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Swiss Agency for Development  
and Cooperation SDC



# Market analysis of the tourism industry in *Zlatibor County*, Serbia



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## Executive Summary

The Private Sector Development (PSD) programme is a three-year programme in South-West Serbia sponsored by the Swiss Agency for Development Cooperation (SDC), and implemented by the Regional Development Agency (RDA) Zlatibor. The **overall objective** of the programme is to contribute to income and employment creation in the region by facilitating market development in sectors that have growth potential. In selecting sectors for development intervention, one of the key concerns has been their relevance for young people, in order to counter the growing threat of migration away from the region. **Three sectors** have been selected: tourism, fruits and berries, and dairy and meat processing. This report presents the findings of the market analysis for the tourism sector.

Tourism has been selected for three main reasons:

- **Relevance:** The industry currently employs more than 3,000 people, and is increasingly playing an important role in the region as source of income and employment. It offers a wide range of different professional opportunities, ranging from low to high-skilled professions, which are particularly interesting for young people. Furthermore, the tourism industry is a crucial consumer market for other interconnected local product and service markets.
- **Growth potential:** The Zlatibor County is one of the most popular tourist destinations in Serbia. However, tourist arrivals have been fairly constant over the past years and gains are still grossly unequally distributed between municipalities in the district (Cajetina has by far the biggest market share). Overall competitiveness has become under threat, as Serbia is increasingly exposed to the regional and international tourism market. Nevertheless, the PSD programme believes that there is good and more inclusive growth potential if some of the underlying systemic causes for underperformance are addressed.
- **Intervention potential:** The project found development intervention in the tourism

industry very feasible, especially given the large number of potential partners. All municipalities in the programme region have identified tourism as one of their priority areas, which promises a good basis for cooperation. Anticipated changes in the sector match with the PSD programme's overall objectives of income and employment creation, and intervention areas have been identified that promise feasible leverage with given programme resources.

The PSD project uses a **market development facilitation approach**, which is gaining increasing recognition worldwide. As such, the PSD programme is among an increasing number of projects worldwide that stress the importance of creating long-term, sustainable **systemic change** to markets that are important to a large number of people as a source of income and employment. Within Serbia, the PSD programme is a pioneer; it regards itself not as a direct provider of solutions (as many other programmes do), but as a catalyst for regional players to take on essential market functions or performing them better.

**Four intervention** areas have been identified as the result of an extensive **market analysis** conducted by the PSD programme team, which aimed at identifying problems in the industry that prevented more inclusive growth, and tried to understand the systemic root causes for these problems. Certainly, there are many other problems the industry faces (most importantly infrastructure), but the following four were seen as the most feasible for PSD programme intervention:

- **Human resource development:** The ability to meet customer preferences for high quality services in a growing international market environment is essential for the overall competitiveness of the industry. Although four vocational schools for tourism exist in the Zlatibor County, the private sector is not satisfied with the quality of graduates and has increasingly resorted to informal in-house training. Apart from being costly, this has implications on the overall quality standard of services, as well as the inability of small businesses to access skilled labour. The PSD programme aims to establish better **cooperation mechanisms** between schools and private sector in order to ensure that the requirements and needs of the industry are met.
- **Regional marketing:** In order to attract more tourists to the Zlatibor County and spread gains more evenly, it is absolutely essential to find a common and effective public-private approach to promoting regional attractions, touristic products and services. Though this is one of the main tasks of the tourist organisations, no such regional marketing approach exists. There is furthermore a lack of market research that would help to shape the regional touristic offer. The project therefore aims at initiating a process that will lead to the establishment of a sustainable **consumer research function**, an inventory of the regional touristic offer, and a dialogue process between public and private sector that will lead to a **regional marketing plan** and the implementation of **pilot marketing projects**.
- **Innovation in rural tourism:** In order to distribute gains in the tourism industry more evenly across the district, it is important to find mechanisms that stimulate innovation and start-ups of tourism businesses in a rural environment. A larger and more

widely distributed offer of touristic products and services will increase also the overall attractiveness of the region as tourist destination, and therefore benefit all market players. So far efforts have focussed on providing direct support to rural entrepreneurs and village communities, however with limited effect, and rural entrepreneurs still lack access to essential services to support them in setting up a touristic business. The PSD programme will therefore facilitate the establishment of a **model of embedded services** that aims at increasing the flow of knowledge and information between national travel agencies, local travel agencies and individual entrepreneurs in rural areas.

- **Cooperation and coordination:** In order to overcome systemic constraints in the tourism industry and address issues of joint interest, coordination and cooperation between different market players is absolutely necessary. Individuals are weak, but jointly they can tackle the problems. Coordination in the industry is currently very weak: a sense of rivalry overweighs in the private sector with only very limited and informal forms of cooperation; coordination between public agencies in order to find a common promotion approach to tourism is non-existent; public-private cooperation is only sporadic and on an individual basis. Through its interventions in the other areas, the programme aims at improving the cooperation between different market players, and also increasing **coordination within the private sector** by supporting the **Chamber of commerce** in playing a lead role in this regard.

The findings of the market analysis and the intervention strategies will be presented to a wider audience of stakeholders from the tourism industry in March 2010. From here on, the programme will seek partnership with relevant stakeholders to implement above mentioned intervention strategies over the next period of 2-3 years.





# 1. Background

**The following section provides a brief introduction to the Private Sector Development (PSD) project and the project region, briefly explaining the essence of the market development approach used during the project and outlining the reasons for selecting the tourism industry for development intervention.**

## 1.1 Project overview

The Private Sector Development (PSD) project is implemented by the Zlatibor Regional Development Agency on the territory of southwest Serbia, focusing on the municipalities of Arilje, Nova Varos, Priboj, Prijepolje, Cajetina and the City of Uzice – all of which are part of Zlatibor County. It is funded, with CHF 1.65 million, by the Swiss Agency for Development and Cooperation (SDC) over a period of three years, starting in May 2009 and ending in April 2012.

The overall goal of the project is to facilitate the preservation and growth of income and employment opportunities in Zlatibor County – especially for young people – by overcoming systemic constraints to economic growth and competitiveness in selected industries. Three sectors have been chosen as the project's main focus areas over the coming three years: tourism, meat and dairy processing, and fruits and berries – all of which are believed to boast a competitive advantage in the region and/or the potential to generate more income and higher employment.

### Box 1: Regional Development Agency Zlatibor

The RDA "Zlatibor" was founded as a non-profit company in mid 2008 through a transformation of the Regional Centre for SME Development (founded 2002). The foundation is the result of a public-private partnership – both public and private organisations are represented in the RDAs steering assembly.

The "Zlatibor" Regional Development Agency is a knowledge-based organization and a catalyst for the socio-economic development of Zlatibor District.

The mission of Zlatibor Agency is to foster the sustainable socio-economic growth and stability of Zlatibor Region through creating healthy communities, prosperous businesses and job opportunities by means of strategic planning, promoting adequate business environment, territory marketing and implementation of community development initiatives.

The Regional Development Agency Zlatibor, promoting an adequate institutional framework and strengthening territorial cohesion, initiates and enables sustainable regional partnerships of responsible stakeholders of the socio-economic development of Zlatibor District. It assists in defining priorities and implementing measures of regional development facilitating analyses and discussions and providing counseling to stakeholders.

The new PSD project support the RDA Zlatibor for playing a more strategic and facilitating role in the process of European integration.

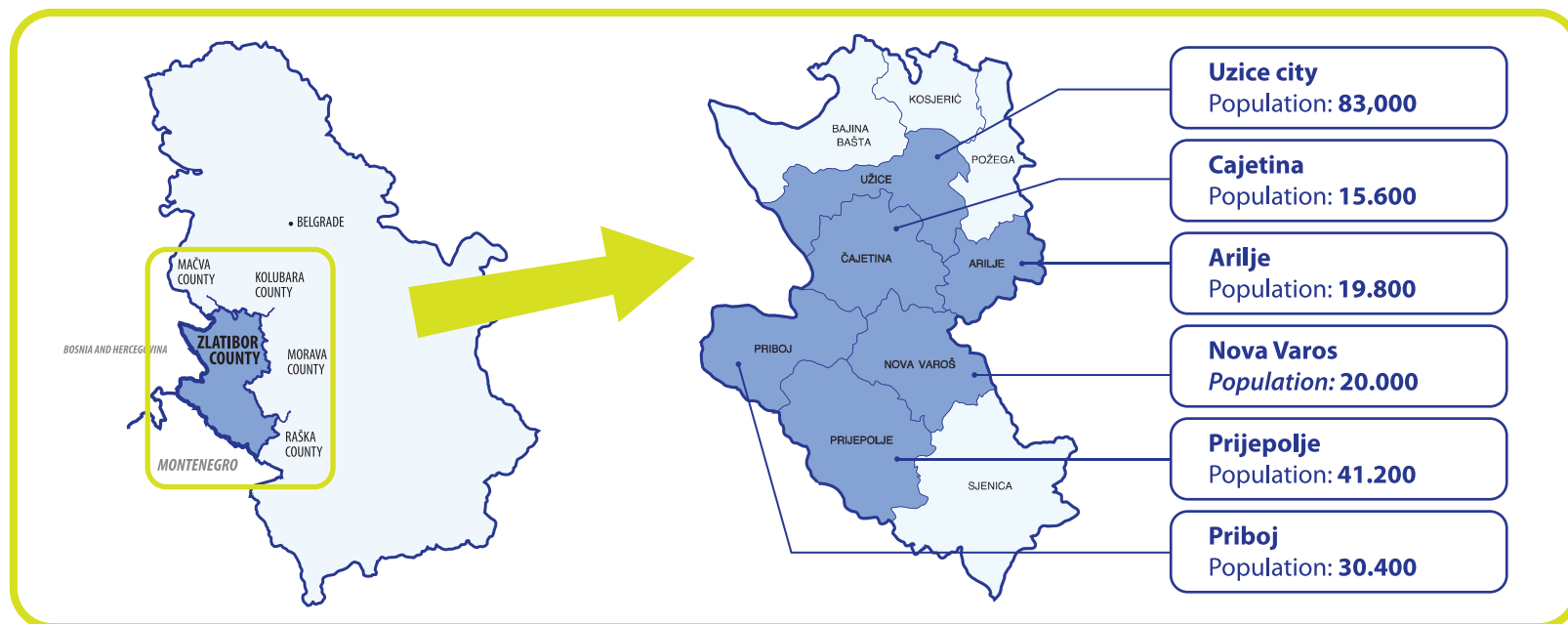
More information: [www.rrazlatibor.co.rs](http://www.rrazlatibor.co.rs)

## 1.2 Why SDC selected Zlatibor District

As previously mentioned, the project operates in six municipalities of Zlatibor County, which is located in southwest Serbia. The district shares international borders with Bosnia and Herzegovina to the west and Montenegro to the southwest. It also borders four other Serbian districts to the north and east. In terms of land area (6,141km<sup>2</sup>) and number of settlements (380), it is the largest district in the country. In total, Zlatibor County incorporates ten municipalities. Its western and southern areas are mountainous, while the county's north-eastern part is flat and largely occupied by agricultural cultivation (55.8%).

Prior to the economic restructuring period of the 1990s, the area's main industrial activities included textile production, metal processing, mining and manufacture of construction materials. In 2006, exports from Zlatibor County totalled \$784 million - four per cent of Serbia's total foreign trade - mainly due to trade in non-ferrous metal products (aluminium and copper). However, added value is low and many companies operating in these industries have ceased to function after being unable to compete with world markets, subsequently leading to significant increases in the number of unemployed in the region. The region has significant natural resources and the dominant sector today is the processing industry (the production of metals and standard metal products has the highest participation (28.1%) within the structure of the processing industry, followed by other non-metal minerals (18.8%) and the production of textiles and textile products (11.9%)). This region participates greatly to Serbia's overall production of the following: raspberries (40%), potatoes (10%) and plums (5%). In the agricultural industry, the most developed sectors are: meat production, meat processing and the production of smoked meats (ham, sausages, bacon etc.), the production of milk and dairy products (cheese and cream), production of natural brandies with geographically protected origins and production of herbs and forest fruits (mushrooms, wild strawberries, blueberries, junipers etc.). There are also capacities for the production of juices, fruit syrups, jams, marmalades, stewed fruit and vegetable products. Zlatibor County is one of four key tourism centres in Serbia, supported by the agribusiness and food processing industries that feed into the tourism industry's supply chain.

## Box 2: Zlatibor district and project target municipalities



Zlatibor County has a total population (according to the 2002 census) of 313,396, which marks a fall of 5.7% compared to the previous census of 1991. It is 4.2% of Serbia's total population of 7.5 million citizens. Poverty in this area is significant and the average unemployment rate is 31.3% (2009.). Young people in particular are facing difficulties in identifying attractive income and employment opportunities in the region and are, therefore, drawn to urban centres beyond the region, such as Belgrade and Novi Sad. This migration poses a serious threat to the overall socio-economic prospects of the region, as businesses increasingly face severe shortages of skilled labour.

Poverty in the district is exacerbated by the average monthly income of just €369, which is below the national average (see Table 1 below). Discrepancies in poverty levels between the region's urban and rural areas remain worryingly high – Vojvodina and Western

Serbia (which includes Zlatibor County) recorded the largest discrepancies in Serbia in 2007<sup>1</sup>.

The average unemployment rate is a staggering 33.8% for the whole of Zlatibor County<sup>2</sup>. There are, however, big differences between municipalities – as illustrated here by categorisation according to the Human Development Index:

- Kosjeric, **Uzice** and **Arilje** are in the group of the **most developed municipalities** in Serbia
- Pozega and **Cajetina** are in the group of **developed** municipalities
- Bajina Basta and **Nova Varos** belong to the group of **averagely developed** municipalities
- **Priboj** is **undeveloped**
- **Prijepolje** and Sjenica are in the fifth group of (“the most undeveloped” or “**insufficiently developed**”) municipalities.

**Table 1: Population and poverty figures**

Municipality	Population		Total population (2008)	Unemployment		Income		Human development index (HDI) 2002 - 2007
	Total population (1991)	Total population (2002)		Unemployment rate in 2002	Unemployment rate (2009)	Average income per month in 2009 (EUR)	Average income per month in 2009 (RSD)	
Uzice	82.723	83.022	83.601	16,34	20,45	421	42137	
Arilje	20.335	19.784	20.567	18,88	16.54	321	32090	
Prijepolje	46.525	41.188	43.148	23,24	50,41	313	31291	
Cajetina	15.996	15.628	16.132	15,36	13,67	325	32535	
Nova Varos	21.812	19.982	21.606	17,73	43,05	372	37222	
Priboj	35.951	30.377	32.753	33,76	47,79	280	27955	
<b>Zlatibor district</b>	<b>302.228</b>	<b>313.396</b>	<b>325.997</b>	<b>19,82</b>	<b>31,3</b>	<b>369</b>	<b>36893</b>	<b>0,792 - 0,810</b>
<b>Serbia</b>	<b>7.381.579</b>	<b>7.498.001</b>	<b>7.334.935</b>	<b>25,32</b>	<b>26,6</b>	<b>436</b>	<b>43597</b>	<b>0,772 - 0,826</b>

**Sources: Republic Statistic data and National Employment Service<sup>3</sup>**

- 1 Statistical office of the republic of Serbia (2007): Living standards measurement study – Serbia 2002-2007, for World Bank and DFID, Belgrade.
- 2 According to the National Employment Service
- 3 Data from NES is unofficial

High migration rates, especially among young people, coupled with a high unemployment rate throughout the district, low incomes – especially in rural areas – and major discrepancies in development among municipalities all point to an urgent need for development intervention to sustain and promote income and employment opportunities in Zlatibor County. Young people are particularly in need of a prospective future. This is why SDC is supporting the region through its PSD project, implemented by the Zlatibor RDA.

