

POLICY BRIEF 4

ON THE UNDERUTILISED POTENTIAL OF RURAL TOURISM IN THE COUNTRY

PROJECT:

“STRATEGIC DEVELOPMENT OF
RURAL TOURISM - A BASIS FOR
COMPLEMENTARY LINKAGE AND
SUPPLEMENTATION OF THE
INDUSTRIAL POLICY AND SUSTAINABLE
DEVELOPMENT OF THE COUNTRY”

**THIS POLICY BRIEF FOCUSES
ON THE STATE OF AFFAIRS IN
RURAL TOURISM AS ONE OF
THE SECTORS OF INDUSTRIAL
POLICY. IT PRESENTS THE
RESULTS FROM THE STRATEGIC
AND LEGAL ANALYSES IN THE
ADDRESSED AREA, AS WELL
AS THE RESULTS OF THE FIELD
RESEARCH THAT INCLUDED
ABOUT 120 OWNERS OF RURAL
TOURISM FACILITIES. A SERIES
OF RECOMMENDATIONS
FOR SUPPORTING THE
DEVELOPMENT OF RURAL
TOURISM IN THE COUNTRY
HAVE BEEN HIGHLIGHTED.**



Author: Rural Coalition - Kumanovo
www.rural.mk

The publication is available electronically in the Resource Centre of the Chapter 20 Platform: Enterprise and Industrial Policy:
www.poglavje20eu.org

Proofreading: Dejan Vasilevski

English translation: AD VERBUM, Skopje

Graphic design and printing: STEDA GRAFIKA

Circulation: 100



This publication is part of the project **“Strengthening Capacities and Mechanisms for Supporting Chapter 20 Reform Processes (YESNetwork+)”** financed by the European Union, within the IPA Civil Society Facility and Media Programme 2015, and implemented by the Youth Entrepreneurial Service Foundation (as Coordinator), the Foundation for Management and Industrial Research and the Association for Rural Development “Javor”.



The project is funded by the European Union.

This publication has been made with assistance from the European Union. The content of the publication is the sole responsibility of the project implementers and can in no way be taken to reflect the views of the European Union.

INTRODUCTION

The concept of sustainable development has long been on the agenda in European society, and consequently in our country. The synchronization between economic, social and ecological development seems to be most applicable precisely for the rural tourism sector.

The state has a rich fund of authentic, cultural, natural and traditional resources and products that, according to the global trend in the last decades in rural tourism, have been offering serious opportunities for development of this branch. At the same time, the uniqueness of the approach to traditional products among the population is a good basis for creating a specific and unified model and concept for the development of rural tourism.

Rural tourism in our country is mostly comprised of staying in accommodation facilities in villages or smaller towns with a limited number of additional activities available for the tourists. For these reasons, rural tourism in our country is in its first phase of development, in which it is expected to have an increase in the number of tourists, rural tourism products, opening new businesses and establishing cooperation between them.

According to the economic effects in the development of rural tourism, depending on the offer and distribution of tourism revenues, there is a so-called "soft" effect in our country.

Tourists are accommodated in houses, small family hotels and other accommodation facilities owned by entrepreneurs who are permanent residents in those rural areas and the rural tourism profits remain in the rural environment.

Despite the positive aspects, there are still obstacles for rural tourism to assume the place that it is, at least strategically, assigned in industrial policy. The main challenges are: 1) the lack of an official definition of this term, as well as incomplete legal regulation; 2) insufficient engagement of the central and local government; and 3) the low level of activity of the non-governmental sector.

The purpose of the conducted research was to contribute to the strategic development of rural tourism as a sectorial policy within the national industrial policy, more specifically: 1) to make an analysis of the existing institutional, strategic and legal framework for rural tourism; as well as 2) to define recommendations for the improvement of the development of rural tourism in the country. The research on the development of rural tourism in the country was realized with the support of the re-granting program of the project "Strengthening Capacities and Mechanisms for Supporting Chapter 20 Reform Processes".

