EUROPEAN UNION FUNDS AS A STRONG INCENTIVE FOR THE DEVELOPMENT OF AGRITOURISM: CASE STUDY CROATIA

[1]MARKO ŠOSTAR, [2]BERISLAV ANDRLIĆ

[1,2]Professor, Polytechnic, Pozega
E-mail: [1]msostar@vup.hr, [2]bandrlic@vup.hr

Abstract - This paper explores the impact of EU funds on agritourism in Croatia. Croatia is a strong tourist country with tourism and agriculture as one of the most important industries. The research was conducted with an examination method through a survey questionnaire. The sample included 68 agritourism farms in the Republic of Croatia, that have potential for received funding for their development projects. The results of the research show the importance of EU funds and the necessity of facilitating administrative procedures.

Keywords - EU funds, Agritourism, Development

I. INTRODUCTION

The journey through the history of man marked a certain link to the development of today's tourism and all its forms that we may know to a greater or lesser extent. In the past, people traveled and migrated out of necessity, while nowadays tourism is developed to such an extent that we think of something beautiful, a vacation, a kind of comfort, the presence of the sea, sun, fresh air and beautiful nature. Tourism is not just travel and activities, but is one of the main sources of income in many countries, and in some even a major industry.

People live in cities, where the daily pace is relentless, and a handful of jobs, responsibilities, duties and stresses take their toll which is later reflected in a lack of time for loved ones, family, friends, loneliness, and various illnesses. People decided to put an end to this, and to encourage the development of rural tourism with various entrepreneurial ideas and marketing activities. Rural tourism with an emphasis on agritourism largely involves man's effort to return to the old, a return to some ancient traditional values.

As it is important to follow the wishes and needs of users of agritourism services, it is necessary to invest in the development of new tourist facilities. To make this possible, significant financial resources are needed, which are often too large for small family farms. In order for rural development in the Republic of Croatia to go in a positive direction, EU funds are the key to success. Quality projects sought by the tourism market can be funded by grants. In this process, there are various limitations but also great opportunities for success. The Republic of Croatia has at its disposal a number of funds for the development of agriculture and tourism, the basis of which is the "Rural Development Program". This document strategically considers agriculture and tourism and covers the main development potentials of the Republic of Croatia with a number of priorities and measures.

II. TOURISM AS AN INDUSTRY OF ECONOMIC DEVELOPMENT

The most important economic feature of activities related to the tourism sector is that they contribute to three high-priority goals of developing countries: the generation of income, employment, and foreign-exchange earnings. In this respect, the tourism sector can play an important role as a driving force of economic development. The impact this industry can have in the different stages of economic development depends on the specific characteristics of each country. Given the complexity of tourism consumption, its economic impact is felt widely in other production sectors, contributing in each case toward achieving the aims of accelerated development.
Tourism, as an activity, is aimed at targeting people to direct their free time towards certain activities. In this sense, tourism can be viewed as an occasional and short-term movement of people to a tourist destination outside the locality where they live and work, as well as a set of activities during such a stay[1]. Today, tourism has become a phenomenon of everyday life of hundreds of millions of people and it includes all free movements of people outside their permanent place of residence and work, as well as service activities created to meet the needs arising from tourist movements[2].

In today's time of stress and fast pace of life, there is a growing need for peace and quiet and agritourism is exactly what gives the tourist a complete experience. Agritourism is actually a basic form of rural tourism, and it is also the most important form of rural tourism in the Republic of Croatia. The basic preconditions for the development of agritourism include natural and cultural resources. Without these factors, agritourism could not develop, and nowadays it is also recognizable due to the great uniqueness of many natural landscapes, and because of the traditional villages in which agritourism is increasingly developing[3]. Agritourism is especially recognized in rural areas that abound in tradition, culture and respect for old rural customs.

Revenues from tourism otherwise occupy an extremely large share in Croatia's GDP. For Croatian tourism, 2019 was the best year so far, with almost 21 million arrivals and 108.6 million overnight stays, which is 5% more arrivals and 2.4% more overnight stays than in 2018. Expected trends in 2020 predicted an increase in these figures but the pandemic of the COVID 19 virus slowed down these indicators. In terms of the share of employees in tourism in relation to the total employment, Greece leads, in which more than 1/4 of employees work in activities closely related to tourism. It is followed by Cyprus with 20% of employees in tourism, Ireland (14%), Croatia and Austria (13%) and Italy (11%)[4].