## 1.3 The market development approach

The PSD project uses a market development approach (known as the “Making Markets Work for the Poor (M4P)” approach), which is gaining increasing recognition among development agencies worldwide. As such, this PSD project is among an increasing number of projects worldwide that stress the importance of creating long-term, sustainable systemic change to markets that are essential to a large number of people as a source of income and employment. PSD is a pioneering project in Serbia, among the first to establish this approach that builds on the following four key elements:

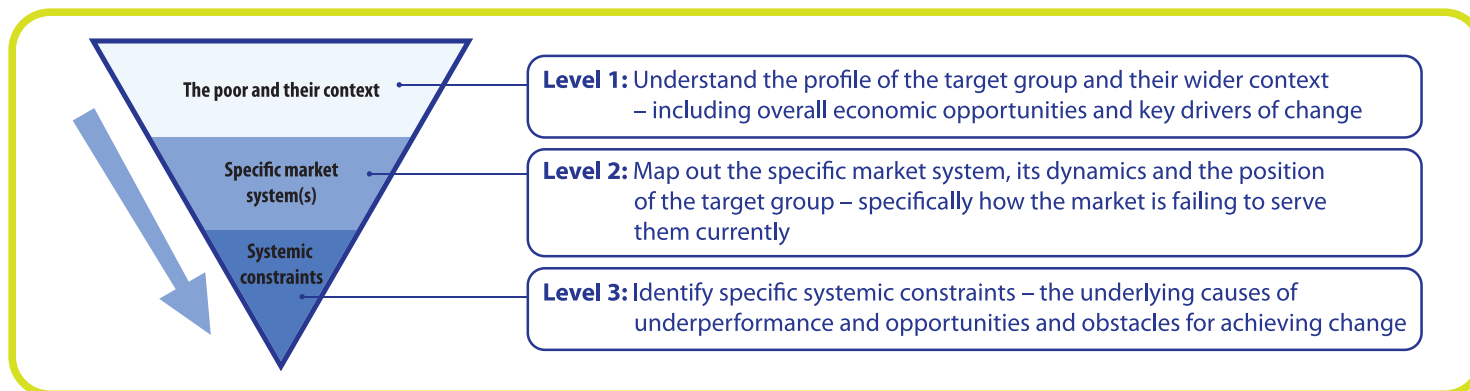
- **Understanding of market systems:** The market development approach is built on intensive research and analysis to develop an in-depth understanding of the target market and underlying constraints on the wider system. Accordingly, it seeks to distinguish the symptoms of underperformance from their root causes. This process of research and analysis enables the project to provide stakeholders in the target markets/region and beyond (e.g. the development community) with clear and informed strategic advice.
- **Targeting systemic change:** The PSD project aims to achieve systemic change to the markets it intervenes in – i.e. change in the underlying causes of market system performance - typically in the rules and supporting functions - that lead to the more effective, sustainable and inclusive functioning of the market. By focusing interventions on systemic change, the PSD project distinguishes itself from conventional development programmes that tend to provide direct solutions to enterprises, but are limited in their outreach and sustainability.
- **Focusing on sustainability:** By focusing interventions towards creating systemic solutions, sustainability lies at the core of the market development approach. The project defines sustainability broadly as the market’s ability to ensure that a relevant array of goods and services continue to be offered to, and consumed by, the target group beyond the period of its market intervention. It is, thus, led by two key considerations: a) who will take responsibility for performing essential market functions in the future; b) how will these be financially sustained.
- **Intervention through facilitation:** Through the PSD project, RDA Zlatibor is continuing its own strategic re-orientation from a

direct SME service provider to a facilitator for regional economic development. This means playing a more strategic role as regional development vehicle, building more strongly on market research and analysis to provide stakeholders with strategic guidance and stimulate them to assume responsibility for performing certain functions. Essentially, facilitation is about stimulating others to take action based on their incentives and capacities to do so. This change of roles also allows the RDA to play a more vital and regionally strategic role in the process of EU integration.

The complete market intervention process is illustrated in Box 3 shown below. According to this, the PSD project began work on a “context analysis” in May 2009, which was aimed at developing a better understanding of the target group (unemployed, youth, women, “the poor”) and their socio-economic context. As a result of this, **the project selected three markets for further intervention: tourism, fruits and berries, dairy and meat processing.**

Using a phased approach – whereby interventions in each of the three markets would follow each other gradually – the project then conducted an **in-depth market analysis of the tourism industry** (level 2 in the figure below, the findings of which are summarised by this report) to understand the structure and dynamics of the tourism industry, as well as the constraints that hinder its more intensive and inclusive growth. As a result, the project identified **four key intervention areas** (see Chapter 4) that will form the project’s main focus over the coming two years.

### Box 3: M4P – a process that seeks to distinguish causes from symptoms



Source: The operational guide for the M4P approach

## 1.4 Why tourism was selected for market development intervention

Besides the fact that tourism is one of the priorities of all of the targeted municipalities<sup>4</sup>, the tourism industry was selected as one of the three markets for development intervention for the following reasons:

- **Relevance to the regional economy:** The tourism industry is of significant importance to the region, as mountains Zlatibor and Tara are both among the most popular tourist destinations in Serbia. It is also estimated that the industry employs about 3,000 people (1,148 are employed in hotels and restaurants alone<sup>5</sup>) and involves about 333 households in rural tourism, thus being a significant motor for income and employment creation in the region. Although there is an uneven distribution of tourist figures across the municipalities (with Cajetina the most popular), there is potential to further broaden the industry's income and employment opportunities across the district. Accordingly, the impact of interventions promises to be large-scale.
- **Potential for creating income and employment:** As a service-oriented industry, tourism offers a wide range of different professional activities, ranging from low-wage services to highly skilled professions – all of which are particularly interesting for young people. Furthermore, the connection between tourism and other local sectors (e.g. food processing, handicraft or transportation) promises to widen the income and employment effect in the region. The project supports the notion that growth in the industry can be accelerated and made more inclusive to provide greater income and employment opportunities.
- **Intervention potential:** Although the tourism industry encompasses a wide range of activities, the PSD project found that, from a systemic point of view, there was sufficient scope for project intervention (e.g. in the training system, regional promotion, research and development etc.). Furthermore, the industry offers a wide range of potential implementation partners with whom the project could work – particularly considering that tourism is given high priority on the agendas of municipalities.

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<sup>4</sup> Abstract from Strategies is in Anex 2

<sup>5</sup> This is the official figure. It is however estimated that the number of people working in hotels and restaurants is much higher, given also various informal activities.

## 1.5 Structure of the report

The current market analysis report is structured as follows: Chapter 2 attempts to map the tourism industry and analyse key supply and demand trends. It concludes by describing the overall challenges being faced by the industry (symptoms of underperformance). Chapter 3 then looks more closely at some of the underlying causes of the wider market system that prevent accelerated and more inclusive growth of income and employment. Chapter 4 first outlines the overall strategic rationale for interventions in the tourism industry (i.e. introducing a possible vision for change) and continues by describing the key intervention areas and strategies that the project has chosen to focus on during the coming two years. Chapter 5 concludes this report by outlining the next steps.



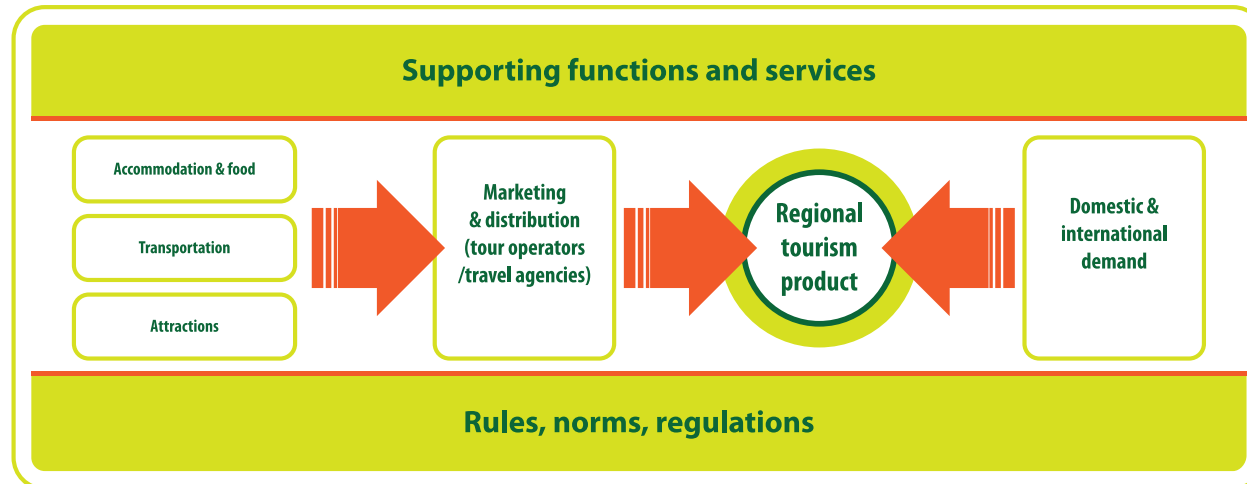
## 2. The tourism market

The following chapter analyses the tourism market by first mapping out and analysing the main components of the regional tourism offer (supply side), before looking at the demand side and describing some of the trends in the industry over the past few years. The chapter concludes by outlining the key challenges faced by the tourism industry in Zlatibor County.

### 2.1 The regional touristic offer

The tourism industry is very broadly defined, encompassing the wide variety of activities of a typical tourist – starting from planning a trip (information, booking, travel arrangements etc.), travel to the holiday destination (transportation and infrastructure), the stay itself (attractions, food and accommodation, activities etc.), the return journey and subsequent reflections (processing of photographs, souvenirs, experience sharing etc.). This demonstrates that the development of an attractive regional tourism offer involves a diverse range of activities and actors. Product creation in the tourism industry can be summarised and illustrated as follows<sup>6</sup>:

#### Box 4: What constitutes an offer in tourism?



6 Source: Subsector analysis of the tourism industry in Negros Occidental, Small Enterprise Development for Sustainable Employment Program (SMEDSEP), GTZ (2005).

In order to support the creation of a regional tourism product and its offer to domestic and foreign tourists, a variety of support functions (such as staff training, financial services, coordination, research and development etc) and rules (such as quality standards, food safety regulations etc.) are required. The following sections outline some of the key components of Zlatibor County's tourism offer.

## *2.1.1 Attractions and other touristic offers*

Zlatibor County is renowned as a popular tourist destination throughout Serbia. This is thanks mainly to its impressive natural environment and appeal for recreational activities. Accordingly, a variety of attractions and tourism offers have emerged, such as health-related offers, rural tourism, sports activities, various public events etc. The following section describes some of these attractions and tourist offers. The Zlatibor District is known throughout Serbia as a popular tourist destination. This is mainly owed to its impressive natural environment and attraction for recreational activities. Around this, a variety of attractions and touristic offers have emerged such as health-related offers, rural tourism, sports activities, a variety of events, etc. The following section describes some of these attractions and touristic offers.

### **Natural environment and resources**

The target area's top tourist destinations are the mountains of **Zlatibor** (Tornik, 1.496 alt.), **Tara** (1.544 m alt.) and **Zlatar** (1.625 m alt.), as well as the territory of the **Tara National Park**<sup>7</sup>. Mounts Zlatibor and Zlatar are both listed as unique winter and summer destinations of Western Serbian, thanks to their natural wealth and beauty: their mountain slopes are ideal for winter sports and the construction of ski resorts, while the summer months see the mountains' vast, beautiful landscapes entice visitors seeking nature breaks beside rivers and lakes, along panoramic roads, through lush meadows, large forested areas, springs, canyons, gorges and even caves and deep pits<sup>8</sup>. Cajetina municipality boasts protected nature zones, as well as the **Uvac special nature reserve**, which is home to the largest colony of griffon vultures in the Balkan region. Zlatibor and Zlatar are also popular amongst tourists as spa resorts boasting health-inducing qualities and a favourable climate. The region features beautiful rivers (Drina, Lim, Uvac i Rzav) and numerous lakes (Perućac,

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7 Founded in 1981, occupies an area of 19,175 ha. It has about 1,100 protected plant and 273 animal species.

8 In the area of Zlatibor 142 speleologic objects are explored – 98 caves and 44 pits

Zlatarsko, Radojinsko lake, Vrutci, Zaovinsko, Ribnicko lake and many others) with potential for the development of water sports and marine tourism. In addition to Mount Tara's peaks, limestone caves, canyons and white-water sections, the stunning Tara also offers an amazing canyon along the River Drina.

## Health-related offers

Health tourism is popular and available yearround here. The region's health tourism offer caters for various diverse needs and includes: preventative care, rehabilitative treatment, wellness and fitness training, as well as special daily, weekend and anti-stress programmes. The project area includes **three rehabilitation centres**. Among them, the **Zlatar RH centre** offers special body mass regulation and blood pressure programmes, while an ideal local continental-mediterranean climate beneficial to the respiratory system and anaemia problems. **Pribojska Spa** boasts its own rehabilitation centre with departments offering physiotherapy treatment and rehabilitative care. At the very heart of the spa lie its several prized thermo-mineral springs, with a capacity of close to 300 litres of water per second and a soothing constant temperature of 37°C. The old *Stara Banja* spa, with a single swimming pool, was constructed above the main hot spring, while the new *Nova Banja* spa includes three swimming pools. Pribojska Spa has been renowned since Roman times for the healing powers of its thermo-mineral springs. Beneath the spa complex and surrounding area sits a vast underground cold water reservoir, known as Murtenicko Lake, which is itself atop a 900km<sup>2</sup> hot water lake with an average water temperature of around 60°C. Zlatibor's mountain air has a mild therapeutic effect that can benefit pulmonary and thyroid gland disorders, as well as helping visitors generally convalesce. Zlatibor's Cigota Special Hospital for thyroid gland and metabolism diseases also offers, in addition to its health programme, a special anti-obesity programme for both adults and children.

## Events

The region's many events and happenings include art exhibitions and installations, theatrical performances and plays, film art, recitals and numerous festivals, fairs, cultural events, business happenings and sporting occasions. The region of Southwest Serbia hosts over 70 notable events annually – equating to almost 11% of the 650 significant events that take place in Serbia each year. Organised public events represent an important aspect of our region's

tourism potential. Events in the culture and arts category attract the most attention (six international events<sup>9</sup> and over 20 regional and local events), followed by **sporting events**<sup>10</sup> (two international and around a dozen national events), local brands **fairs**<sup>11</sup>, **music festivals** (for children, ethno music, rock etc.)

## Rural tourism

Opportunities for tourism in rural settings are developing ever more. Some **55 villages** are involved in rural tourism within the area incorporated in the PSD programme. Moreover, in addition to the standard rural accommodation offer, there are examples of a more complete tourism offer. In the Zlatibor village of Sirogojno, for example, there is a unique ethno park acclaimed for its seamstresses who pass down the local art of knitting and spinning wool generation after generation. The village of Gostilje in the shadow of Mount Zlatibor boasts the attractive **Gostilje Waterfall**, though developing this feature as a tourist destination would require construction of an access road, parking area visitor facilities and landscaped footpaths. Mokra Gora's top attraction is **Cira**, the old steam train that snakes its way up Sargan Mountain for 13.5 kilometres along the famous Sargan Eight narrow gauge heritage railway, through twenty tunnels and over many viaducts and bridges. Another top Mokra Gora destination is **Mecavnik**, an ethno village made entirely of wood collected from other old villages. Famous local film director Emir Kusturica built this village on top of Mecavnik Hill (with the help of state infrastructure funding) and the settlement comprises Kusturica's house, St. Sava Church, the Mecavnik Hotel, cafes, restaurants, sporting facilities (including a gym, swimming pool, basketball/handball courts), a medical centre and a boutique cinema. The village of Zlakusa t near Uzice is home to the reconstructed **Terzica Avlija** ethno-park, winner of the National Award for Rural Tourism in 2008.