Accommodation and hospitality facilities in rural areas are most often built with direct funding from the owners. This is confirmed by the fact that every year a minimum of 13 million denars remain unused from the National Rural Development Programme, which are based on three measures that include the development of rural tourism.

Additional efforts, measures and reforms are needed, so that Macedonian rural tourism moves into the second more complex phase of development, which includes the reconstruction of rural areas and the process of tourism development in the broader sense.

Another problem in the development of rural tourism is the lack of a strategy for each individual tourism product in a particular rural environment.

APPROACH AND CONCLUSIONS

Field research was carried out in all eight planning regions, covering 120 owners of rural tourism facilities.

There were also five round tables, which included institutions, local civil society organizations and facility owners, in order to review and open a discussion regarding the results obtained from the field survey.

The strategic documents that are relevant are the expired National Strategy for Rural Tourism (2012-2017), the National Strategy for Tourism (2016-2021), the Strategy for Sustainable Development, and the Industrial Policy (2009-2020).

Proper legal formulation of services that are considered as rural tourism products will enable the country to create an appropriate development strategy.

There is no unified position on the question: What is rural tourism and what are its characteristics? Most of the authors use the term village tourism or rural tourism, some authors refer to it as green or eco-tourism, others use terms such as alternative, ethno, agri, etc. A precise definition will provide greater recognition and unification of the tourist offer.

The methodology of the conducted research was based on the following steps:

1. Desktop analysis of the National Strategy for Rural Tourism and other documents related to the rural tourism sector, including agriculture and rural development;
2. A survey on rural capacities conducted through a field research questionnaire and a data entry form on the rural tourism web portal;
3. Collecting feedback on the results from the field research and creating additional recommendations by organizing round tables.

All research findings are available in the final monitoring report including recommendations for the development of rural tourism as part of the national industrial policy.

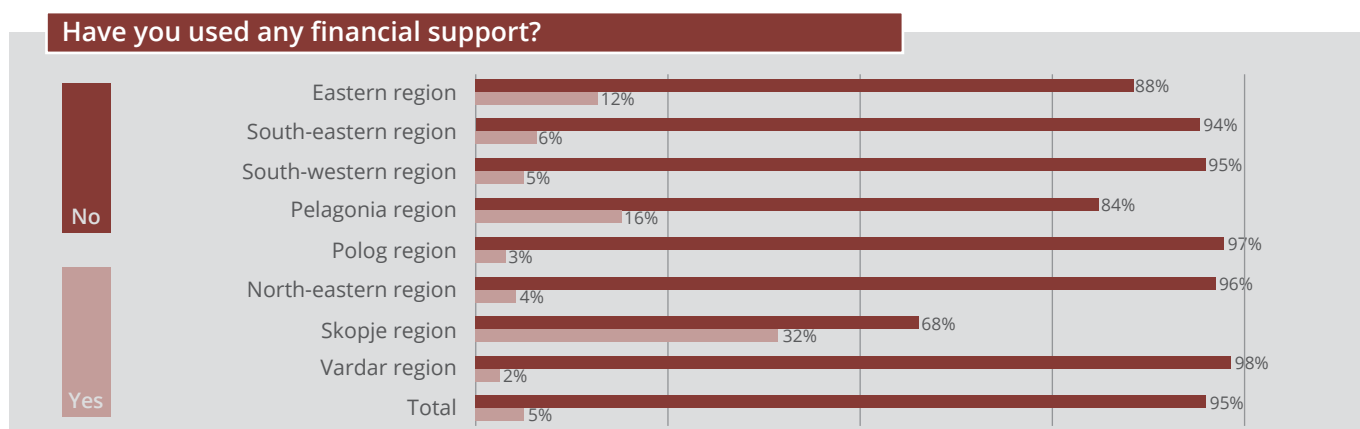
Conclusions from the analysis of the strategic and legal framework