III. EUROPEAN UNION FUNDS AS ENCOURAGEMENT OF AGRO-TOURISM DEVELOPMENT

By joining the full membership of the European Union, the Republic of Croatia became a beneficiary of European funds. In the financial period 2014-2020. the Republic of Croatia has a total of EUR 10.676 billion at its disposal from the European Structural and Investment (ESI) Funds. Of this amount, € 8.397 billion is earmarked for cohesion policy objectives, € 2.026 billion for agriculture and rural development and € 253 million for fisheries development.[5].

The Rural Development Program of the Republic of Croatia is a key document through which tenders for the award of grants in the field of rural development, including the development of agritourism, are announced through objectives and priorities.Total allocation for the Rural Development Program of the Republic of Croatia for the 2014-2020 period amounts to EUR 2.383 billion, of which EUR 2.026 billion will be financed from the EAFRD and the rest from the national budget of the Republic of Croatia.A number of priorities have been defined, from which the measures on the basis of which tenders are published arise.

Priority axis	ESI funds allocation (EUR)
Promoting of knowledge and innovation in agriculture, forestry and rural areas	Funds for achieving the objectives under Priority 1 are allocated within Priorities 2-6
Increasing farm sustainability and the competitiveness of all types of agricultural activities in all regions, promotion of innovative agricultural technologies, as well as sustainable forest management	600.545.085,72
Promoting food chain organization, including processing and marketing of agricultural products, animal welfare and risk management in agriculture	237.632.367,48
Restoration, preservation and improvement of ecosystems related to agriculture and forestry	561.119.748,96
Promoting resource efficiency and the shift towards a low carbon economy in the agricultural, food and forestry sector	170.508.210,00
Promoting of social inclusion, poverty reduction and economic development of rural areas	401.382.525,79
Technical assistance	55.034.562,05
Total	2.026.222.500,00

Table 1. Priorities of Rural Development Program[5]

M1 – Knowledge transfer and information actions
M2 – Advisory services, farm management and relief services
M3 – Quality systems for agricultural products and foodstuffs
M4 – Investments in physical assets
M5 – Restoring agricultural production potential damaged by natural disasters and catastrophic events and introduction of appropriate prevention activities
M6 – Farm and business development
M7 – Basic services and village renewal in rural areas
M8 – Investments in forest area development and improvement of the viability of forests
M9 – Setting-up of producer groups and organizations
M10 – Agri-environment-climate
M11 – Organic farming
M13 – Payments to areas facing natural or other specific constraints
M16 – Cooperation
M17 – Risk management
M18 – Financing of complementary national direct payments for Croatia
M19 – Support for LEADER local development (CLLD)

Table 2. Measures of Rural Development Program [5]

Of these measures, the emphasis is on measure 6, which relates to assistance on farms and the development of agritourism and other non-agricultural activities. Under this type of operation new non-agricultural activities in a rural area shall refer to:

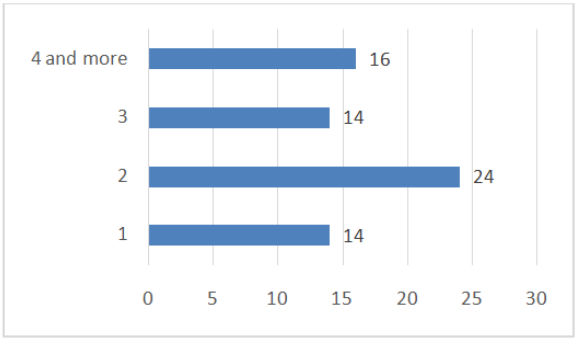
- rural tourism activities (hospitality and tourism services on a agricultural holding or family farm such as wine shop / tasting room, resort, room, apartment, rural holiday home, camp, and agricultural, forestry, sports and recreational, educational and other activities related to the agricultural holding, then catering services related to group catering facilities "hotels", "camps" and "other accommodation facilities" and their accompanying facilities; tourist services related to mountain, adventure, sports and

recreation, cyclo, health, education and other special forms of tourism in rural areas);
- the processing marketing and direct sale of local products;
- traditional crafts, handicrafts;
- the provision of services in rural areas and for the agricultural and forestry sector.