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- 9 The Yugoslav Theatre Festival in Uzice, Graphical-Art Biennial "Suva igla" in the City Gallery of Uzice, Kustendorf Film Festival on Mecavnik, Tourist and Eco Film Festival on Zlatibor, Bridges of the Balkans in Prijepolje, Inter-republic festival of youth theatre in Priboj, International Tambourine Festival in Uzice.
- 10 European rafting cup in Prijepolje, International Lim biathlon Priboj – Rudo, diving from the old railway bridge and water polo tournament in Uzice, diving jumps in Prijepolje, Night slalom on Zlatar, Prijepolje cup in sport fishing, "Dragoslav Divac" Memorial Paragliding Cup, Extreme Sports Camp in Prijepolje, Regatta on Radionsko and Uvacko Lake and tourist-sports events in Nova Varos.
- 11 Dried meat products fair in Mackat, home-made plum brandy fair in Sljivovica, honey fairs, Cheese and honey festival on Zlatar, festival of fruit brandies "Zestival" in Uzice.

## Sports and recreational activities

A great tourist lure for our region is presented by the offer of winter sports on our famous mountains. The Tornik Ski Centre includes four ski trails, as does Mount Tara's Iver Ski Centre though only one is in regular use). There are two ski trails on Mount Zlatar, serviced by a single existing ski-lift, and the area is home to over 20 ski instruction schools working with novice guests. Additionally, Zlatar and Zlatibor have relatively high quality offers for **athletes' conditioning**: with five-a-side football pitches, volleyball, handball and basketball courts, indoor and outdoor swimming pools, pool halls, fitness and bodybuilding clubs, coupled with the ideal altitude and pure mountain air, these two mountains provide excellent conditions for training athletes and teams from anywhere in the world. Summer basketball camps, a paragliding school, tennis school, swimming lessons and the aforementioned ski schools are all organised. Mount Tara offers exceptional conditions for the development of almost all forms of **recreational tourism**. Its favourable climate, high percentage of sunny days and areas of natural beauty provide conditions for a pleasant holiday, relaxing strolls and exhilarating mountain climbing – made possible thanks to existing marked mountaineering trails and hiking routes.

## Special interests

The area's broad offer of special interest activities includes pleasure trips, scenic tours, exploratory excursions, exotic tours, cruises, individual river or lake sailing offered by boat owners, round trips on lakes and rivers, rafting, camping, cycling, horse riding, hunting, fishing and caving. The target area also offers **rafting and cycling**, headlined by the annual International Lim Biathlon Priboj–Rudo and having gained international recognition in 2009 when the European Rafting Cup was held in Serbia for the first time; **potholing and caving**, with over 100 caves and pits, including the Potpecka Pecina - one of the most important caves in western Serbia; and a **hunting tourism** offer that includes two wolf hunts and a hunting fair.

## Cultural and historical sites

The coupling of culture and tourism is made possible thanks to the area's rich and diverse monastic complexes, also classed as cultural heritage sites, the large number of temples of differing faiths (in Prijepolje, for instance, culture and civilization are intertwined through the local Catholic church, Orthodox church and mosque) and cultural monuments, complemented by a large number of galleries, museums, artistic societies, art colonies, various culture centres, libraries,

numerous amateur societies and an historical archive that can provide a pleasant and eventful visit even for transit tourists.

### Corporate tourism

Business and corporate tourism incorporates seminars, high-level meetings, training courses, teambuilding, and educational programmes, business fairs, exhibitions and conventions. The quality of accommodation capacities in the target municipalities currently limits the congress tourism offer to only three hotels, while a further two are used for seminars and training courses.

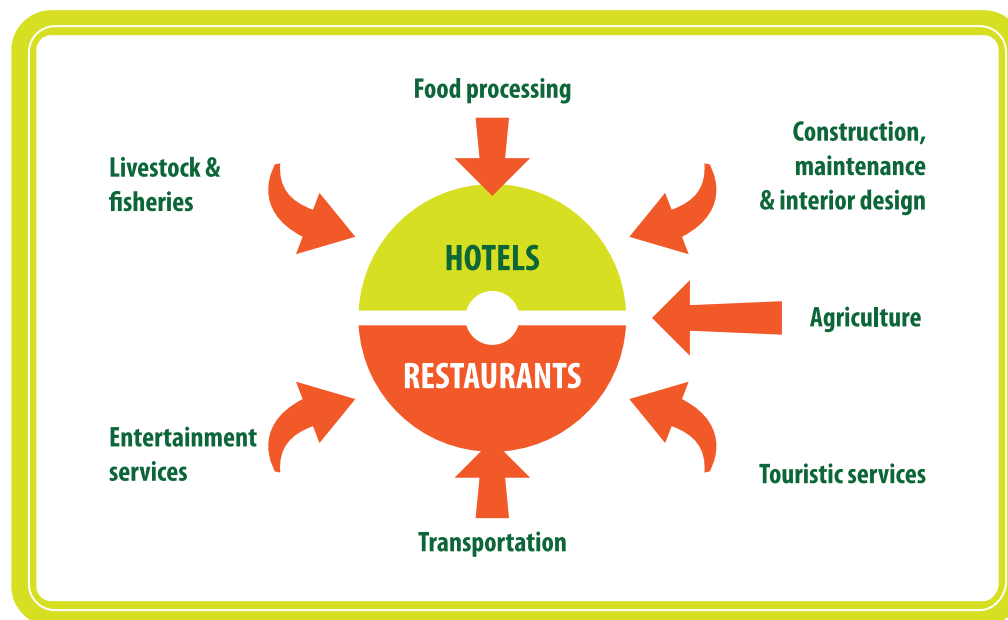
### Transit tourism

International borders with Bosnia & Herzegovina and Montenegro provide for greater levels of transit of both people and goods circulating in the cross-border region, which leads to tourists who plan to head onwards spending a day or two enjoying destinations in this area.

## 2.1.2 Tourism facilities and services

Tourism facilities and services here mainly refer to accommodation and food services. Both are essential in providing tourists with a comfortable and pleasant stay around the above mentioned regional touristic offer and attractions. Not only are they an essential part of the regional touristic offer, but they also play an important role as consumer markets for other local sectors such as the food processing industry and agriculture, transportation services, entertainment services etc. ***A stronger use of local products and services in hotels and restaurants will therefore have a positive demand-effect on other local industries and promote wider income and employment creation that goes beyond the tourism industry.***

### Box 5: Hotels and restaurants as market for other interconnected local industries



### Accommodation

The Zlatibor district's 29 hotels include 22 that are privately owned and seven in state hands. Apart from these seven hotels, **three rehabilitation centres** and **seven resorts** are also state-owned. The total number of beds is almost equally divided between state (2,575) and private hotels (2,571). Of the six project municipalities, Zlatibor has the most beds (50.7%), Uzice is second (30.1%), followed by Arilje, Nova Varos, Priboj and Prijepolje which make up for the remainder. In terms of accommodation quality, 45 per cent of hotels are **three-star**, 30 percent are **two-star** and 25 per cent boast **four stars** (Table 2). However, the 'quality' situation is not quite as it appears, simply because some hotels were awarded their four-star status many years ago and have not enhanced their services or upgraded accommodation since, while

newer hotels were awarded their star status according to new criteria. The construction of two modern five-star hotels is planned on Zlatibor. These facilities will provide special services and significantly improve the offer on the mountain. Apart from private and rural accommodation, hotels and motels, the municipalities in the project area boast a great number of working resorts, rehabilitation centres and uncategorised hotels and motels. Most tourists visiting the area and seeking overnight accommodation, indeed as much as 80 per cent, opt for hotels or self-catering accommodation of at least three stars. This ensures that the quality of facilities plays a significant role in attracting tourists.

**Table 2: Hotel classifications and respective capacities**

Municipality	Hotels/beds **	Hotels/beds ***	Hotels/beds ****	Number of beds in categorized hotels	Other facilities	Number of beds in other facilities	Total number of beds in hotel accommodation
Arilje		1/120		120			120
Nova Varos	1/238	1/9		247	2	360	607
Priboj	1/147			147	1	98	245
Prijepolje	1/104			104	1	28	132
Užice	2/181	2/604	2/183	968	1	53	1021
Čajetina	1/26	5/1231	3/371	1628	13	1395	3023
<b>Total</b>	<b>6/696</b>	<b>9/1964</b>	<b>5/554</b>	<b>3214</b>	<b>18</b>	<b>1934</b>	<b>5148</b>

Source: Tourism organization and hotels

The area's officially registered rural accommodation capacities account for a total of **1,712 beds** within **333 households** in 55 villages. This number, however, does not provide a true picture of the actual available functional accommodation capacities, as a large number of households underwent categorisation without intending to offer tourist accommodation or failed to offer the minimum standards required for guest accommodation. Moreover, a number of households offer rooms for rent and provide adequate conditions but have not been categorised and, thus, are not officially registered. Precisely how many such rural households exist is difficult to estimate, though estimates suggest that there is around a third as many as those categorised.



**Table 3: Accommodation capacity in rural areas**

Municipality	Number of villages	Number of households	Number of beds	Average number of beds per village	Average number of beds per household
Arilje	2	9	18	8	2
Nova Varos	17	85	362	18	4
Pribojska Banja	1	51	385	410	8
Prijepolje	5	27	133	26	5
Uzice	14	76	384	27	5
Čajetina	16	85	430	26	5
<b>Total</b>	<b>55</b>	<b>333</b>	<b>1712</b>	<b>85</b>	<b>5,5</b>

Source: Tourism organization

Despite the area offering significant rural accommodation capacities, their usage is negligible when measured in terms of rural households' contribution to the tourism "lodgings tax"<sup>12</sup> (less than 5% of total tax contributions) or the number of households relying on tourism as their primary source of income.

**The ratio of hotel, private and rural tourism accommodation** is provided in the following table, though it is assumed that this does not offer a realistic picture. Statistics show that a much greater number of tourists stay in hotels, while in reality this figure is not so much greater and there are no fewer rooms in private accommodation than in hotels. Estimates suggest that on Zlatibor alone there are 9,000 unregistered beds more than the 5,445 registered, while a general problem is that guests are not regularly registered when staying in private or rural accommodation.

<sup>12</sup> Although called "residents tax" or "lodging tax", this tax is actually a tourist tax

**Table 4: Hotel, private and rural accomodation**

Municipality	Number of rooms in hotel accommodation	Number of rooms in private accommodation	Number of rooms in rural tourism	Number of overnight stays in hotel accommodation	Number of overnight stays in private/village accommodation
Arilje	41		14	10180	100
Nova Varos	317	61	187	79336	8000
Priboj	116		138	17000	17500
Prijepolje	65	14	62	1300	3227
Uzice	518		177	112042	1267
Čajetina	1286	1800	150	321142	139979
<b>Total</b>	<b>2397</b>	<b>1875</b>	<b>732</b>	<b>541000</b>	<b>162073</b>

Source: Tourism organization

## Restaurants and other food services

In total there are 180 registered restaurants and food services in Zlatibor County, of which the overwhelming majority can be found in Cajetina, given its popularity as tourist destination (see Table 5). These figures however do not include restaurant capacities in hotels and other accommodation facilities as well as cafes.

**Restaurants and food services are an important market for the regional food processing and agricultural sectors, thus being an important catalyst for regional economic development.** Indeed the Zlatibor County enjoys a reputation of good food such as prsuta, kajmak or lamb meat, and many restaurants offer this to their guests. However there is no control over what is branded as being of local origin, with

**Table 5: Registered restaurants**

Municipality	Number of restaurants
Arilje	4
Nova Varos	29+9
Priboj	9
Prijepolje	18
Uzice	18
Cajetina	63

Source: Tourism organization, restaurants

most restaurants actually sourcing their products from outside the district. This not only reflects dishonesty towards the guests – who expect to eat locally produced food – but also deprives the local food processing industry and agricultural sector of an important income source and hinders its growth. To be fair, this is not necessarily because restaurant owners do not wish to source locally, but also because the local food processing industry is unable to meet high quality standards and achieve sufficient economies of scale in production and costs. However, ***demand is a strong incentive for local producers to change production practices***, which means that requirements in terms of quality and quantity need to be more clearly communicated between restaurants and producers.

### 2.1.3 Transportation

Infrastructure is commonly regarded as a prerequisite of economic development and, for tourism, a precondition for transporting people to, and around, the district. Infrastructure can be categorised into two general types: a) ***technical infrastructure***, consisting of road and rail networks, airports, landfills, sewer systems, electricity lines etc.; and b) ***superstructure infrastructure***, including hotels and restaurants, sports facilities, tourist notification boards, hiking and cycling lanes, ski trails etc. The following table provides an overview of technical infrastructure in Zlatibor County:

**Table 6: Road network in Zlatibor district**

	TOTAL	MODERN ROADS	MAIN ROADS TOTAL	MODERN MAIN ROADS	REGIONAL ROADS TOTAL	MODERN REGIONAL ROADS	LOCAL ROADS TOTAL	MODERN LOCAL ROADS
SRBIJA	38.133	26.688	4.696	4.618	10364	8902	23073	10168
ZLATIBORSKI OKRUG	4.096	1974	528	485	714	520	2853	968
ARILJE	290	153	12	12	45	39	233	102
CAJETINA	407	258	33	33	70	55	304	170
NOVA VAROŠ	509	133	42	42	60	53	407	38
PRIBOJ	145	92	0	0	73	68	72	24
PRIJEPOLJE	454	224	86	86	26	16	342	122
UŽICE	401	291	84	84	63	30	257	147

Source: National Bureau of Statistics

Within the municipalities covered by the project, only 51 per cent of the 2,206 kilometres of roads are covered by modern surfaces, which is below the national average of 61.2%. Some 11.7% are classed as main roads, i.e. the national first category, and 15.2% are classed as regional roads of the second national category, of which 78 per cent can be described as modern. Local roads comprise 73.2% of the road network in the six project municipalities, of which only 37.3% are categorised as modern. Two key routes pass

through the district: the M21 (E763) connecting Belgrade to the Adriatic coast and the M5 (E761) from Uzice to Sarajevo. These two roads are important routes that bring transit tourists to the county.

The quality of most of Zlatibor County's road infrastructure is below the national average. The main local roads covering the six project municipalities are in a generally satisfactory condition. However, the county's regional roads were largely built along the routes of old gravel roads, with partial reconstruction of the existing road base. The main affects of this method is that roads are often too narrow to accommodate modern traffic and have poor construction quality. Existing local and uncategorised roads are mainly used to meet the needs of connecting settlements within the county, while meeting the needs of existing production and tourist capacities would require a slight expansion of the local road network.

Railway infrastructure standards are low, with outdated technology and poorly maintained tracks rendering the network uncompetitive in the region and Europe. The six municipalities are covered by 63 per cent of the total 199km of railway tracks running through Zlatibor County. The main rail line traversing this area is the Belgrade – Bar route.

Tourism signposting, highlighting tourist attractions, is unsatisfactory throughout the district. The Municipality of Cajetina is the only borough of the six with an established system of tourism signposting that clearly leads to tourist attractions. Elsewhere there are only a small number of poorly designed and non-standardised signs that are few and far between and often poorly exposed to view, giving the impression of an unplanned placement of signs. Though active recreational tourism is one of the region's main tourist lures, only a few hiking trails are actually marked and signed; no cycle lanes are marked in the project region, despite favourable terrain for mountain biking.

