entities dealing with rural tourism; and Book of Rules regulating services in rural households.

The competencies over rural and tourism development are completely with the entity level (Draganic, 2011; Coletti and Stocchiero, 2011). Support to rural tourism development in the RS is secured mainly through the Ministry of Agriculture, Forestry and Water Management and the Ministry of Trade and Tourism (Radovic et al., 2013).

Rural tourism is considered one of the important strategies for the diversification of rural livelihoods and economies in the RS Rural Development Strategic Plan 2009-2015 (FAO-ROECA, 2012). The Strategic plan predicted improvement of the quality of life and the introduction of diversity of income generation in rural economy (3rd strategic goal), particularly through improvement and development of rural tourism services. The RS Government is expected to implement the following measures: promotion of rural tourism; improvement of capacities in providing touristic services; and organizational support to rural households and capacity building related to tourism service provision (Draganic, 2011).

Rural tourism is a novelty within the touristic sector in the RS. Data from the beginning of 2009 show no registered households in the RS providing rural tourism services. The current offer is limited to several households that provide rooms or houses in rural areas but most of them are not registered for these activities (Draganic, 2011). There are only 45 registered households doing business in rural tourism in the RS (Radovic et al., 2013).

Different types of rural tourism facilities and structures can be found in the surveyed area. These include: cottages, houses / apartments,

restaurants, small hotels, camping sites, motels, horse farms, youth hostels, travel agencies. The clientele include foreign tourists as well as locals and visitors from other Bosnian municipalities. For most of the interviewed rural tourism structures owners and managers (86.7%) rural tourism is the primary activity and the main source of income. In addition, for a large share of them (45.5%) rural tourism is a family business.

To develop tourism, different types of budget allocations are foreseen within the budget of the RS for (Radovic et al., 2013): (a) designing programs of tourism development; (b) promoting certain tourist destinations; (c) implementing projects in environmental protection and cultural heritage preservation; and (d) improving tourism infrastructure. The entity Ministry of Agriculture provides continuous support since 2008 for rural tourism development. In the period 2008-2012, 372,648 convertible Marks (KM) were allocated as non-refundable grants aimed at rural tourism development and 63 projects were co-financed (Radovic et al., 2013). In the RS Rural Development Strategy it is planned to invest around 4 million EUR until 2015 for implementing measures to improve and develop rural tourism services (Draganic, 2011). The entity Ministry of Trade and Tourism allocated grants to improve tourism offer and products including rural tourism. It financed 78 projects through the open call in 2012; 11 projects were in rural tourism. Moreover, it allocates start-up grants to tourist agencies and tourist organizations which promote rural tourism (Radovic et al., 2013).

In addition to entity financial allocations, resources for financing rural tourism come also from local budgets. In fact, certain municipalities (Bijeljina, Rogatica, Trebinje, Kalinovnik, Knežev, Sokolac, etc.) recognized the importance of rural tourism development and planned allocations for developing this tourism industry (Radovic et al., 2013).

There are currently no recorded initiatives for more decentralisation of competencies related to rural development and tourism (Coletti and Stocchiero, 2011). Competences of municipalities and cities in the field of tourism/rural tourism are defined according to the RS's Law on Local Self-Government of 2004 (Local Self-Government Strategy of 2009). Municipalities, such as Trebinje municipality (box 1), have provided a strategic framework within their local development strategies for rural tourism (Draganic, 2011).

Box 1. Political framework and institutional environment for rural tourism in the municipality of Trebinje.

Trebinje Municipality is one of 62 municipalities in the RS. Beside local administration, set within 7 departments and employing 165 officers, the local government has some competences over social protection, local fire department, communal police, primary health, elementary/secondary education and some shared competencies with the upper level (Draganic, 2011). The competencies over rural tourism are shared with the local level but are mainly centralised at entity level. Nevertheless, the municipality of Trebinje is putting in place different initiatives in the field of rural tourism, for example defining a strategic framework for rural tourism within its local development strategies. Competence at the local level is shared by the municipality through the office for rural development within the Department for Economy and the local Touristic Information Centre (Coletti and Stocchiero, 2011). Also, other important local players in this field are wine makers and honey producers, who consider that their offer will find customers through the expansion of the rural tourism concept in the territory (Draganic, 2011).