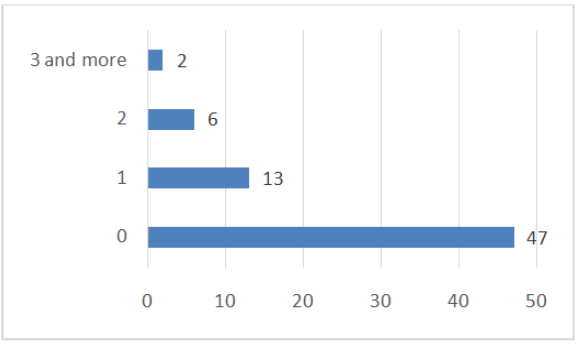
The European Agricultural Fund for Rural Development supports European policy on rural development. It finances rural development programs across the Member States and the regions of the Union. Programs are designed in cooperation between the European Commission and the Member States, considering the strategic guidelines for rural development policy adopted by the Council and the priorities laid down by national strategy plans[6].Based on the approved grants and the implementation of quality projects in the field of agritourism, preconditions will be created for further development.

IV. RESEARCH AND RESULTS

The research was conducted with an examination method through a survey questionnaire. The sample included 68 agritourism farms in the Republic of Croatia, that have potential for received funding for their development projects.

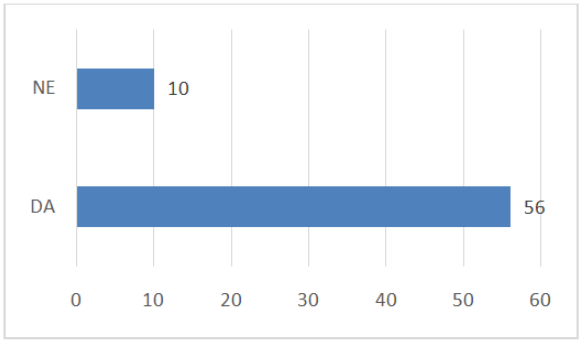


Graph 1. Number of family members in agritourism farms



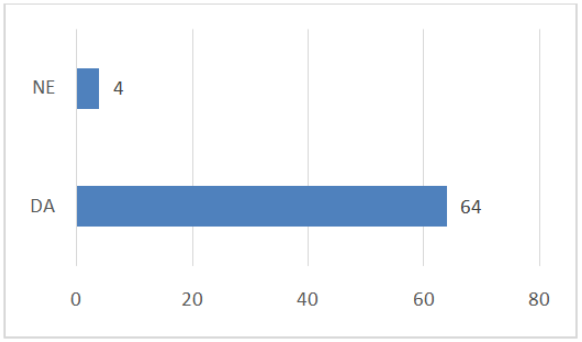
Graph 2. Number of employees in agritourism farms

As we can see in graphs 1 and 2, family members are the most represented and are most involved in the work of agritourism farms. As these are mostly family farms registered for agritourism activities, the business mostly relies on family members and most (47) do not have a single employee, while only 13 have only one person employed. This is a key indicator because grants from EU funds often give the obligation to employ people on the farm.



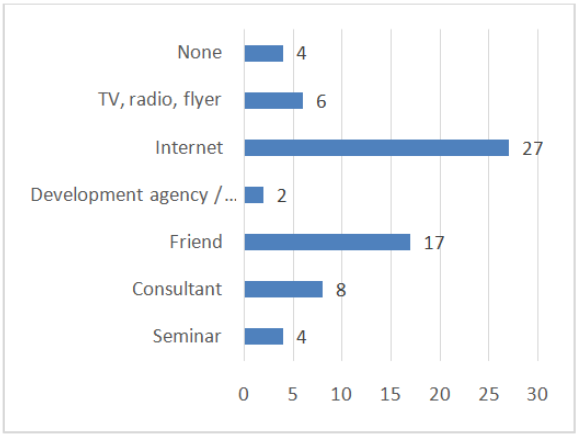
Graph 3. Agritourism farms usage of EU funds

Graph 3 shows that as many as 56 surveyed agritourism farms used EU funds, while only 10 did not use grants.



Graph 4. Awareness of the EU funds possibilities

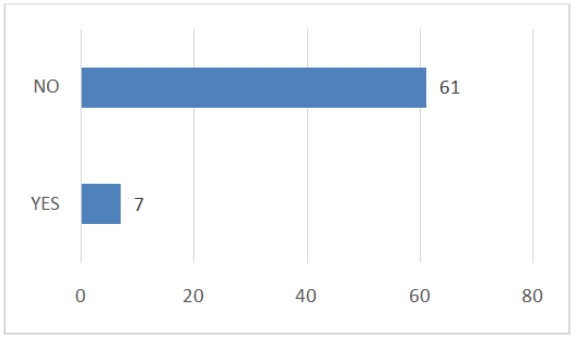
Graph 4 shows that as many as 64 surveyed agritourism farms have information on the possibilities of EU funds, while only 4 do not have this information.