## *2.1.4 Information and booking services*

A region can have beautiful landscapes, a rich cultural and historic scene, good food and nice hotels – but if these are not marketed properly and information is not distributed widely, tourists will stay away and thus impinge on the growth and prospects of the tourism industry in that region. Marketing and booking services commonly offered by travel agencies and information distributed through various sources (internet, fairs, embassies, travel guides etc.) therefore has a crucial role in promoting growth in the industry and subsequently the creation of more jobs and income opportunities.

## National travel agencies

Three of Serbia's national travel agencies are seriously devoted to receptive tourism. They present Serbia, along with its Zlatibor County, at key fairs in Europe, enticing tourists from various countries, most notably the Netherlands, U.S., Germany and former Yugoslav states. One such agency has launched the website Visit Serbia, where tourists can find information about Serbia and book holiday accommodation. Besides Serbian, the site is covered by three languages – English, German and Norwegian. The other two agencies offer tourism career educational programmes, though they lack formal education accreditation. These services are mainly intended for rural homeowners seeking to offer tourist accommodation mostly people from rural areas, householders that want to rent their accommodation. Of these two travel agencies, one regularly visits households nationwide to inspect accommodation capacities and introduce owners to ways of dealing with guests, while the other has its own TV show, *Serbia that I love*, which is broadcast on more than 30 TV stations in Serbia.

## Local travel agencies

The six project municipalities are home to 37 local travel agencies. Most of these agencies focus on providing travel services to local residents planning trips elsewhere, with only seven offering receptive services to tourists heading to the district. Moreover, these receptive services only operate on demand; agencies do not offer a concise predefined travel package and are not actively promoted outside the district. Most travel agencies, however, operate websites used to offer hotel and private accommodation both within the district and in other parts of the country.

Only one agency in the district operates an English language website and offers online booking services for accommodation. Only two agencies offer online booking for tours starting from Belgrade, as well as providing transport transfers from the airport. Their website, however, is not available in English.

The lack of travel agencies offering good receptive services and tour packages for incoming tourists is due to a perceived insufficient profitability of providing such services. It should, however, be noted that such travel agency services are deemed essential to promoting the region as a tourist destination and increasing the number of visitors. As such, solutions need to be found to increase the attractiveness and profitability of providing such services (e.g. by improving the commission system through which agencies receive financial compensation for their services).

## Information services

The most popular way to seek information, other than directly from travel agencies, is online searching; potential visitors browse various websites to find interesting and useful information about the area's tourism offer and book accommodation in hotels and private accommodation. Besides the internet, there are also significant fairs in Europe and Serbia where tourists can glean information about the Zlatibor County directly and through the form of various promotional materials (brochures, guidebooks etc.). Tourists heading for Serbia can find information in-flight, at airports and car rental agencies, though such material does not specifically relate to the Zlatibor County – rather generally covering Serbia and offering only limited information about the Zlatibor County. In order to better inform tourists about Serbia's complete offer, tourism organisations have their own information centres in Belgrade (national), Uzice and Zlatibor, with staff specialised in relaying the tourism offer. These information centres provide tourists with free promotional material and the opportunity to buy souvenirs. In addition to information centres, there are info booths in Nova Varos, Zlatibor and Tara, as well as an interactive window in the regional tourism organisation. Information is also available at accommodation venues (hotels, motels or private). Interesting books about the region are available via bookshops across Serbia, where tourists can also find more detailed material about the Zlatibor region. Though there are many sources of information, there is a lack of promotional material and souvenirs relating specifically to the Zlatibor region.

### *2.1.5 Supporting services*

There are a large number of supporting functions and services.

## Regional tourism organisation of Western Serbia

The foundation of the Regional Tourism Organisation was initiated 2006. by the national Tourist Organisation of Serbia; it's management board consists of the local tourism organisations (including the LTO of Ivanjica which is not directly part of the Zlatibor County). The purpose of the regional tourism organisation is to "streamline" the costs of tourism promotion and marketing by organising and facilitating common promotional activities for the region. During its first year after inception, activities were directed towards the participation at fairs and marketing events, the designing and publishing of regional advertising materials, and representing the regional interests towards national-level organisations.

## Local tourism organisations

The local tourist organisations in Zlatibor County have been founded by the municipalities. Five of the six project municipalities have LTOs; in Arilje, the Local Economic Development (LED) office takes over this function. Their main purpose is promoting the development of the local tourism industry through activities such as marketing of existing tourism products and services and designing and supporting new touristic products in the municipality.

The LTOs are largely dependent on public funding, which has seen an increase over the past three years: income made from residence tax has doubled in this period (apart from Arilje where no records are available). The contribution of residence tax to the total budget of LTOs varies and exemplifies the strong differences in the state of the tourism industry between municipalities: whereas the contribution in Priboj is only 10 per cent, it is 60 per cent in Cajetina. Clearly, more tax paying tourists are visiting Cajetina. The rest of the budget is filled up by contributions directly from the municipalities, which vary between 80 per cent (Uzice) and 0.06 per cent (Cajetina).

The Law on Tourism envisages (article 39, paragraph 5) that tourism organisations supplement their other responsibilities, provided by the law, by: gathering and publishing information about the overall tourist offer of its territory, as well as performing other activities important for the promotion of tourism. The Zlatibor Tourism Organisation is the only such body that uses the table for analytical purposes that can facility not only a structure promotion, but also the planned promotion and development of tourism (Annex 3).

Due to the limited human and material resources available to the regional tourist organisation (operational funds are provided by the

### Box 6: Example for a tourist association

The Mokra Gora Homeland Association 'Sargan' was established in 1994 with the aim of rebuilding the Sargan Eight railway line and finally halting the area's long-running gradual depopulation trend. Its members included several dozen highly educated staff and numerous successful businessmen from across Serbia. The association coupled continuous lobbying at the republic level with the inclusion of the local population, encouraging many local sponsors to take part in the renovation of sites (three mineral springs were cleaned and renovated, all façades in the centre of the village were painted, the parish house was built, the local plumbing system and most of the electrical network were reconstructed, as were most of the local roads). Upon the initiative of the Association, in 1999 ZTP 'Beograd' decided to rebuild the 'Sargan Eight' Narrow Gauge Railway. In 2003, following the approval of usage permits for the railway and the obtaining of required buildings and means of transport, the Mokra Gora-Sargan regular line was opened to the public. The number of passengers and visitors surpassed all expectations. As an illustration, in 2008 four passenger carriages (with a capacity of around 130 seats) transported almost 80,000 tourists - incomparably more than any other similar tourist rail route in Europe

six member municipalities, while funds for promotional activities are provided by the Tourist Organisation of Serbia), only the director is employed and the following activities are not carried out:

- **Strategic marketing planning;**
- **Marketing communication with the public at home and abroad;**
- **Implementing interests in associations of producers;**
- **Collection and forwarding of information on various markets to their members.**

## **Tourism associations**

Around 17 different associations are operating in the six project municipalities. Most of these associations organise and cooperate with each other on various tourist events and information activities. They often operate in areas where institutional and/or public support is weak by encouraging local inhabitants to cooperate on tourism-related activities. Associations are largely driven by private people and organisations that realise they have a common interest and that joint action will lead to benefits for all: they create leverage power through cooperation to address certain opportunities and/or constraints, and to express their interests towards public organisations and other market players (advocacy).

## **Chamber of commerce**

The Regional Chamber of Commerce has an important function in coordinating private sector activities in the tourism industry, and especially to act as a link between the industry and the public sector (municipalities and government). They represent the interests and concerns of their members towards others and provide them with essential services (e.g. market information, business development services, advocacy etc.).



Although the Chamber employs a staff for working on the tourism industry only, it still is far from the role it could play in the industry. Instead there is a misguided over-focus on declining large-scale industries such as metal-processing and textile, and the absence of a comprehensive strategy towards alternative industries/sectors. However, a new legislation on chambers of commerce in Serbia, which abandons mandatory membership of large-scale companies, might require chambers to more pro-actively seek members in other sectors. The project believes that the tourism industry could therefore be a promising area for the chambers to be more engaged.

## 2.2 Demand: characteristics and dynamics

“The customer is king.” For no other sector this saying is more true than for the tourism industry. Tourism is a highly competitive industry, with many countries and regions contesting for the attention of potential tourists. It is one of the most dynamic and strongest growing markets worldwide, and with increasing wealth and mobility also of the Serbian population, competition for Zlatibor increasingly gets projected to a regional (Balkans) and international level. In order to remain a popular tourist destination in Serbia, the district therefore needs to be aware of changing demand patterns and market requirements and continuously adopt its regional touristic product to match these changes.

So who are the tourists that visit Zlatibor County? What are the characteristics and dynamics of tourist demand over the past five years? Has the number of visitors increased or has it declined? This section looks at some of the recent demand trends, which allows conclusions on the overall performance and competitiveness of the local tourism industry.

### *2.2.3 Who are the tourists? A profile*

Who are the tourists and what are their preferences and requirements? This is absolutely essential information in order to develop products and services that meet consumer demand and requirements, and to remain competitive on the tourism market. It is also essential information to shape a regional promotion strategy and guide it to target the right audience.

Unfortunately, ***the “tourists” has not been sufficiently studied by any public or private organisation in Zlatibor County, despite being the main target for touristic products and services.*** The profile of domestic tourists, as the basic segment of tourist demand has not been seriously studied nor have the analyses been used in order to create new / modify the existing portfolio of products. The picture we have therefore remains vague and does not allow any conclusions on preferences and requirements that lead to recommendations on how to improve local tourist products and services. The only information available comes from the Faculty of Tourism and Hotel Management conducted a poll as a prerequisite for development of Zlatibor – Zlatar Master Plan (682 interviewed people on Zlatibor and 99 on Zlatar) where the tourists who visit Zlatibor and Zlatar are profiled in the following way:

### Box 7: Profiles of domestic and foreign tourists

#### DOMESTIC

##### Profile of domestic tourists who visit Zlatibor:

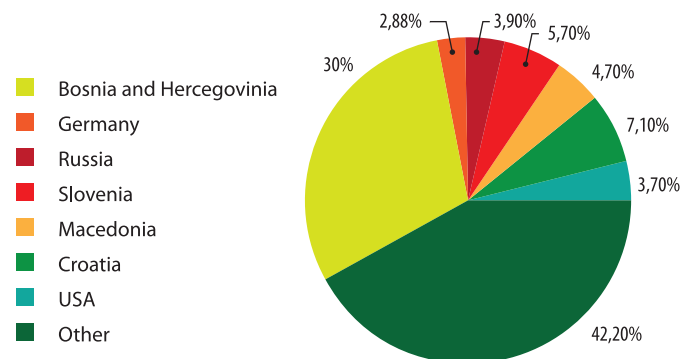
- They come for holiday and recreation
- Predominantly middle aged people (30–40; 40–50)
- Most of them come from large urban environments (Belgrade, Novi Sad)
- Most of them stay in hotels (42%) and in suites (17.1%)
- Most of them organize their trip individually (over 70%)
- Guests who stay on Zlatibor regularly or have visited it several times are predominant
- Most of the guests uses cars (67.2%) or bus (29.7%) as a means of transport in order to arrive to Zlatibor

##### Profile of domestic tourists who visit Zlatar:

- They come for holiday and recreation (35%) and therapy (31%)
- Relatively elderly guests are predominant (40 – 50 and over 50)
- There are slightly more men (53%) than women
- Most tourists come from large urban environments
- Most of them stay in hotels (83.8%) and in suites (17.1%)
- Most guests come as a part of organized travels (over 60%)
- Guests who stay on Zlatar regularly or have visited it several times are predominant
- Most guests uses cars or buses (47% each) as a means of transport in order to arrive to Zlatar

#### FOREIGN

- Most foreign tourists come from neighbouring countries: the highest number overnight stays was by tourists from Bosnia and Herzegovina (30% of foreign visitors), then Croatia (7.1%), Slovenia (5.7%) and Macedonia (4.7%). In total the share of tourists from former Yugoslavia is 47%
- Other major origins of foreign tourists are Russia (3.9%), USA (3.7%) and Germany (2.88%)



Most tourists are from Serbia itself and visit the region regularly. They enjoy the beautiful natural environment and mainly come for recreational and health purposes. Little is known about foreign tourists, apart from their destinations. ***But what do we know about their preferences and requirements? What also do we know about national and international demand patterns in tourism? What are the trends, and how does the regional touristic offer in Zlatibor district need to change to meet demand and attract more and new tourists from outside?*** This is essential market information required to shape and guide the regional touristic offer and ensure that the industry remains competitive against other destinations in Serbia and the wider Balkan region. The lack of continuous market (or consumer) research is a dangerous lapse, which could lead to great costs for the industry in the long-term. Such market research needs to come inherently out of the industry itself (with support from the regional public sector) and cannot be conducted by any donor-funded initiatives.

### 2.2.2 Tourist arrivals

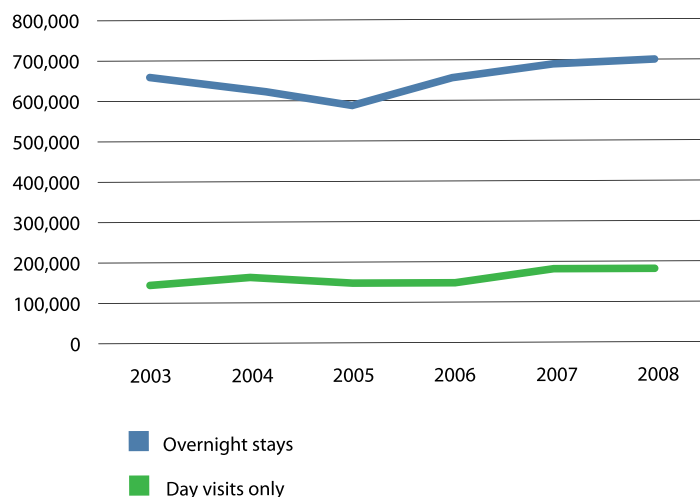
The growth in tourist arrivals between 2003 and 2008 is at most moderate – if not even ***stagnating*** (see *Figure 1* in *Box 8*). Around 880,000 people visit Zlatibor district every year, of which most of them stay overnight (about 700,000). Only about 177,000 come for a day trip. The difference is explained by the fact that most tourists come from urban destinations such as Belgrade, and the long duration of the trip therefore makes an overnight stay necessary. For 2009 a drop in tourist arrivals is expected – one factor being the financial crisis that forces people to save money.

A positive trend could be observed in the number of foreign tourists that stay overnight: between 2003 and 2008 their number has increased by 33 percent. This could be seen as a sign that with increasing political stability, Serbia is seen more and more as a tourist destination. In absolute numbers (71,446 in 2008), this figure however still remains marginal when compared to the high number of overnight stays of domestic tourists.

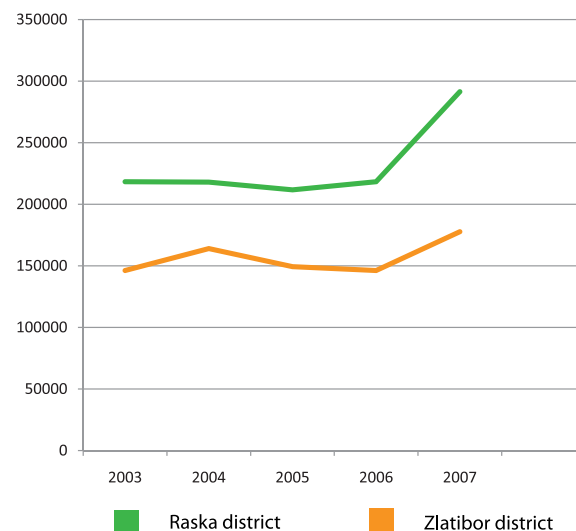
Compared to other regions in Serbia, Zlatibor District falls among the most popular tourist destinations. However, if we look to the Raska District – home to top destinations like Mount Kopaonik and Vrnjačka Spa – we find a much more pronounced growth in the number of visiting tourists than in Zlatibor County, which indicates insufficient development of the local tourism industry.