- Greater and more thorough involvement of associations operating in rural areas is lacking while, according to the National Register of Active Associations, there are over 200 such associations in the rural areas.
- The analysis of the laws on tourism and the hospitality business shows that a precise definition of the scope of the term "rural tourism" is necessary, in accordance with the standards of the World Tourism Organization, as is the expansion of the scope of tourism services offered in rural tourism.
- According to the Law on Tourism Activity, Article 51, services for village, ethno and eco-tourism are provided by physical persons, which is not in accordance with the concept of small business creation in rural tourism. This shortcoming in the Law on Tourism Activity creates a number of irrationalities and ambiguities for rural tourism service providers

- At the same time, the standards for tourist services for accommodation in rural tourism are regulated in the Law on Catering Activity, i.e. there is no legal act that precisely regulates and defines the standards and terms covered by rural tourism, despite the general harmonization of the national legislation with the legislation of the EU.
- The existing rulebooks define the general categorization and minimum technical conditions of tourist facilities, without special categorization according to EUROGITES (European Federation of Rural Tourism) and rural tourism standards.

Conclusions from the field research

- Insufficient knowledge on the part of facility owners regarding subsidies and European funds for development of rural tourism capacities.



- Subsidies are provided through several funds (IPARD, Rural Development Programme, subsidies for village tourism development from the Ministry of Economy), however the utilization is either small or missing.

Year	Funds approved by the Ministry of Economy	Number of applications received	Number of approved applications
2016	MKD 1,000,000	4	0
2017	MKD 2,500,000	5	0
2018	MKD 1,500,000	The call lasts until September 30th 2018.	

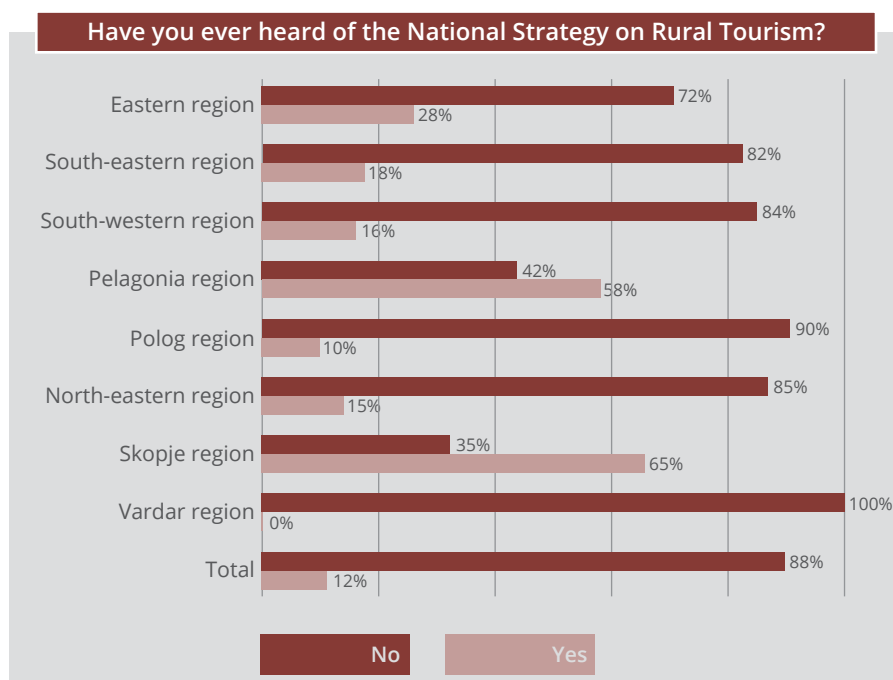
Source: Ministry of Economy

- The owners of rural capacities are not satisfied with the promotion of rural tourism, in their opinion national and local tour operators are insufficiently promoting the facilities in rural areas as tourist attractions, they do not cooperate with the municipalities or the centres for development of the planning regions, nor do they receive timely information from the institutions about the support and opportunities for development of rural tourism in the country.

As many as 88% of the respondents had not been informed about the existence of a strategic document that regulates rural tourism.

Owners of rural tourism capacities should focus on providing new jobs, self-employment opportunities and development of their own small rural businesses.

