INNOVATIVE ASPECTS OF THE DEVELOPMENT SERVICE AND TOURISM

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The book of proceedings includes the papers concerned with the innovative development of tourist and service industry and their influence on the related sectors. The book includes results of researches and practical investigations of authors from Russia, Lithuania, Serbia and Hungary.

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LEGAL ASPECTS OF TOURISM DEVELOPMENT IN SERBIA

Stefan Denda\textsuperscript{13}, Sladana Stojanović\textsuperscript{14}, Vladimir Malinić\textsuperscript{15}

Abstract: The tourism industry has recorded significant results both in the world and at the level of individual countries. The tourism destination policy is realized through the adoption of appropriate regulations and supporting documents. Therefore, the aim of the paper is to evaluate the Serbian legislation in this field, with an emphasis on the Law on Tourism. An analysis of the current regulations (laws, strategies, master plans, and rule books) was carried out. The results pointed to the key tourist products and sites followed by statistical data. At the same time, the organization of the tourism and hospitality sector was presented, with the rights and obligations of all stakeholders. It was pointed out the significance of the Tourism Registry as a unique base in Serbian tourism. Finally, through the SWOT analysis, all good and bad aspects of this sector were presented as well as possible challenges in the future.

Key words: tourism, legislation, statistics, SWOT analysis, Serbia.

Introduction

Tourism is one of the fastest growing industries in the world, both in quantitative and qualitative terms. According to data from the UN World Tourism Organization, in the year of 2018, 1.4 billion international tourist arrivals were recorded. This was the second strongest year since 2010. At the regional level, the Middle East (+10 %) and Africa (+7 %) grew above the world average, while the Asia-Pacific region and Europe grew at 6 %. International arrivals in Europe reached 713 million. Growth was driven by Southern and Mediterranean Europe (+7 %), Central and Eastern Europe (+6 %) and Western Europe (+6 %). Results in Northern Europe were flat due to the weakness of arrivals to the United Kingdom. According to UNWTO estimates in the forthcoming period growth will be at 3–4 % per year.

World Travel and Tourism Council data indicate an increasing presence of this industry. Travel & Tourism economy grew by 3.9 % annually, with a direct share of 10.4 % in GDP or $2,570bn in 2017. This sector directly generated 118.5 million jobs (3.8 %), while indirectly this number reached 319 million jobs, with

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investments from $882bn (4.5 %). At the same time in Europe, the travel and tourism industry accounts for 9.9 % of GDP, directly 3.6 % (€669.5bn). It directly provides 14.4 million direct jobs (3.8 % of total), with €191.4bn investments. It is assumed that the growth will be 2.4 % per annum over the next decade (WTTC, 2018a).

In the case of Serbia, there is a constant increase in the number of arrivals and overnight stays from 2012. It should be noted an increase in the number of foreign visitors, but also domestic ones after the state subsidy measures from 2015. During 2018, over 3.43 million arrivals and 9.33 million overnight stays were recorded. In the region of Southern and Mediterranean Europe, Serbia has relatively modest economic results in the T&T industry. In 2017, its total share in GDP was $2,606.8mn or 6.7 %, while the actual impact was $906mn (2.3 %). With related activities in the tourism and hospitality industry worked 96,500 employees (4.9 %), directly only 37,000 or 1.9%. Total investment in this sector was low and amounted to only $299.3mn (WTTC, 2018b). Despite fluctuations from 2008 to 2010, since 2011, Serbia has recorded a steady increase in tourism revenues from €710mn to €1,396mn in 2018 (National Bank of Serbia, 2019).

Methodology

The main objective of the study is to determine and evaluate key regulations and accompanying documents related to tourism development in Serbia. As the starting point, the Law on Tourism was used as an “umbrella document” on the basis of which tourism policy was defined. Additionally, statistical data were used to monitor the achievement of the objectives defined by the Law, as well as the Tourism development strategy of the Republic of Serbia.

Tourism regulation – the evidence from Serbia

Tourism policy can be defined as a set of regulations, rules, guidelines, directives, promotion objectives and strategies that provide a framework within which the collective and individual decisions directly affecting tourism development and the daily activities within a destination are taken (Velasco, 2017). Governments can have an important impact on the attractiveness of developing this sector, depending on whether the policies that they create and perpetuate support or hinder its development (Popesku, 2016). In this respect, the regulatory framework is the basis for sustainable development and tourism management, protection, conservation of natural and cultural resources; and facilitating the stakeholders and local communities involvement in tourism development activities (Goeldner & Ritchie, 2011).