## Box 8: Growth figures in tourist arrivals

### 1. Total overnight stays and day visits



### 2. Growth in tourist arrivals compared to other Serbian region



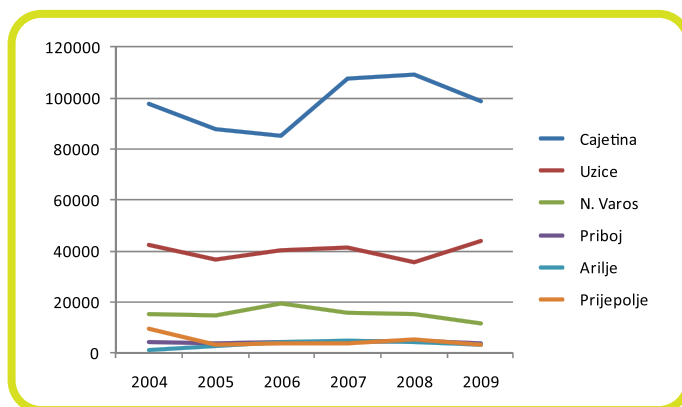
## Performance by municipality

There are significant differences between the municipalities in the level of the development of the tourism industry, with the Cajetina municipality clearly leading ahead of the other five project municipalities. The number of tourist arrivals is the best indicator to demonstrate this, as shown in *Box 9* below: Of 109,428 tourist arrivals in 2008, Cajetina has an overwhelming market share of 78 percent, followed in long distance by Nova Varos with eleven percent. Prijepoje and Priboj both had about the same number of tourist arrivals, whereas Arilje lags far behind with a market share of only three percent.

**Table 7: No. of tourist arrivals in targeted municipalities**

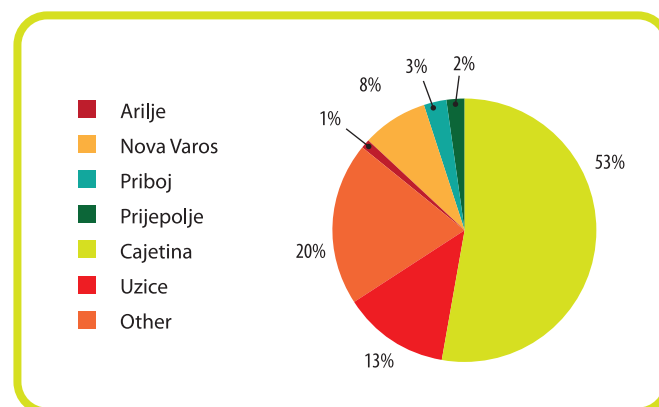
	Cajetina	Uzice	Nova Varos	Priboj	Arilje	Prijepolje
<b>2004</b>	91757	42580	14998	4225	905	9436
<b>Share (%)</b>	55,31%	25,67%	9,04%	2,55%	0,55%	5,69%
<b>2005</b>	87875	36866	14958	3828	2508	3191
<b>2006</b>	85102	40151	19337	4062	4123	3580
<b>2007</b>	107541	41590	15778	4270	4772	3736
<b>2008</b>	109428	35795	15393	5097	4279	5203
<b>2009</b>	98811	43888	11674	3756	3323	3038
<b>Share (%)</b>	<b>59,35%</b>	<b>26,36%</b>	<b>7,01%</b>	<b>2,26%</b>	<b>2,00%</b>	<b>1,82%</b>
<b>Rank</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>

**Box 9: Number of tourists per municipality, trends**



Source: ... Republic Statistic data, branch office Uzice

**Box 10: Share in overnight stays by municipality**



The figures above show that ***other municipalities in the Zlatibor district have so far not benefitted*** much from the proximity popular tourist destinations such as Zlatibor. Interestingly though, overnight stays seems to be distributed slightly more across the district – nevertheless, Cajetina still has a lion share of 53 percent (see *Box 10*) or 59% a lion share in targeted area.

- **Arilje:** The number of tourist visits to the Municipality of Arilje increased fourfold during the aforementioned period. However, its peak of guest figures, attained in 2007, equates to a mere 2.7% of the total number of guests and 1.5% of the total number of overnight stays in the target area. A slight, two per cent, increase in the number of foreign guests can be noted. Arilje has the shortest average duration of stay in Zlatibor County.
- **Cajetina:** The Municipality of Cajetina, home to Zlatibor Mountain – one of the key destinations for mountain tourism in Serbia – accounts for 59.35 % of the tourist turnover in the target area, 53% within Zlatibor County and 6.3% of Serbia's total tourist turnover. The Growth index 2008/2003 is 140 and – using chain indices as indicators – slight variations in turnover were present during 2005 and 2006; 2007 saw growth of 1278 index points compared to 2006, which was almost at the same level achieved in 2008. The structure of tourists includes 13 per cent foreign tourists, which is above the average of nine per cent for mountain tourist centres in Serbia, but significantly below the national average of 28 per cent<sup>10</sup>. Zlatibor had the highest number of overnight stays of all mountain tourist centres in 2008. The only tourist destinations boasting more overnight stays than Zlatibor in 2008 were the City of Belgrade and Vrnjacka Banja. When it comes to the number of overnight stays by foreign tourists, Zlatibor took third place national in 2008 (beaten only by the urban destinations of Belgrade and Novi Sad). The average visit duration is four days, which is in line with the average visit duration at mountain tourist centres in Serbia.
- **Nova Varos:** The Municipality of Nova Varos, home to Mount Zlatar, is a potential destination on the tourist market of Serbia. However, it contributes only nine per cent of the total turnover and was generally marked by falling tourist turnover during the covered period. The number of overnight visits in the Municipality of Nova Varos grew slightly in 2008, despite a slight decrease in the number of tourist visits. The municipality's greatest turnover came in 2006, when it accounted for 11 per cent of the total turnover in the target area and eight per cent of the national turnover. Nova Varos's realised turnover – measured by the number of visits and overnight stays – gave it a rank of third in the target area for 2008. However, this only equates to 40%/67% of visits/overnight stays in the City of Uzice and 22%/16% of visits/overnight stays in the Municipality of Cajetina. The average visit duration by domestic tourists is

the highest in the target area, exceeds the average visit duration at mountain tourist centres (mainly thanks to health tourism) and enjoys constant growth.

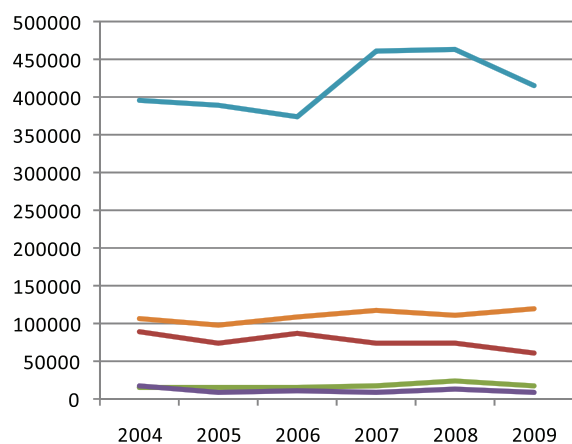
- **Priboj:** The Municipality of Priboj accounts for 2.26% of the county's total number of visits and 3.6% of the total number of overnight stays. The top results of all Priboj's analysed tourist turnover parameters – number of visits, overnight stays, participation of foreign tourists and average tourist visit duration – were achieved in 2008. The highest growth in the number of foreign tourists to Priboj came in 2007 (index 292), while the municipality had the longest average visit duration of foreign tourists in Zlatibor County in both 2007 and 2008.
- **Prijepolje:** The Municipality of Prijepolje's contribution to the county's tourist turnover in 2009 was three per cent of visits and 1.82% of overnight stays. Prijepolje's highest number of visits was achieved in 2004, when Prijepolje also achieved the highest index in the target area. Tourist turnover in the following period averaged only 40% of 2004's turnover. The average visit duration for both domestic and foreign tourists is below the Zlatibor County average (the average visit duration in the county is four days for domestic tourists and 3.3 days for foreign guests). Foreign guests' contribution to the total number of guests is similar to that in Priboj municipality, which – in relative terms – is the highest in the target area (22%).
- **City of Uzice:** The city of Uzice is the urban and administrative centre of the Zlatibor County and participates with 13% in the total turnover of the County. After Cajetina, it has the highest number of arrivals and overnight stays and participates with 16% in the total tourist turnover of the targeted six municipalities. There is a drop in the number of visits in 2008 (lower rate in the period of 2003 – 2008 was achieved only in 2005). At the same time, in 2008 Uzice had the highest number of foreign guests for the whole analyzed period. Average duration of tourists' stay is in accordance with the average duration of stay in city centres in Serbia (Belgrade – 2.2 days).

Most tourists coming to Zlatibor County (or rather Zlatibor and Zlatar mountains) are domestic tourists that visit the region regularly. The share of foreign tourists very low. In terms of market-orientation, the local tourism industry has therefore much more relied on its long-standing reputation on the Serbian market. **Growth figures however show, that tourist arrivals are stagnating – in some areas even declining** – as other regions in Serbia catch up and Serbian tourists increasingly spend their holidays outside the country.

## 2.3 Key challenges of the regional tourism industry

### Box 11: Key indicators for the regional tourism industry

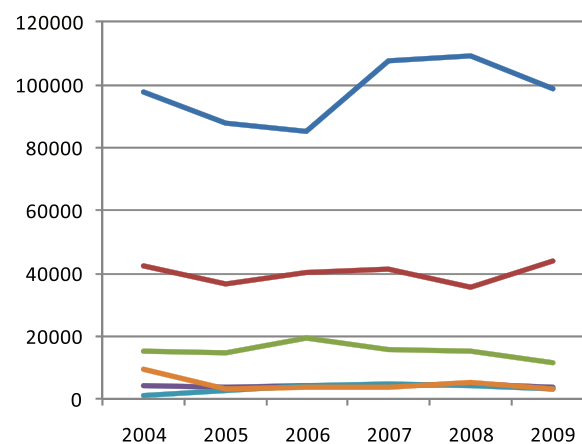
**Figure 1: Number of overnight stays**



Arilje    Priboj    Cajetina  
Nova Varos    Prijepolje    Uzice

**Summary:** The number of overnight visits is marked by a major gap between levels for Zlatibor (Cajetina) and other municipalities, confirming that Zlatibor is not a springboard for increasing overnight visits to other municipalities. The number of overnight visits is stagnating or declining in almost all municipalities, even Zlatibor.

**Figure 2: Number of tourists**

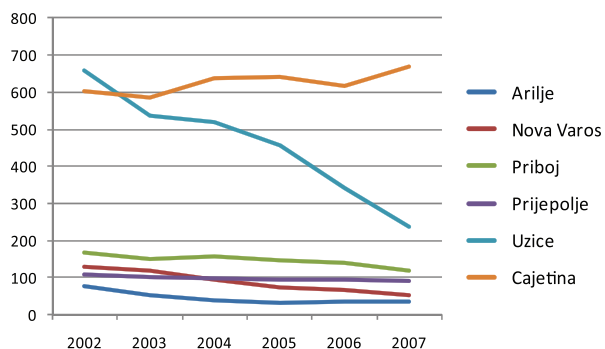


Cajetina    N. Varos    Arilje  
Uzice    Priboj    Prijepolje

**Summary:** The number of arriving tourists is also stagnating or declining in almost all municipalities. This figure shows that other municipalities have not gained many benefits from Zlatibor (Cajetina), as one of the most popular destinations in Serbia.

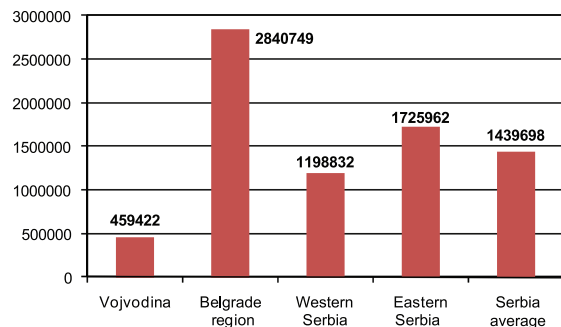


**Figure 3: Number of people employed in hotels and restaurants**



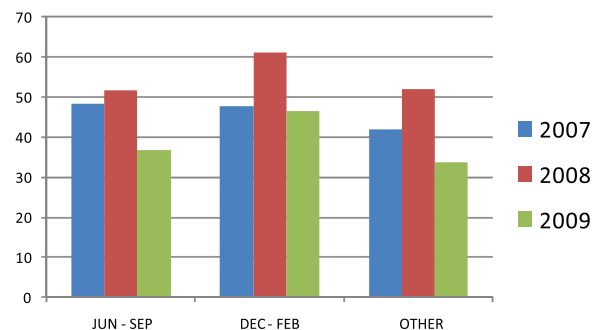
**Summary:** The number of people employed in hotels and restaurants fell overall from 1,748 (2002) to 1,203 (2007). All municipalities have seen a decline (with Uzice hardest hit), with the exception of Cajetina, where employment levels have increased slightly.

**Figure 5: Investments in tourism:**



**Summary:** This figure shows average investment levels in Serbia per hotel in different regions from 2005-2015. Planned investments in Western Serbia are below the national average.

**Figure 4: Hotel capacity utilisation during different seasons in Zlatibor (%)**



**Summary:** More than half of all available hotel rooms are vacant year-round on average. More tourists come during the summer and stay overnight. A strong decline was experienced between 2008 and 2009, most notably during the summer season.

The previous figures essentially show that:

**Growth in the industry is stagnating** during the last two years we can spot a trend of stagnation or slight drop if we observe the number of visitors generally. Observing each individual municipality, we will note the worrying fact that both Cajetina (Mountain Zlatibor) and Nova Varos (Mountain Zlatar) registered declining numbers of tourist arrivals in 2009 (compare to 2008), as well as stagnation in 2007 and 2008 – indicating that the tourism industry is not experiencing growth and competitiveness is threatened, thus leading to fewer opportunities to increase income and job creation levels.