PROMOTING A COORDINATED AND CONTINUOUS PROCESS OF INFORMING THROUGH VARIOUS CHANNELS, RANGING FROM ELECTRONIC COMMUNICATION TO DIRECT FIELD VISITS, AS WELL AS PROVIDING TECHNICAL ASSISTANCE IN FILLING OUT REQUESTS FOR FINANCIAL SUPPORT, IN ORDER TO INCREASE THE PERCENTAGE OF UTILISATION OF FUNDS INTENDED FOR THE DEVELOPMENT OF THIS BRANCH OF TOURISM.



RECOMMENDATIONS FOR POLICY MAKERS

On a strategic level

- Rural tourism should be given due priority as a strategic branch of tourism, because of the possibility for opening direct and indirect employment opportunities and small business development.
- A separate categorization should be established for hospitality facilities in rural areas.
- A stimulating and enabling environment should be created for the development and promotion of rural tourism, following the trends from surrounding countries that have similar development conditions, such as Croatia, Bulgaria, Serbia.

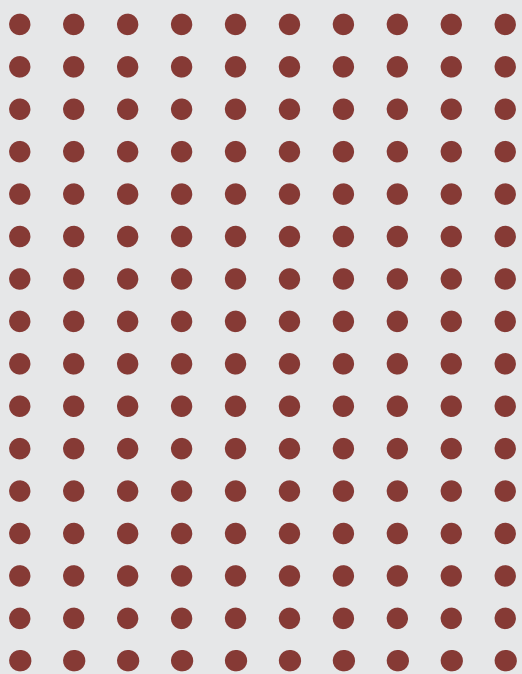
At an infrastructural/institutional level

- The financial support and the cooperation with the institutions, especially with the Ministry of Economy and the Ministry of Agriculture, should be developed to a higher level, i.e. a coordinated and consultative process should be established with the stakeholders, so as to develop policies and programmes that will be of realistic assistance and will develop this branch of tourism in which, as a predominantly rural country, we have huge potential for development and income, and the next National Strategy for the Development of Rural Tourism should be developed through such an inclusive process.
- Rural infrastructure should be improved in general, starting from roads, lighting, water supply and sewerage, up to the road signs for the facilities and provision of organized offers and promotions by local and national tour operators.

- The cooperation between local governments and owners of facilities in rural areas should be intensified, including the administrative communities of the local population, in order to enable efficient and effective utilization of funds intended for rural development through various funds and programs.
- Institutional cooperation should be established with the centres for development of the planning regions.

At a legislative level

- The legislation that regulates rural tourism as a branch should be amended and streamlined, going so far as to develop a new law that will separate rural tourism from other types of tourism due to its specific characteristics and conditions in which it takes place.
- Tax regulations should be alleviated, especially with regard to Value Added Tax (VAT), i.e. 18% should be reduced to 5% for this type of activity, because providing tourist services in the countryside and providing such services in a larger tourist location is completely different in regards to the conditions, the way in which it is provided, the number of tourists, etc.
- The provision of the Law on Registration of Cash Payments that refers to the part of who is exempted from the obligation to introduce a fiscal system of equipment for registration of cash payments, in the part referring to “persons performing activities in facilities that are located in settlements where the population is less than 300 and that are located in high mountain areas and hard-to-reach places, with the exception of tourist places”, should be amended and the part referring to the exception of tourist places should be stricken, that is, in such areas rural tourism as an activity should also not be subject to VAT.



POLICY BRIEF 4

ON THE
UNDERUTILISED
POTENTIAL OF
RURAL TOURISM IN
THE COUNTRY