### Table 1. Classification of legal acts in tourism by number and category

<table>
<thead>
<tr>
<th>Laws</th>
<th>Spatial-planning acts</th>
<th>Strategies</th>
<th>Master plans</th>
<th>Rule books</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>36</td>
<td>5</td>
<td>18</td>
<td>unlimited no.</td>
</tr>
</tbody>
</table>

Source: authors, based on relevant documents

In addition to the *Law in Tourism* (OG of RS, no. 36/09 et al.), the *Law on Spas* (OG of RS, no. 80/92, 67/93), *Public ski resorts* (OG of RS, no. 46/06), *Special customs in tourism* (OG of RS, no. 33/01), as well as *Law on financing local self-governments* (OG of RS, no. 62/06 et al.) are also highlighted. A number of spatial planning documents have been adopted at the national (1), regional (10) and local levels (174 towns and municipalities). Regional plans include 29 administrative districts of Serbia. Also, a whole series of 26 spatial plans for the special purpose areas (protected and tourist areas) has been adopted (data by the end of 2018). In accordance with the Law on Tourism, two *Tourism Development Strategies* (2005–2015 and 2016–2015) have been adopted. From 2006 to 2011, 18 Master Plans were developed for priority tourist destinations.16

### Results and discussion

Tourism Law of the Republic of Serbia defines the conditions and manner of planning and tourism development; tourist organizations for tourism promotion; tourist agencies; catering, nautical and hunting activities; services, taxes and penalties in tourism; establishing and maintaining the Registry of Tourism; and other issues of importance for the tourism development and improvement.

First, this law enabled the adoption of the Tourism Development Strategies that determines the long-term goals of planning and tourism development in accordance with the overall economic, social, ecological and cultural-historical

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development (shortest for a period of five years). These documents highlighted key tourist products: city break, MICE + business tourism, touring, nautical tourism (cruising); tourism of special interest (rural and transit tourism, nature/adventure (mountain, lakes, hunting, and fishing) tourism; and health/medical (spa & wellness) tourism.

Second, the law made it possible proclamation and sustainable use of tourist areas in accordance with the Law on Nature Protection (OG of RS, no. 36/09, 88/10, 14/16) and the National Strategy of Sustainable Development (OG of RS, no. 57/08).

Third, the categorization of tourist sites was introduced. It is based on quantitative (tourism turnover) and qualitative criteria (utility, transport, tourist infrastructure, and suprastructure). Four categories of tourist centers were identified: I (Belgrade, Novi Sad, Niš, Vrnjačka Banja Spa, Zlatibor); II (Aranđelovac, Vršac, Kruševac, Sremski Karlovci); III (Sombor, Ada, Kanjiža); IV (Kučevo).

Fourth, by-laws were adopted for the purpose of stimulating domestic tourist turnover (40 euros per visitor), but also for the organized arrival of foreign visitors (10–15 euros per guest for the agency).

Table 2. Tourist arrivals and overnight stays by tourist resorts

<table>
<thead>
<tr>
<th>Category</th>
<th>Tourist arrivals</th>
<th></th>
<th>Tourist overnight stays</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Main adm. centers</td>
<td>772,251</td>
<td>850,666</td>
<td>1,308,638</td>
<td>1,417,859</td>
<td>1,603,865</td>
</tr>
<tr>
<td>Spa resorts</td>
<td>366,098</td>
<td>386,345</td>
<td>596,884</td>
<td>2,367,730</td>
<td>1,852,036</td>
</tr>
<tr>
<td>Mountain resorts</td>
<td>448,855</td>
<td>372,672</td>
<td>596,313</td>
<td>1,912,008</td>
<td>1,411,822</td>
</tr>
<tr>
<td>Other tourist resorts</td>
<td>577,208</td>
<td>489,026</td>
<td>769,201</td>
<td>1,377,867</td>
<td>995,332</td>
</tr>
<tr>
<td>Other resorts</td>
<td>101,755</td>
<td>93,499</td>
<td>159,486</td>
<td>258,642</td>
<td>223,220</td>
</tr>
</tbody>
</table>

Source: SORS, Municipalities, and regions of the Republic of Serbia.