## Key challenges

The displayed indicators show that the tourism industry in Zlatibor County is facing numerous challenges that it must overcome in the forthcoming period if it wishes to compete both domestically and internationally. Some of those challenges are: **Regional promotion** – The Tourism Organisation of Serbia is responsible for overall marketing, while local organisations carry out local marketing on their territory and regional organisations are in charge of county-wide campaigns. Private sector operators carry out niche promotions that are mainly focused on their own offers but occasionally include roundtrips from their community. Regardless of their participation in the promotion, the fact remains that strategic, targeted regional marketing does not exist. The main promotional tools are still brochures, leaflets and posters, while the internet – as a key communication channel – remains underdeveloped (only three websites in English) **Adequate infrastructure** is commonly regarded as a prerequisite for general economic development, while for tourism it represents a precondition for the unhindered movement of people, connections between tourist destinations and capacities. Infrastructure can be categorised into two general types: **technical infrastructure** (spatial plans, regulatory plans, road network quality, landfills, utilities etc.) and **superstructure** (HoReCa facilities, sports and leisure facilities, tourist notification boards, hiking and cycling routes etc). **Road infrastructure quality** in the county is mainly **below the national average**. **Tourist signposting**, highlighting tourist attractions throughout the County, is not at a satisfactory level. There are a few **poorly designed and non-uniform** standard format signs, which are few and far between and often lack sufficient visibility, thus giving the impression of haphazard placements. Cajetina is the only municipality with an established system of tourist signposting highlighting routes to tourist attractions. Although recreational tourism attracts many tourists, only a few hiking tracks are marked. Considering that as many as 70% of tourists choose their destination independently, it is necessary to innovate the ways information is provided and ensure the **availability**

**and quality of various services** to this target group. Modern types of tourism include individual tour guides, group companions, entertainers etc. The diversification of tourism staff profiles in the analysed district is unsatisfactory and information gleaned from hotel managements during the research – regarding staff educational structures, additional skills and systems of permanent staff training – are not in accordance with the development needs of hotels themselves or the overall tourism industry in the analysed district. Lack of cooperation – **Zlatibor**, as the **key tourist destination**, does not play the role of a “**generator**” and creator of an integrated tourist product for luring tourists. As such, there remains an uneven distribution of tourists between the municipalities of the target territory. Previous analysis has shown that Cajetina is far and away the leading municipality of Zlatibor District in terms of achieved tourism turnover. Cajetina had 44 times more overnight stays than Arilje in 2008. Uzice, as the area’s urban centre, and Nova Varos, as a mountain–rehabilitation centre, have turnovers respectively four and six times lower than Cajetina, while Priboj, as a potential spa centre, and Prijepolje, which can be viewed as a transit tourism centre, are massively outperformed by Cajetina (18 and 33 times lower turnover, respectively). **Seasonality** varies from one municipality to the next, but the general impression is that the summer season is far better exploited than the winter season as a trend and feature of most tourist destinations in the area. It is worth noting that the number of overnight visits during the off-season period is much closer to the number of overnight visits during peak summer months, while the winter months yield worse results – despite the target municipalities investing in winter tourism (ski-lifts, trails etc.) focusing on skiing and not considering an alternative tourist offer, due to a lack of mechanisms to mitigate risks of seasonal fluctuations linked to the diversification of offers.



# 3. Constraints for development

The **previous chapter** has mapped out the tourism market and described some of the key trends and dynamics that led us to the conclusion: Growth in the Zlatibor tourism industry is stagnating – at best growing below the rate necessary to remain competitive on the national and international market. Because of this, income and employment opportunities – especially for young people in the region – are lost. Some of the challenges identified were insufficient regional marketing, poor infrastructure and a lack of coordination or poor quality of services. This is despite the fact that tourism features high on the priority list of local municipalities and regional organisations.

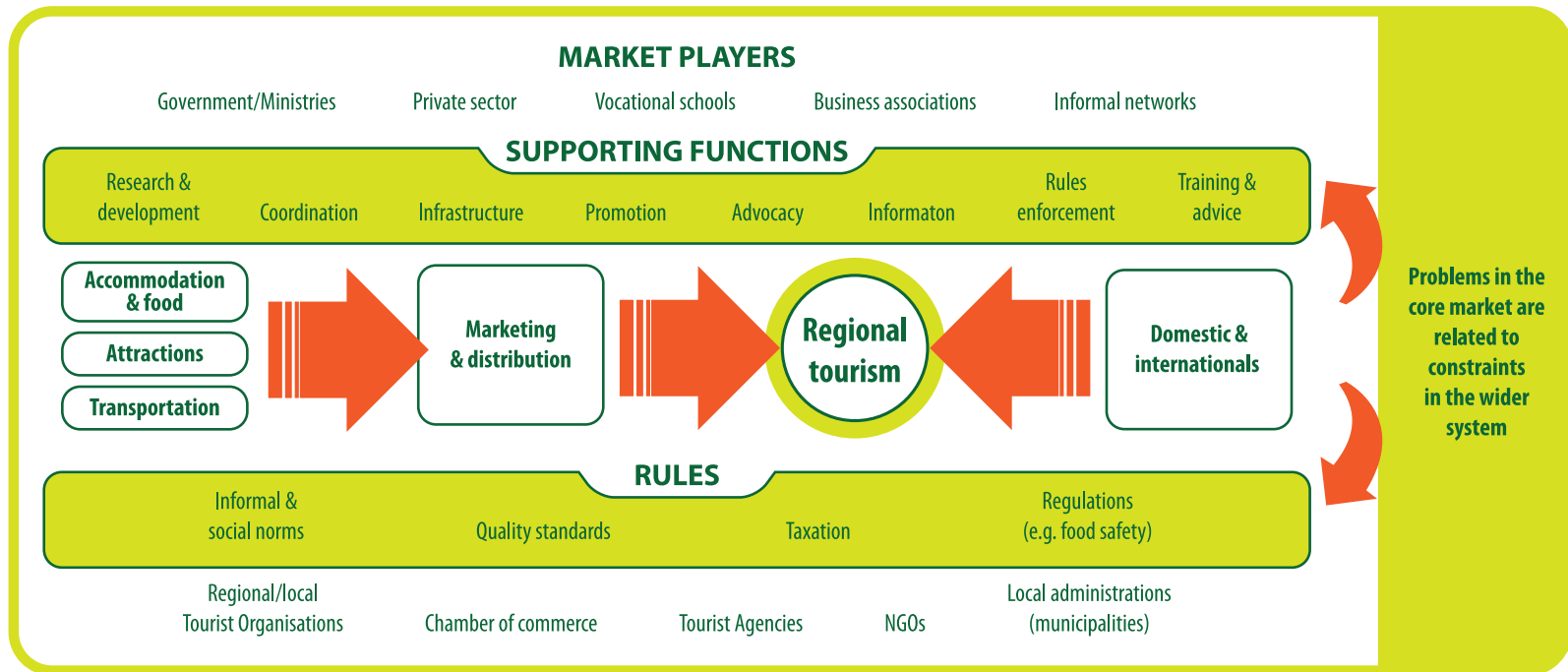
**This chapter** looks at some of these challenges more closely, and attempts to understand the reasons that lead to the poor performance of the tourism industry in Zlatibor County. It thus seeks to distinguish mere symptoms of underperformance from their root causes in the wider market system.

## 3.1. The wider market system: functions, rules and players

In order to understand the underlying causes for underperformance, it is important to also to develop an understanding of the broader market system. Looking only at the core market (i.e. the chain of demand and supply), risks ignoring a wide range of supporting functions, rules and other market players that essentially informs and influences the performance of the industry and the behaviour of key players within. It is absolutely essential to realise that **problems in the core tourism market are related to constraints in the wider system**. The following figure (Box 12) illustrates this:



## Box 12: Understanding the wider market system for the tourism industry



A variety of different **supporting functions** are essential to the tourism industry – such as:

- **Marketing and branding:** the regional tourism product needs to be branded and marketed (either individually or collectively) in order to attract tourists.
- **Research and development:** consumer surveys need to be conducted regularly and compared against the regional touristic product in order to identify areas for improvement and innovation.
- **Booking and reservation:** tours, hotels and other regional touristic products and services need to be booked prior to arrival of guests.

- **Information:** information in various forms needs to be disseminated to all market players, including tourists, private sector and government.
- **Business training/advice:** private sector players such as rural service providers, hotels, restaurants, event organisers etc. need business advice to ensure good management practices.
- **Infrastructure and transportation:** national and international tourists need to get to the Zlatibor County and also be able to move around there during their stay using various means of transportation.
- **Coordination and advocacy:** private sector efforts need to be coordinated where joint action is required; industry concerns need to be brought forward to the government; public-private partnership needs to address issues that cannot be dealt with by the private sector alone; public agencies need to coordinate their interventions amongst each other.
- **Human resource development:** in order to ensure a high quality of services, a wide range of different professions need to be trained to an amount and standard that meets industry requirements and consumer preferences.
- **Financial services:** investments into new touristic products and services (or the improvement of these) require easy access to finance and other financial products such as insurances.
- **Regional planning:** in order to present a comprehensive regional touristic product, and to have an effective promotion strategy for the industry, a high degree of regional planning is required.

**Rules** can be both formal and informal in their nature. These are some examples of rules that are important for the tourism industry:

- **Quality standards:** a wide range of standards ensure reliable quality for different touristic products and services – e.g. star categorisation of hotels, (international) standards for eco and community tourism, consumer-driven reviews, standards of origin for food etc.
- **Food and safety regulations:** national consumer protection laws regulate hygiene and food quality, as well as other safety regulations – e.g. regarding the use of ski lifts, mountain tours etc.
- **Taxation:** every visitor to Zlatibor County pays the local “lodging tax”, which is reinvested for promotion, research and development, and further improvement of the industry.

- **Obligation for registered foreign visitors:** Foreign visitors need to be registered with the police office.
- **Informal rules and social norms:** these determine the degree of cooperation between private sector players in the industry, attitudes of public sector officials towards private sector, responsible use of natural resources,

Different functions and rules are performed by a multitude of different public and private **market players**. Some of these are:

- **Private sector:** these are players directly in core market activities, such as hotels, restaurants, tour guides, travel agencies, event organisers etc. but also players in various supporting functions, such as banks, business consultants, business/tourist associations etc.
- **Tourism organisations:** regional and local tourism organisations are public organizations (financed by municipalities) that promote tourism in their area through various means.
- **Local administrations:** municipalities and respective departments/services (such as the LED offices and employment services) are important in creating an enabling environment in which tourism can thrive. All municipalities in the project region have tourism as one of their top priority sectors.
- **Vocational schools:** there are four schools in the project area that train tourism-related professions. Furthermore, the university in Uziye has department for tourism economics
- **National government:** these are the ministries – especially and the ministry of economy and regional development and ministry of education, the national employment services, national tourism organisation etc.

Essentially ***the questions here are:*** 1) which is the market functions and rules that are currently underperforming and why? 2) What are the market player(s)' capabilities and motivations, and how well do they perform certain market functions? 3) How can the performance of these functions and rules be improved to better reflect the needs of the industry on the one hand, but also the capacity and incentives of the responsible market player(s) on the other? 4) And how can these functions and rules be sustained financially and ensured that they continue to evolve over time?



## 3.2 Underlying systemic constraints in the tourism market

In the following sections, some of the key systemic constraints are briefly analysed and described. Certainly the tourism industry in the Zlatibor County faces many problems, and there are many reasons for these. The following however focuses on those areas which the PSD project believes to be of critical importance and that promise a feasible entry point for project interventions.

### 3.2.1 Human resource development

***Skilled human resources are important for providing high quality services to tourists, which is why training and education is absolutely critical for the competitiveness of the industry on the national and international market.***

If we ask what is essential for the development of tourism, the main response calls for adequate provision of so-called heavy infrastructure, as a precondition for development. However, human resources also represent a necessary and inseparable segment of each development – infrastructure alone will not have any positive influence or effect if there is nobody capable of managing or operating it.

What happens when service is inadequate? We lose guests! This is obvious. Perhaps not so obvious are statistics showing that schools are teaching such employee profiles and, according to the records of the National Employment Bureau, 1,062 professionals in this field are seeking employment – 74 of whom are highly educated, while 258 are

**Case: *Speak Serbian so that everyone can understand you.***

A young foreigner was heading for Montenegro and decided to stop for lunch in a local restaurant. Unable to understand anything on the menu, the situation did not improve once the waiter arrived and the young diner had to wait until staff could find a passerby able to communicate with him.

high school graduates (chefs, waiters etc.) and 754 are educated to below the 4<sup>th</sup> level (waiters, kitchen hands and pastry chefs). Moreover, local high schools (in Prijepolje, Uzice, Cajetina and Nova Varos) are educating 822 students in these fields, with 144 pupils set to graduate high school this year. Even so, **private sector employers complain that they cannot find skilled employees** (*"We are in a position where there is just a single criterion for waiters: manners. We will teach them the rest"* – hotel manager).

## Why is it difficult to find high quality employees?

This problem has prompted employers, most commonly hoteliers, to organise various training courses at their own facilities (basic and advanced courses related to a specific job, but also general foreign language, computer proficiency courses etc.). As such, less and less attention is paid to gauging whether the profile of the person they employ is the one they need, as they will need to be trained regardless. The problem lies in education methods that fail to meet the needs of employers because:

**Public-private cooperation lacking.** Cooperation between schools and HoReCa businesses formally exists through internships – though private sector opinions suggest that this cooperation is unsatisfactory (only 10% of students are in the category of those who would be offered a job). Furthermore, there is no cooperation in terms of devising curricula, nor is the private sector able to influence the dynamics and methods of conducting the internship in a way that would contribute to developing the skills necessary for the job. School boards are appointed by the founders and do not include prospective employers. As such, there is no direct communication between educational institutions and the market.

**Lack of promotion of professions** – No institutions officially deal with promotions. Education institutions organise general promotions of their programmes and working conditions, but do not promote specific professions. Introducing younger participants to various options and the importance of individual institutions is very rare and, in most cases, is a product of cooperation between an individual school and civil society organisation. Moreover, even if schools did deal

### Box 13: STATISTICAL DISCREPANCIES

According to records of the National Bureau of Statistics, 1,402 individuals are employed in the HoReCa sector (2008 data). However, according to information gleaned through research, an estimated 3,000 workers are actually employed in this sector. This discrepancy is a result of the way records are kept, on the one hand, and the percentage of employees working on the basis of temporary or casual (seasonal) contracts, on the other.

with promotions, they would be unable to present certain professions correctly without the cooperation of the private sector.

**Informal rules and value systems** – that lead to the creation of a **negative image** of professions (“I won’t serve anyone”) and, in turn, lead to “negative staff selection” (the average grades of students studying for professions in this field is very low), while the reasons for choosing a school often lie in the fact that students have no other choice than to obtain the skills and knowledge necessary to someday find a job some day. A lack of opportunities for individual promotions, coupled with low wages and inadequate promotions of jobs in the tourism industry, prompt young people to view the tourism industry as an unfavourable sector for professional development.

### 3.2.2 Regional promotion/marketing

*There is a joint interest in having a common regional marketing approach that establishes „Zlatibor County as a brand that incites interest“in order to attract more tourists and investments into the industry.*

The strategic positioning and branding of Zlatibor County as a tourist destination must spark interest to travel using tourism products that are already developed. In order to do this successfully, a planned promotion is necessary. Insufficient regional promotions lead to smaller number of tourists, which, naturally lowers income levels and, thus, slows down development of the sector.

#### Case: Accidental tourists

A married couple and their children called into a well-lit hotel to spend the night before continuing their planned trip to the coast. In the morning they noticed a swimming pool and neighbouring pine forest and were informed by the receptionist about the many interesting places worth visiting in the area. Instead of heading off for the coast, they decided to spend their holiday at hotel they had “accidentally” chosen.

## So why don't we have adequate regional promotion?

The Law on Tourism envisages (article 39, paragraph 5) that tourism organisations supplement their other responsibilities, provided by the law, by: gathering and publishing information about the overall tourist offer of its territory, as well as performing other activities important for the promotion of tourism. The Tourism Organisation of Serbia is responsible for overall marketing, while local organisations carry out local marketing on their territory and regional organisations are in charge of county-wide campaigns. Private sector operators carry out niche promotions that are mainly focused on their own offers but occasionally include roundtrips from their community. The capacities of tourism organisations to gather, process and distribute information relevant to the tourism industry are at an extremely low level.

Regional promotions do not focus on the comparative assets of the county (Zlatibor as a “spark” for generating tourist demand). The event schedule is neither systematised nor embedded in the specific offer. This is a result of:

**A lack of research and development functions** – LTOs and RTOs do not have a developed research function – in reality, a tourism organisation’s marketing and promotion role is generally considered as printing brochures, supporting advertising campaigns or carrying out fairly stereotypical visits to fairs without comprehensive, timely and continuous analysis of tourists, which would provide conditions for the creation of an offer that correlates to demand, on one hand, and would also form the basis of a **strategic marketing plan**, on the other.