Graph 5. EU funds information channels

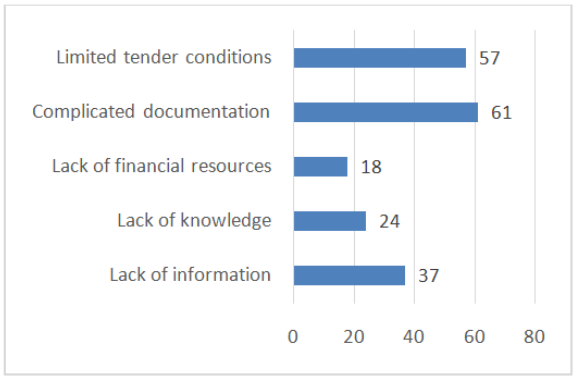
Graph 5 shows the most common way in which beneficiaries found out about the possibilities of EU funds. It can be seen that the most effective medium is the Internet (27), while it is evident that development

agencies and local self-government have not done enough to inform potential users.



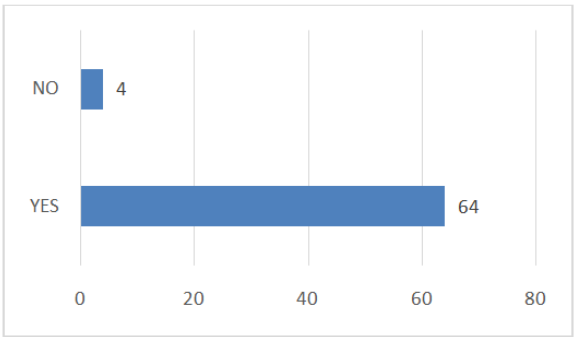
Graph 6. Member / employee of the agritourism farm attended training for the preparation and implementation of projects from EU funds

Graph 6 shows the involvement of members or employees of agritourism farms in trainings for the preparation and implementation of projects financed from EU funds. It can be seen that the level of education is very low, which stems from the lack of interest in education and the difficulty of the content of education.



Graph 7. Restrictions on applying for EU funds

Graph 7 shows the restrictions in applying for tenders from EU funds. Respondents were able to choose multiple answers. It can be seen that one of the main problems is the complicated documentation for applying to tenders as well as the limitations in the tenders themselves. These restrictions exclude a large proportion of potential applicants.



Graph 8. EU funds would improve your business

Graph 8 shows the attitudes of respondents about the impact of EU funds on their business. The majority of respondents (64) believe that EU funds would significantly improve their business.

V. CONCLUSION

The Republic of Croatia is traditionally agricultural and tourist-oriented. Tourism is deeply rooted in history and the Republic of Croatia is recognizable throughout the world for it. It is one of the leaders in the Mediterranean and the growth of rural tourism on the continent is increasing. It is clear that thus tourism occupies a large part of the realized GDP and is one of the major drivers of the overall economy. In today's time of accelerated pace of life and stress, the tourist is looking for a place for peace and relaxation. It is rural tourism that can provide this by connecting culture, tradition, village, habits and customs. Agritourism is on the rise and large investments are needed to provide tourists with the experience they expect. EU funds are one of the ways to finance project ideas and they are grants that develop small rural areas that rely on agriculture and tourism. Based on the conducted research, it can be seen that agritourism farms are mostly familiar with the possibilities of EU funds, but the support they expect is not at a satisfactory level. They do not have enough knowledge, skills and do not have the human and financial resources to implement their projects. They are aware of the fact that the grant would help and improve their business and believe that there are a number of administrative restrictions that prevent them from applying for tenders from EU funds.Also, very few of them attended training for the preparation and implementation of projects funded by EU funds. Thus, we can conclude that agritourism in Croatia has been developing significantly in the last few years, but there is a lack of human and financial capacity to help in this development. Support at the local and regional level generally exists, but in practice the situation is different. At the national level, there are possibilities for grants from EU funds, but there is insufficient communication with potential applicants and it is necessary to further educate and reduce bureaucratic obstacles.

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