In 2018, the results showed that the main administrative centers (Belgrade and Novi Sad) were the most visited (38.1 % of arrivals and 29 % of overnight stays), with the dominance of foreign visitors (BG – 84.4%, NS – 65.8 %). Mountain and spa resorts recorded the same share in the number of arrivals at the national level (17.3 %), with a mild predominance of the spas in regard to overnight stays (27.2 % vs 23.3 %). Among them, Vrnjačka Banja Spa and Zlatibor Mt. are the most visited destinations with the longest average stay of tourists. Among the other sites with significant results, the City of Subotica (Northern region) and the City of Niš (Southern region) should be singled out.
Table 3. A SWOT analysis of Serbian tourism performances

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. favorable geostrategic position; 2. rich cultural and historical heritage; 3. untouched nature; 4. relatively developed system of personnel training in tourism; 5. expressed hospitality; 6. the existence of strategic and master plans; 7. the presence of world-renowned hotel chains; 8. the continuous increase in the number of foreign and domestic visitors</td>
<td>1. undeveloped image of Serbia as a tourist destination; 2. undefined tourist product; 3. poor coordination between interest groups; 4. inadequate and outdated infrastructure and suprastructure; 5. seasonality of tourist turnover; 6. an inflexible recruitment system; 7. insufficient green and brownfield investments and incentives; 8. high level of business in the “gray” zone; 9. inadequate measures for the protection of natural areas;</td>
</tr>
<tr>
<td>1. strengthening public-private partnership; 2. reforms aimed at improving the investment environment; 3. the adoption of new legislation in the field of tourism and related activities and compliance with EU regulations; 4. signing bilateral agreements with the leading stakeholders; 5. better promotion of Serbia in the western (USA, UK, France) and eastern (China, Russia, Israel, Korea, Iran) tourism markets; 6. the creation of regional products and a joint appearance in the third markets)</td>
<td>1. slower growth and reduced investment in the world tourism market; 2. geopolitical tensions and security risks in the Middle East and North Africa; 3. lack of incentives for small and medium-sized entrepreneurs in tourism and hotel business; 4. continued subsidization of non-profitable companies in this sector; 5. the absence of reform of the management and coordination system (associations, organizations, local communities etc.)</td>
</tr>
</tbody>
</table>

Source: Authors, based on Tourism Development Strategy

Fifth, the law regulated establishment of tourism organizations at national (TOS); regional (Tourism Organization of Vojvodina AP and the Region of Western Serbia); and local level (units of local self-government), and the formation of tourist clusters (Vojvodina, Belgrade, Western Serbia with Kosovo and Metohija, and Eastern Serbia).

Sixth, the travel agencies and tour operators business has been harmonized (rights and obligations, licensing, etc.). In accordance with the previous one, tourist profession services have been defined (tourist guide, escort, animator and representative in destination).
Seventh, the hospitality industry services (rights and obligations, types of facilities, personnel qualification etc.) as well as nautical and hunting activities (facilities, services, marina categorization) were regulated.

Eighth, with this law, the Regulation on Residence Taxes (OG of RS, no. 44/13) was adopted (sojourn tax, penalties for using priority tourist destination, but also the competence of inspection and penal provisions were defined.

Finally, a Tourism registry was also established. It keeps records of the agencies – travel organizers and intermediary agencies, but also of all others involved in the tourism and hospitality sector.

The modern tourism industry is characterized by a number of different changes. Therefore, it is necessary to react in a proper way to the turbulent market. It is necessary to define a clear tourism policy followed by appropriate legislation. In the case of Serbia as a destination, the Law on Tourism has the most important role, as well as the accompanying strategies and master plans for priority tourist sites. The key tourist products and areas of interest are defined by these documents. Also, the responsibilities of tourist organizations, as well as the rights and obligations of tour operators and agencies have been determined. At the same time, the management of the hospitality industry, as well as nautical and hunting activities, are regulated.

The most important contribution of the law is the establishment of the Tourism Registry as a tool for unifying all stakeholders in travel and tourism sector. It was pointed out to certain shortcomings, among which the most important is the high percentage of the gray economy and inadequate management of the destination product.

Conclusions

Consequently, these aforementioned and other disadvantages conditioned have caused that Serbia has a low level of tourism competitiveness, lagging behind its competitors (Denda & Stojanović, 2016). Therefore, in the following period, coordination of all stakeholders is necessary, as well as emphasized inspection supervision of all business entities.

Acknowledgment

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8. Law on public ski resorts, Official Gazette of RS, no. 46/06

9. Law on tourism, Official Gazette of RS, no. 36/09, 88/10, 99/11 (other law), 93/12, 84/15, 83/18 (other law)

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11. National Strategy of Sustainable Development, Official Gazette of RS, no. 57/08


14. Regulation on Residence Tax, Official Gazette of RS, no. 44/13

15. Special customs in tourism, Official Gazette of RS, no. 33/01