**A lack of cooperation** with other stakeholders is partly a result of the **functional structure of local tourism organisations** (regulated by the statute of LTOs), consisting of a director, management board and supervisory board. The director is selected by the municipality/city council on the basis of a suggestion of the management board (selections of LTO directors are often the result of political coalition agreements, which commonly leads to frequent changes of LTO directors, hindering continuity in the realisation of strategic and operative plans for the development of tourism locally). Members of management boards in the municipalities are not private sector representatives (with the exception of LTO “Zlatibor”, which has a management board that includes representatives of hotel management), so the private sector has no mechanisms to influence the creation of mutual regional promotion or the strategic approach to marketing.

### Box 14: Good regional private sector marketing practices

The management of one of the hotels in the target area organised a matchmaking programme with representatives of hotels from Slovenia and invited other hoteliers to the meeting.

**A lack of funding** – tourism organisations primarily rely on funds lodgings tax funds and the extremely limited funding available from municipal budgets.

All of this leads to a situation where the dissemination of information is insufficient and stereotypical (leaflets, brochures, fair visits, occasional participation in advertising campaigns), lacking any innovation or new mechanisms for distributing information.

### 3.2.3 Coordination

*Coordination within the private sector, and between private and public sector is essential to ensure that issues of common interest (such as regional marketing, training of workforce etc.) are addressed and meet the needs of the industry. Better coordination thus leads to industry growth.*

Tourism can and must promote growth of the economy, employment and the quality of life of citizens. Accordingly, the quality standard and protection of tourist product consumers must be provided, which is only possible through the coordination of all interested parties.

#### **Why are we lacking a coherent, systemic approach to development of the tourism industry?**

Due to weak and insufficient cooperation and coordination between different ministries at the national level and through local administrations, their institutions and the private sector, we find three different levels of cooperation that represent the root of such a situation:

#### **Case: I would like to invest, but...**

June 2009, hotel owner: "We bought a hotel and need a surveyor to measure the plot, so we can work out how to plan reconstruction of the building". June 2009, municipal officer: "A surveyor will visit you". September 2009, hotel owner: "Where is that surveyor?"

- **Private and public sector** – the Local Administration Law obliges local administrations to encourage and lead the development of tourism on their territory, as well as determining the level of the **lodgings tax**. After recognising **tourism as one of the priority areas of local economic development**<sup>10</sup> within strategic documents and experiencing growing trends in visits/overnight stays, the forming of **local tourism organisations** (LTOs) was initiated in all of the analysed municipalities (with the exception of Arilje Municipality, where local tourism promotion affairs are dealt with by the expert associate for tourism within the Bureau of Local Economic Development). One of the main aims of LTOs is to coordinate the promotion of existing products and creation of new ones, which calls for them to lead public–private partnerships. This is not happening in reality. In one respect, employees lack any experience of private sector activities that would enable them to understand specific needs. In another respect, the private sector has little or no influence over activities performed by tourism organisations (see Promotion, page 22). Management responsibility lies solely with the public sector, thus ensuring that private sector participants do not see or feel any benefit from the activities of tourism organisations.

LTOs supported the founding of associations as a way of easing their coordination and communication – they have legitimate representatives with whom they can plan activities aimed at improving and promoting rural tourism. Cooperation with private sector representatives is conducted through individual initiatives, though without representatives who can legitimately present requests of the group they belong to. This is a result of:

### Box 15: Role of tourist organisations – an example

Local tourism organizations are the initiators of organizing tourism associations in rural environments and provide them small financial support, and since the tourism associations are registered, they have the option of obtaining funds from international organizations which deal with such issues. Only associations funded by donors are working properly. When donor's support stops they mostly stop with their activities. Artificially established without clear vision of their roles (the members very often can not articulate their needs) those associations very often exist only on paper.

### Box 16: Informal cooperation in the private sector

Representatives of hotels point out that they cooperate with each other informally, when there is a need for that (additional accommodation capacities, joint fair appearances, etc.), but in the mentality, rivalry is more expressed than the need for cooperation.

- **A lack of private-private partnerships** – There are **no registered HoReCa business associations**, local or regional, in Zlatibor County. Though companies individually acknowledge the need to associate (providing a greater influence over decision makers, better negotiation position with suppliers, joint appearances – increased competitiveness internationally), it seems that the competitiveness that lies in usual habits (“I will fight alone”) prevails over the gains of cooperation. There is, however, potential.

There is a **HoReCa Board** operating under the auspices of the **Regional Chamber of Commerce** that should bring together representatives of the private sector. The board’s members meet once a year, but without a precise agenda and objective. Due to the lack of an association at the local and, therefore, regional levels, influence mechanisms are insignificant, because there is a question mark of the issue of criteria for appointing legitimate members who will represent the interests of the private sector and influence the activities of the public sector.

### 3.2.4 Innovation

*Ever changing market conditions and consumer preferences require the regional tourism industry to continuously adapt and introduce new products and services. Innovation is therefore critical for the industry to remain competitive and grow.*

A prerequisite of successfully doing business is researching the entire market, with a special focus on demand as the foundation for creating a development policy without which we cannot expect any improvement of the tourism industry. Global research shows, for example, that tourists’ demands are changing – sightseeing used to be popular, but now travellers are more oriented towards life-seeing.

#### **Case: I would like to invest, but...**

June 2009, hotel owner: “We bought a hotel and need a surveyor to measure the plot, so we can work out how to plan reconstruction of the building”. June 2009, municipal officer: “A surveyor will visit you”. September 2009, hotel owner: “Where is that surveyor?”

The lack of an institution tasked with systematically conducting research and development leads to unplanned promotions and the failure to develop required contents. This in turn leads to an inadequate private sector support policy, inadequate use of human resources and, very often, inadequate spending of financial resources.

### Why is the research and development function neglected?

Many institutes and certain education institutions respond to this question by insisting that they do deal with research. If so, why do we find ourselves lacking relevant data that could serve as a basis for devising a development policy? There is no coordination or communication, but also:

- **Tourism organisations**, due to their limited capacities (small staff, lack of experience, funds etc.), occasionally deal with this activity but do not do so continuously or in a planned manner, nor do they recognise it as a foundation for the development of their own positioning in the tourism industry. As one of their tasks is to develop rural tourism and provided services for rural tourism households, the training courses they organise for them depend more on financial resources than actual needs on the field. For example, they organise training courses to inform rural tourism service providers about conditions for the categorisation of their facilities, but do not organise hospitality training courses.
- Business development services in the rural tourism sector are underdeveloped. For this reason, beside Tourism Organisations, receptive **Tourism Agencies** also provide rural tourism services. However, because profit levels in receptive tourism, especially rural tourism, are very low, only a few tourism agencies take the time to work directly with the rural tourism offer. Additional challenges include a low level of interest among rural households for rural tourism services, since they lack access to information, don't recognise opportunities for income and don't see benefits from cooperating with tourism agencies (they view such cooperation as sharing their own profits as opposed to generating greater profits). This leads to the situation where a limited number of rural households have access to business development services.



### 3.3 Intervention areas

Through all research (as shown in Box 3, Chapter 1) which had been undertaken with the purpose to understand wider system and relations between different players in order to find set of activities which reinforce each other. Human resources, promotion, coordination and innovation cannot be treated in an isolated manner since those areas are interconnected with strong influences and in long term manner they are supposed to lead to income increase and job creation.

**Table 7: Intervention areas for the PSD project**





## 4. Intervention strategies

The above chapter has outlined some of the underlying systemic constraints that prevent the tourism industry to become more competitive leading to more income and better employment in the Zlatibor County. Four key intervention areas were identified: human resource development, regional promotion/marketing, innovation and coordination amongst public and private players.

This chapter begins by outlining the overall vision and logic for development intervention in the tourism industry, and then continues to describe specific intervention strategies for the four areas mentioned above. Rather than going into too much detail (i.e. specific activities), the description of intervention strategies attempts to generate a general understanding of the intervention areas. Details are kept in separate intervention plans which the PSD project will discuss with relevant industry stakeholders directly.

### 4.1 Overall vision and intervention logic

Given the above analysis of what is 'wrong' in the wider market system of the tourism industry, the challenge now is: what to do? Where in the market system can the PSD project find the most leverage to address the systemic constraints? And with which stakeholders should it work in order to have the best possible impact? In doing so, PSD project is guided by two key factors:

1. A **vision** of a more inclusive market system that provides better income and employment opportunities for young people and unemployed, an improved business environment for the industry to grow faster and become more competitive, as well as more opportunities for businesses in rural areas to engage in tourism based on better access to knowledge and market information.
2. The recognition of the need to act in a flexible and entrepreneurial manner while still being consistent with its vision. This means being attuned to the incentives and capacities of stakeholders and adapting intervention strategies where necessary to accommodate these.

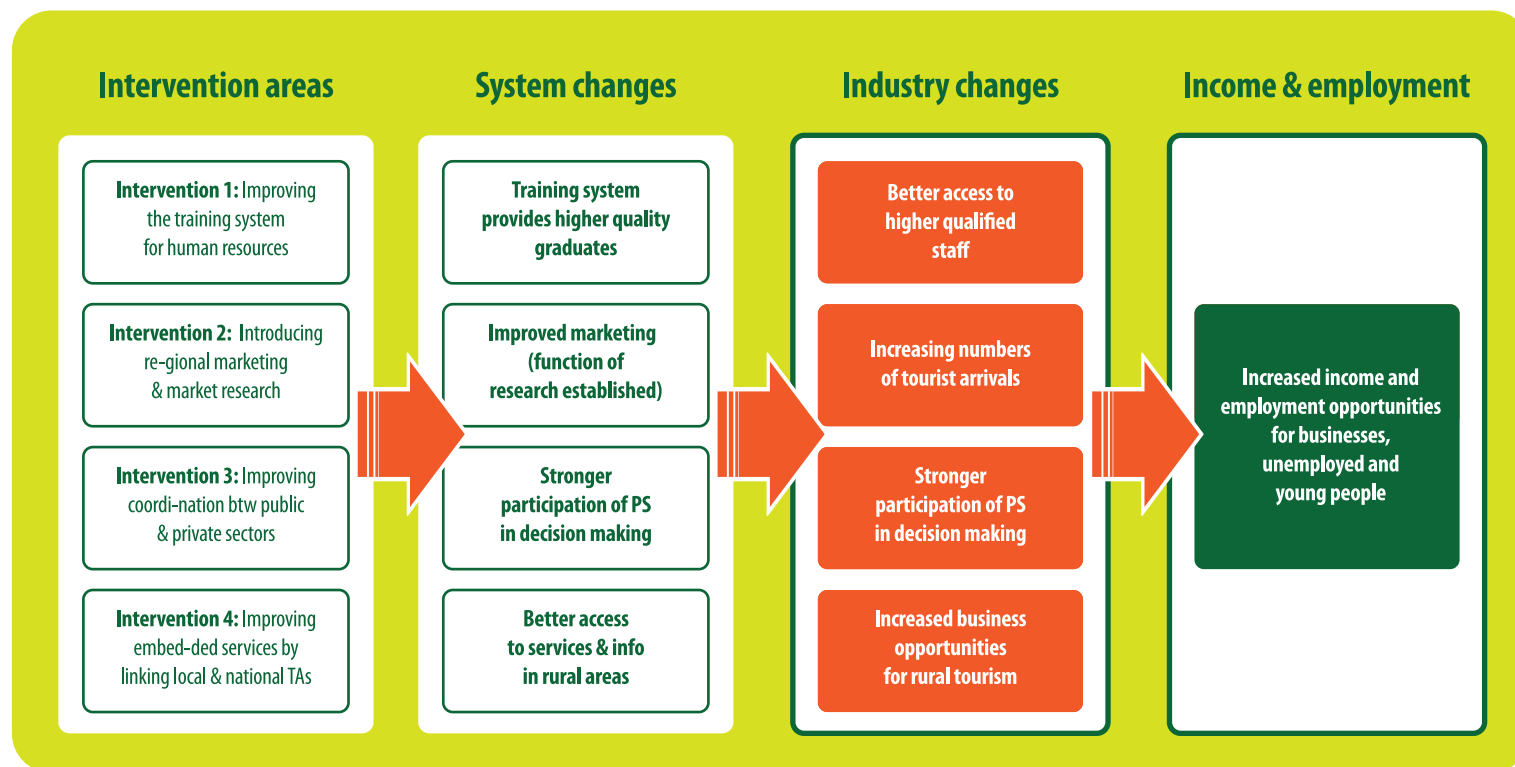
The PSD project aims at bringing about **systemic change** in the markets it intervenes. In doing so, it distinguishes itself from conventional development initiatives that provide direct solutions which however only address symptoms and not the underlying causes. In focussing on systems, the project aims at achieving sustainable change that lasts beyond the period of project intervention and has a large-scale impact. What does this mean more specifically?

- The PSD project will **not** train or directly support training through others in order to improve the quality of human resources, but will attempt to change the way the **training system** works, so that it produces better qualified graduates that meet industry requirements in the long-term.
- The PSD project will **not** impose any regional promotion strategy on local and private sector stakeholders nor will it directly conduct promotion activities, but rather work together with private and public stakeholder on developing and implementing a **regional promotion approach**.
- The PSD project will **not** introduce new innovations, information and services directly to rural businesses itself, but will support the establishment of a **knowledge and information system** through embedded services between national and local travel agencies based on commercial incentives.
- The PSD project will also **not** impose associations on to the private sector, but sees private sector **coordination as an evolutionary process** that will evolve out of specific intervention areas. It will assist the chamber of commerce to play a stronger role in coordination and capacity building of private sector associations.

By changing the way the market system works, the PSD project anticipates an **impact on business and overall industry performance** – for example, an increase of tourist arrivals resulting from improved regional promotion, or more business opportunities in tourism in rural environments through better market linkages and access to knowledge and information. Altogether, these intervention areas are expected to have a final and long-term impact on **income and employment** opportunities – particularly for young people in the region.

The following figure in *Box 18* illustrates the overall logical model for interventions through the PSD project:

## Box 17: Overall logical model for interventions



Finally, we come to the suggested areas of intervention and the objectives planned by the project in order to be accomplished in the following two-year period. Each area will have a larger number of subareas in which the interventions with sets of different activities will take place, in order to lead to improvement of the market, higher income, and, of course, increase in the number of employees.

## 4.2 Human resource development: Improving the training system for a better qualified workforce

*In the business performance – private and public organization in tourism industry have better access to appropriate and better skilled labour (increase choice in relevant professions meeting their requirement) and better skilled young people find easier access to well paid jobs.*

Human capital can only represent the driving force of development when high productivity is achieved; accumulated experience, knowledge and skills are gained. In order to provide all of this it is necessary to **link private and public sectors** into the process in order to identify the need for certain professions in tourism, as well as using relevant promotions of tourism professions in vocational high schools, in order to reduce the negative selection of students in vocational high schools.

A precondition for creating human capital is **promoting professions and jobs** intended for the student population with a special focus on vocational high school education. This attracts young people by offering them employment opportunities and, thus, ensuring that education responds to the needs of the tourism market.

In order to guarantee this, it is necessary to **involve legitimate representatives of the private sector in school boards**, which will contribute to improving practical work in vocational high schools (dialogue which presents a basis for practical teaching that responds to economic needs), will generate standardised education and workplace training and facilitate the continuous monitoring and improvement of services, which involves new players (crowding-in).

Quality is one of the most significant competitive assets in the service industry, directly influencing the increase of turnover and cost reduction, long-term increase in business productivity and reduction of labour fluctuations – all of which results in increasing income and reducing unemployment.