Tourism sector in general and rural tourism sector in particular face many challenges that are slowing down its development (Hesse, 2008): country's multiple layers of administration and legislation, and the lack of reinforced state level coordination; lack of a coordinated national tourism policy and strategy; low effectiveness and productivity of institutional relationships; fragmented regulatory framework and approach to tourism development and control; lack of an overall marketing and promotion strategy for BiH as a whole; etc. Another problem is the rigid tax administration rules, which immediately recognize households dealing with rural tourism as all other tourism structures so as tax payers in hospitality industry (Radovic et al., 2013).

The main difficulties in running rural tourism facilities are lack of financial resources, high VAT and other taxes, and low number of guests in winter. Other difficulties faced by rural tourism providers regard procurement of goods, infrastructure maintenance, lack of qualified staff, lack of support from local authorities, complicated legal system and legislation, and outdated infrastructure and equipment. Added to these are problems regarding municipal infrastructure and services. In fact, in many rural municipalities there are still problems regarding water, sewage, waste disposal, electricity, telephone line, cellular phone signal and internet. Moreover, rural tourism remains mainly a seasonal activity.

Many of these problems are due to the general legal and legislative framework as well as socio-economic context so state and/or entity coordinated actions are needed.

According to the rural tourism structures managers, visitors are attracted by: typical food and drinks, diversified services offer, natural surroundings and landscape beauty, quality of services, food quality, architectural and cultural heritage. According to the interviewees, the main

resources that could be used in the future for the development of rural tourism are: traditional villages; agricultural resources; natural resources (forests, streams, rivers, lakes, mountains, caves); cultural heritage (rural folklore) and old buildings (churches, monasteries, traditional houses); existing tourism facilities (hotels, ski centres, horse farms); traditional food and cuisine. However, some rural tourism structures owners and managers think that there are few tourist attractions at the level of municipalities as many were destroyed during the civil war. Moreover, there are some current problems that hinder tourism development (e.g. low quality of infrastructure and services).

Apart from accommodation, rural tourism structures provide a wide range of products and services including food, recreational activities and organization of celebrations. Diversification of services implies building new partnerships and collaborations. In fact, many of the offered services are arranged in collaboration with other stakeholders such as other catering/tourist facilities, local authorities (e.g. municipal councils), local communities, NGOs, tourism organizations. Therefore, rural tourism create networks of people even outside the local community and these networks stimulate discovery of new local resources and eventually the creation of new activities that can be converted into rural tourism products and services.

Most of local dwellers (92%) think that tourism can help increasing income and generating more employment opportunities. However, many of them think that this is a long-lasting process and requires good investments. Others highlighted the need for a long-term local rural tourism development strategy in order to reap these benefits. They further emphasized the multiplier effect that tourism can have on other sectors of the local economy especially agriculture. Therefore, local authorities should consider tourism as a

priority sector. Some villagers alleged that the sector is still underdeveloped and there are no rural tourism strategies at the level of the concerned municipalities.

Most of the interviewed rural tourism operators (77.8%) declared that they received no help from any organization to develop their tourism business. The remaining stated that RS Government and the municipality provided them with credit and subsidies while they got advice and assistance from some tourist organizations and the Association of Tourist Agencies.

The majority of the contacted rural tourism structures owners and managers consider the activities of local authorities in the field of rural tourism as unsatisfactory. They also highlighted that there is little support and help from the state and entity governments. Some of them explained that by the lack of interest of local governments in rural tourism as well as the lack of a clear vision and strategy for its development. In fact, there are no concrete publicly funded projects for rural tourism development. Nevertheless, some of the respondents think that local authorities are doing their best taking into consideration the financial and

human resources that they have at their disposal in a context of general crisis.

Most of the interviewed villagers think that their municipalities have great potential for rural tourism that is still not properly exploited. This is especially the case in the municipalities of Foca, Milici, Bratunac, Kalinovik, Han Pijesak and Zvornik. Inhabitants of Visegrad, Sokolac and Pale have more positive perceptions about rural tourism in their municipalities. Generally speaking, almost all the interviewees think that municipal councils should do more to develop rural tourism in their municipalities. The most critical ones are the inhabitants of Foca, Milici, Bratunac, Kalinovik, Han Pijesak, Sokolac and Zvornik. Meanwhile, dwellers of the municipalities of Vlasenica, Visegrad and Pale were somehow more benign.

Villagers' assessment of the activities of the local government for the development of rural tourism changes from a municipality to another. However, while most of them appreciate and value the effort made by municipalities they highlighted that it is not enough and that more should be done to unlock the growth potential of rural tourism in their respective areas (Table 1).