## 4.3 Regional promotion: How to market the region successfully and attract more tourists

*Through regional promotion bring more domestic and international tourist in Zlatibor County which lead to industry growth and better income.*

Regional promotion is a key factor for driving demand and increasing tourist figures. The prerequisites for adequate promotion include:

1. Development and implementation of a **Regional Marketing Plan** based on good understanding of the market and partnership relations between the private and public sector.
2. Research that includes permanent **research** of tourists' opinions about the region, their level of satisfaction with the tourism offer, improvement suggestions etc.
3. An **inventory** of the regional tourism offer (i.e. all tourism products and services in Zlatibor County), which allows the industry to compare supply and demand and act upon identified shortcomings.

In order **to ensure partnership and the impact of the private sector**, it is necessary to:

- Redefine the role of tourism organisations (to enable the private sector to have a sense of ownership and influence over an LTO).
- Increase tourism organisations' capacities to: conduct market research, implement and monitor regional promotion, update their offer and cooperation with other relevant institutions.

- Ensure legitimate representatives of the private sector are included in the planning team.

The Marketing Plan – a result of consensus about the strategic promotion of the region among interested parties – leads to the improvement of existing enterprises and the establishing of new enterprises in the tourism industry, increasing the number of tourists and new investments in the region, which subsequently lead to the creation of new jobs and income in the County.

## 4.4 Coordination: Improving private sector participation in decision-making procedures

*There are common interests (promotion, skills etc.) that require joint action which would lead to better coordination and helping to tackle wider issues in the market system.*

Cooperation and coordination must be secured at three levels:

- **Private-public partnership:** in order for the private sector to gain a sense of ownership over the work of tourism organisations it is necessary to redefine the management structure of tourism organisations (to enable private sector representatives to become part of the organisations and/or make decisions regarding the managing of tourism organisations).

Strengthening the coordinating role of the Regional Chamber of Commerce, aimed at stimulating the private sector to get involved association initiatives (using the tourism and hospitality sectors that already exist within Regional Chamber of Commerce,) leads to the articulating of common private sector interests, their prioritisation and initiatives for the involvement of legitimate private sector representatives in the activities of tourism organisations, which will result in increasing the capacities of



tourism organisations to carry out a planned and coherent development of tourism, including initiatives of the private sector and increasing efficiency, leading to the growth of demand for tourism in the region, job creation on and income generation.

The Regional Chamber of Commerce, which has the capacity to be the central point of private sector associations and can provide adequate services to associations by strengthening their negotiating position and articulating its own role of public lobbying for private sector interests in tourism.

- **Private-private partnership:** Applying functions of negotiation and advocacy will result in a more favourable environment, and thus will help to overcome the habits that the “rivalry” is a stronger motive than the motives for cooperation. Associations of entrepreneurs are the basis for representatives to enter into school boards, teams for planning, steering committees of tourism organizations).

## 4.5 Innovation: stimulating business opportunities in tourism in rural areas

*To establish a learning innovation function (research and development) in the tourism sector which enables it to further improve and grow (competitiveness).*

Increasing the capacities of local tourism organisations for introducing R&D into tourism organisations will affect the position of tourism organisations in the community, primarily because continuously analysing supply and demand is the basis for developing new products in accordance with changes to visitors’ demands. The training of LTO employees to conduct various research (primarily for analysing supply and demand) and presenting results to public and private sector representatives will be channelled (roadmap) initiatives of, for example, local economic development offices, to create an environment suitable for investing in tourism, improving the tourist offer of the private sector (improving existing/opening new enterprises, according to market impulses etc.).



## 5. What is next?

The presented report will not only provide an overview of the current situation, identify causes and provide improvement suggestions. It also represents the foundation for work to be carried out over the next two and a half years, in order to reach a live, competitive tourism market as a final outcome. With this in mind, a series of activities has been predicted:

1. The report will be presented to all stakeholders: private sector, tourism organisations, Regional chamber of commerce representatives, local government representatives, schools etc. The directions of interventions will be discussed and enhanced in direct communication with these stakeholders and the process will be initiated through a series of simultaneous activities. The first will be meetings with representatives of the private sector and tourism organisations, as well as a meeting with the potential project partner identified as the regional chamber of commerce.
2. Interventions depend on the results of market analysis and the continuous learning process during implementation – thus the approach to the process will be flexible and guided by the market situation. Current plans envisage the carrying out of a minor action related to the capacity building of tourism organisations for establishing functions of research and development by organising market research training courses for tourism organisations' staff.



# ANEX 1

## Strategic framework for the development of tourism

The strategy of development of tourism of the Republic of Serbia to the year of 2015 as a general framework provides guidelines or creating local and regional documents. For the requirements of this study we have selected some segments which were used as guidelines both for field work and for selecting zones of possible intervention.

### Some of the principles on which the strategy is based are:

- Tourism in Serbia has to be a win-win situation for everybody.
- Serbia wants to focus to those tourist contents and initiatives which have least possible transaction costs, but put it not only on the tourist map of the world and differentiate it from the competition.

### Values which Serbia is supposed to communicate to others:

- A country that fully appreciates and maximally preserves its natural and cultural treasures.
- A country that is aware that welfare through tourism is not possible without high-quality infrastructure and suprastructure, knowledge, education and new technologies, i.e. their transfer to all parties involved in tourism.

**Positioning of Serbia** – it is necessary for strategic positioning and branding of Serbia as a tourist destination to provoke interest for travelling just for the number of already prepared tourist products. Priority tourist products:  
City break

- **Touring**
- **Business tourism + MICE**
- **Health tourism (spa / wellness)**

- **Mountain and lake holidays**
- **Events**
- Sailing
- **Rural tourism**
- Special interests

## Southwest Serbia – History and tradition and enjoying the nature

### Crucial investment projects:

1. Finishing and expanding (improving) the existing destinations (Kopaonik, Zlatibor, Divcibare)
2. Rehabilitating spas
3. Rehabilitating city hotel structures
4. Opening new destinations (Mokra Gora, Golija, Tara)
5. Creating at least two clusters of rural tourism
6. Expanding the infrastructure and event capacities
7. Projects of tourist infrastructure and leisure activities

### The prerequisites for an efficient policy of tourism development in Serbia are:

1. **Traffic infrastructure**
2. **Tourist product of Serbia**
  - Provide standards of international quality in the hotel industry
  - Create a plan of equipping all important tourist attraction in Serbia with complementary services
3. **Human resources and labour market**
  - Reformulate the system of education in tourist and hotel professions in accordance with the international

- standards
- Evenly disperse new profiles of employees in tourism throughout whole Serbia
- Reform the system of employment in tourism

#### **4. Networking with other sectors**

- Include brands of Serbian farming products and form systems of tourist “shops”

#### **5. System of national tourist marketing** **Formulate the strategic marketing plan and new hierarchical organization in the Tourist Organization of Serbia and regional tourist organizations**

- Establish a comprehensive system of managing the marketing of tourist micro-destinations Organization, management and support to the development of tourism
- Establish unique tourist statistics and a system of monitoring of the impact of tourism on the national economy
- Provide a comprehensive system of support for investment in tourism in the same way for both domestic and foreign investors
- Establish a unique and comprehensive system of quality control in tourism<sup>13</sup>

**Strategy of regional development:** there are huge differences in development of economy and according to that, in the standard of living between different regions, which is further worsened by migrations of the population to the main city centres. Sensitivity to regional politics has begun to fade in Serbia and regional economic development is starting to pick up pace. Therefore, the Strategy of Regional Development (2007-2012) which was compiled by the National Bureau of Development and adopted by the National Parliament in November of 2007 provides the guidelines for policy of regional development of the country. This is a large breakthrough towards accepting the need of a regional approach to socio-economic development of the country via, for example, giving financial subventions for regional development through a range of tax cuts and other methods of supporting investments. Main goals of this strategy are oriented towards:

- Increasing regional competitiveness;
- Reducing regional poverty and disproportion between different areas;
- Building institutional and regional infrastructure.

The Strategy contains an observation of a positive “movement” of tourist activities (it probably refers to arrivals and spending

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<sup>13</sup> Strategy of the development of tourism of the Republic of Serbia up to the year 2015

of the visitors) in the eight regions, bearing in mind that the Zlatibor District had one of the five largest “concentrations” of tourists.

Analysis of local strategies shows that in the municipalities of Cajetina, Nova Varos, Priboj and Prijepolje the development of tourism is within the first three priorities. In the municipality of Arilje and the city of Uzice, tourism is considered as a part of some other priorities, while in the municipality of Prijipolje it is not. We certainly have to take into account that the development of a sustainable development strategy is in progress in Prijepolje.

The directions of development of tourism in targeted areas are mostly oriented towards advertising and raising the capacities of parties involved in tourism.



## ANEX 2. Local strategies

<p><b>Strategy of sustainable development of the Municipality of Cajetina 2010-2020</b></p> <p>Tourism on Zlatibor is a unique offer of nature and culture and also a highly developed branch of economy which is the most prominent initiator of other economic activities in the municipality.</p> <p><b>Vision</b></p> <p><i>The Municipality of Cajetina is an internationally recognized tourist destination for vacation, recreation, therapy of body and mind and it offers a specific synergy of both what is traditionally Serbian and ultra modern in a unique tourist product that meets all requirements of tourists. It is a place where nature and humans live in total mutual understanding and harmony.</i></p>	<b>2.1. Rural tourism has been improved.</b>	Creating prerequisites for further development of rural tourism.
		Increasing the capacity of local/village residents who are involved in rural tourism.
		Valorizing rural tourism offer based on tradition, natural and anthropogenic assets.
	<b>2.2. Tourism is developing according to plans.</b>	Precise definition of future development, structure of accommodation capacities and reserved areas.
		Complete information related to tourist potentials have been gathered, merged and is updated regularly.
		An efficient system of control of tourism development has been formed.
		Development of public-private partnership on the basis of the defined guidelines of development.
	<b>2.3. The integrated tourist product of Zlatibor has been improved.</b>	Forming the offer as a base for an improved integrated tourist product.
	<b>2.4. Marketing communications on the levels of the destination and market promotion have been developed.</b>	Expanded and modern unique tourist approach.
		Marketing and advertising activities are synchronized and clearly focused on precisely defined target groups.
		The tourist organization performs efficient advertising of the tourist destination and creates its image.

<p><b>Strategy of sustainable development of the Municipality of Nova Varos 2010-2020</b></p> <p><b>Priority</b> Planned development of tourism and raising the quality of tourist offer through improvement and optimal exploitation of tourist potentials and natural resources.</p> <p><b>Vision</b> <i>Zlatar is a recognizable tourist destination in the year 2020 with both domestic and foreign tourists. It is based on sustainable exploitation of potentials and beauties of Uvac, Zlatar, tradition and culture.</i></p>	<p><b>2.1. Tourism on Zlatar is developing according to plans</b></p>	The tourist development has been clearly and precisely defined and it is in accordance with the planning documents.
		Constant and high-quality cooperation of all parties in tourism development.
		The level of knowledge of local residents and employees in tourism has been raised.
	<p><b>2.2. Tourist services and offer on Zlatar are complete, unique, rich, versatile and of high quality</b></p>	The existing tourist offer has been improved.
		A unique and comprehensive tourist offer of Nova Varos municipality has been formed.
		Public-private partnerships have been developed.
	<p><b>2.3. Tourist potentials and resources are optimally exploited.</b></p>	A marketing approach in promoting the tourist offer has been developed.
		The tourist offer of Nova Varos has been recognized on the market.
		The tourist organization is efficient in promoting and developing tourism.
	<p><b>2.4. Nova Varos actively participates in regional, cross-border and international projects and cooperation.</b></p>	A cooperation based on tourism development with other municipalities and regions has been established.

<b>Strategy of sustainable development of the Municipality of Priboj 2007-2012</b>  <b>Priority</b>  <i>Promoting, improving and exploiting tourist potentials.</i>	<b>2.1. Creating preconditions for development of rural, spa, recreational and hunting tourism.</b>	Building cycling and hiking paths.
		Adaptation and putting into operation of the museum, gallery and ethno house.
	<b>2.2. Promoting cultural heritage and famous people from the area.</b>	Pribojska Spa, as a tourist destination.
		Bucje as a tourist destination.
	<b>2.3. Improving and expanding tourist contents through inter-municipality and regional cooperation.</b>	Building the road from Pribojska Spa to Uvac Monastery.

<b>Strategy of economic development of the Municipality of Arilje 2007-2015</b>  <b>An environment that is spatially organized and attractive for living.</b>	<b>Development of tourism</b>	Institutional measures
		Promotion of tourism
		Tourism infrastructure

<b>Strategy of sustainable development of the Municipality of Prijepolje 2005-2009</b>  <b>Priority 2</b> <b>Rural development</b>	<b>2.1. Increase services at local level</b>	Stimulate development of rural tourism
<b>Priority 3</b> <b>Services to citizens</b>	<b>2.2. Tourist services and offer on Zlatar are complete, unique, rich, versatile and of high quality</b>	Improve tourism potential in Prijepolje

<b>Strategic plan for local economic development of the City of Uzice 2005-2010</b>	<b>Improved conditions for development of entrepreneurship</b>	
	<b>Tourism offer updated by activating under-utilized touristic destinations and aspect of tourism</b>	

## ANEX 3. Legal framework

**The Law on Regional Development:** The Government of Serbia has created the Law on Regional Development in order to provide a legal base for enforcing the Strategy of Regional Development and thus to reduce regional economic disproportions. A region is defined as two or more districts, where district is an area which follows the NUTS3 criteria of the European Community. It is predicted that we should have 7 regions in Serbia, one of which is the Western Region. In fact, the Bill will pass responsibility for conducting regional development policy to regional and local institutions. A National Council of Regional Development will also be founded in order to enforce the Strategy. **The Law on Local Authorities**, which was adopted in January of 2007, will provide additional support through, for example, returning ownership of some properties to local authorities, although this process could possibly require much time, as we have already mentioned. Besides, local authorities are obligated to support and take care of the development of tourism on their territory and to set the price of the residence tax. According to the Law on tourism, a tourist organization can be founded on the territory of a unit of local administration, or some other legal entity could be entrusted with such business. The promotion of tourism can also be performed by tourist organizations of the region, which must be founded by two or more units of local administration.

**The Law on Tourism**, adopted in 2009 (goes into effect January 1st, 2010) determines the conditions of defining tourist areas and ways of management and development, as functions of the Tourist Organization of Serbia and local tourist organizations. It also defines activities of special importance for development of tourism and the possibility of founding a national tourist corporation as a company (articles 23 and 24), ways of paying tourist fees and ways of using these financial resources (article 113).

Funds gained from tourist fees for using the assets of a tourist locality within a protected natural or cultural resource of great importance, as well as from cultural resource of importance for the Republic of Serbia are divided so that **40% is the income of the legal entity or organization that manages the protected natural or cultural resource, 40% is the income of local administration and 20% goes to the budget of the Republic of Serbia.**

Tourist fees are not charged for the protected cultural or natural resource if the legal entity or organization that manages the resource charges the fee for its exploitation. The subject from article 111 paragraph 2 of the Law is not obligated to pay tourist fees if it pays the fees for exploitation of the protected natural or cultural resource in accordance with the regulations which define the protection natural and cultural resources.

**Local administration uses funds mentioned in paragraphs 1 and 2 of this article for maintenance of the existing and building new tourist infrastructure, environment protection, building sports, recreational and other complementary public facilities in tourist areas.**

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**Title:** Market analysis of the tourism industry in Zlatibor County

**Year:** 2010

**Chief editor:** Ruzica Dabic

**Technical editing:** Mark Pullen

**Graphic design:** Studio SFUMATO, Strangestar Studio

**Circulation:** 100

**Publisher:** Regional Development Agency "Zlatibor", Dimitrija Tucovića 42, Užice

**Printing:** TK Mont

**Disclaimer:** The views and opinions of authors expressed in this publication do not necessarily state or reflect those of SDC









Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

**Swiss Agency for Development  
and Cooperation SDC**

This Project is funded  
by the Swiss government