Table 1. Assessment of the activities of the local government for the development of rural tourism by municipality dwellers.

| Municipality | Summary of villagers' opinions |
|---------------------|--|
| Vlasenica | More effort needed in order to promote the potential of the municipality through all the media Local authorities do something but not enough and should be more engaged Local authorities are doing nothing to improve this area They do enough in accordance with their capabilities They should invest more in tourism development |
| Foca | Municipality devotes some attention to tourism development but not enough Local authorities are not involved enough |
| Milici | Local authorities are not active in rural tourism field Tourism as a branch is considered as not attractive and not to generate high profit No investments in rural tourism |
| Bratunac & Visegrad | Local authorities are insufficiently engaged Very few activities in the field of rural tourism |
| Kalinovik | Local authorities are insufficiently engaged in rural tourism development |
| Han Pijesak | Authorities do not show interest to develop tourism and are insufficiently engaged |
| Sokolac | Very few and badly coordinated activities No support and funds to rural tourism operators |
| Zvornik | Municipality is not so interested in rural tourism and its activity is minimal |
| Pale | Local authorities do not make enough effort There is no worth mentioning activity in this field |

Rural dwellers approach different institutions to get advice for rural tourism initiatives such as municipalities (86%), tourist organizations (57%), international NGOs (29%), local civil society

organisations (12%), agricultural extension and advisory service (24%) but also look for advice and guidance from other villagers or neighbours (31%). Other institutions include banks and credit

institutions as well as the entity Ministry of Trade and Tourism.

There are limited dynamics between relevant stakeholders in rural tourism area – the RS Ministry for Trade and Tourism, the RS Ministry for Agriculture, municipalities, local touristic organizations, donors, households, etc. The rural tourism situation is far from satisfactory (Draganic, 2011; Coletti and Stocchiero, 2011).

Rural tourism structures managers and local people made many suggestions to attract more tourists to their municipalities: increasing investment in rural tourism and socio-economic development of rural areas; better promotion and marketing of tourism using different media; creation of new tourist attractions (ethno villages, ski resorts, festivals, sport and cultural events, open days); improvement of service delivery and quality in rural areas; paying more attention to environment protection and natural and cultural heritage preservation; renovation of hotels and tourism facilities (old village houses, ski centers); improving human capital especially skills related to rural tourism services management; development of new tourism services in some municipalities (running trails, cycling, excursions, hiking, hunting, fishing, horse riding, paragliding, adventure and eco-tourism, winter tourism, traditional food restaurants). That requires increasing municipality, entity and state funding to rural tourism. Suggested activities include also a better organization of the rural tourism sector through categorization of rural households, making an inventory of rural accommodation facilities, and preparing a register of rural tourism services providers. The establishment of local tourism organizations and agencies would help better coordinate and organize the rural tourism offer. Some tourist organizations already exist but coordination between them can be further improved.

Tourism development in Bosnia requires consolidating legal, political and strategic frameworks; improving tourism standards, services and infrastructure; ensuring more harmonised marketing and promotion; creating a more favourable environment for investment; strengthening capabilities of the support structures; and improving integration of tourism with general development plans in rural areas (Bejtović, 2008; Hesse, 2008).

Conclusions

Bosnia in general and the RS in particular have great potential for rural tourism development. Development of rural tourism can contribute to sustainable regional rural development. Rural tourism has a high potential as a strategy for the

diversification of rural households' livelihoods. The expansion of tourism in rural areas can sustain and create local incomes, employment and growth; contribute to the costs of providing economic and social services; encourage the development of other sectors; and contribute to environmental and cultural resources conservation.

In Bosnia, the competencies in tourism and rural development areas are mostly at the entity level. In the Republika Srpska, rural tourism is mainly under the responsibility of the Ministry of Agriculture and the Ministry of Trade and Tourism. Many measures are foreseen in the RS Rural Development Strategy 2009-2015 for rural tourism development. However, there is a limited coordination between the relevant stakeholders in this area especially at local level.

Entity legal framework and institutional environment for rural tourism development have considerably improved. Nevertheless, entity and municipalities financial support is insufficient for a strong development of this sector. Moreover, tax regimes are still unfavourable for rural tourism development. Development of rural tourism requires consolidating legal, political and strategic frameworks and creating a more favourable and enabling institutional environment.

Tourism development is going ahead slowly but in the right direction at local level. That being said, there is still wide room for improvement. Development of rural tourism is hindered by many difficulties. Therefore, it is necessary to adopt an integrated approach for designing local strategies for rural tourism development with the involvement of all relevant actors.

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