

TOURISM DEVELOPMENT IN SERBIA – BETWEEN RHETORIC AND REALITY

Milan Stamatović¹; Aleksandar Jovičić²;

Abstract

This paper examines the underlying problems that appeared in the practical implementation of a Serbian tourism development strategy during the period of 2000-2018 and proposes appropriate countermeasures. The apparent issues have been divided into two categories: curable issues and incurable paradoxes. This paper examines the five curable issues and suggests the government reaction aimed at compensating for the identified issues: 1) the lack of continuity in tourism priorities, 2) the lack of continuity in plans of detailed regulation, 3) the lack of presence of "low-cost" air carriers, 4) speculative volatility risk of land value included in the investment project, and 5) low tax collection rate of property tax, building tax and tourism tax. Regarding the two incurable issues, this paper elaborates on two of them and explains why the government should ignore them: 6) the poor level of staff skills and 7) poor inspection of labor, building, and tourism in the country.

Key Words: *tourism, development, strategy, issues, recommendations*

JEL classification: *Z38, O29, H73*

Introduction

The analysis presented in this paper is based on the policy analysis and results achieved in the development of Serbian tourism during the period of 2000-2018. Tourism Development Strategy of the Republic of Serbia 2016-2025 (hereinafter, STDS) stipulates: An analysis of the arrivals to Southern/ Mediterranean Europe shows that only a few countries in the Balkans have fewer arrivals than the Republic of Serbia: Bosnia and

¹ Milan Stamatović, PhD, Full Professor, Business and Law Faculty, University Union "Nikola Tesla", Knez Mihailova 33, Belgrade, Serbia, e-mail: stamatovicm@sbb.rs, +381.63.873.6229,

² Aleksandar Jovičić, MBA, Fidelity National Information Services (FIS), Milutina Milankovića 136B, Belgrade, Serbia, e-mail: jovicicaleksandar@yahoo.com, +381.63.362.824

Herzegovina and Macedonia, while Croatia has eleven times more arrivals, Albania three times, Slovenia two times and Montenegro 30% more arrivals (p. 30). Simić & Marinović (2018) agree that: there is a lot of room for improvement in the travel and tourism field in the Republic of Serbia (p. 377). The objective is to critically reflect on the: 1) implications of the current legal framework and 2) practical implementation of strategic priorities aimed towards facilitating the continuous development in this area.

The approach is more practical than theoretical; it is not based on the analysis of current priorities. We deliberately choose not to compare current (2016-2025) to previous (2006-2015) strategy, in terms of priorities and results. For our scope, we looked at the period of 2000-2025 as one continuous process of development and focused on issues that keep appearing throughout the period, regardless of chosen priorities. We tried to understand the underlying problems that appear in the practical implementation of a strategy and proposed appropriate countermeasures for identified issues. Issues have been divided into two categories - curable issues and incurable paradoxes. Two actions are recommended: 1) ignore paradoxes that arise and 2) focus on curable issues.

Our paper examines the top five curable issues: 1) The lack of continuity in tourism priorities and the lack of coordination in the process of strategy implementation caused by discrepancy between regional and national interest; 2) The lack of continuity in plans of detailed regulation (PDR) and frequent PDR modifications with the same pattern - new buildings replacing playgrounds and parks; 3) Poor presence of "low-cost" air carriers, the lack of train line connecting Belgrade Airport with the center of Belgrade, and the lack of direct train line connecting Pančevo with Belgrade; 4) Speculative land transaction with the land included in the investment project: 4.1) Rural land often becomes a subject of a speculative trade prior being included in the investment project and 4.2) Speculative land owner insists on selling the land to government instead of renting it or exchanging it for appropriate land of same quality; 5) Poor tax collection of property tax, building tax and tourism tax. Each of these issues is elaborated on in three phases. Firstly, we identify the difference between good practice and a current situation in Serbia, aimed towards clarifying the context i.e. reasons for the identified discrepancy. Secondly, we identify key problems aimed at clarifying which policies failed to produce expected results and why, i.e. what is wrong with the current

policy. Finally, we propose the appropriate corrective actions, i.e. suggest the government reaction aimed at compensating for the identified issues.

Regarding the incurable issues - treated as paradoxes, this paper elaborates on two of them: 1) The poor level of staff skills in Serbian tourism due to migration of educated people from Serbia into more developed countries and 2) Poor labor, building, and tourism inspection. Each paradox is examined from the perspective of the current Serbian business environment. We explain the reasoning behind the statement that those issues are incurable, although a corrective measure may be proposed, and the issue is capable of being implemented.

In conclusion, one should ignore the paradoxes and try to cure the curable issues by implementing proposed corrective actions, aiming to contribute to positive development trends initiated by previous and continued by the current strategy.

Tourism development strategy

The Law on Tourism and Tourism Development Strategy represent two key documents in relation to tourism. The STDS (2016) noted following types of planning documents: the Tourism Development Strategy of the Republic of Serbia; Strategic Master Plan; Strategic Marketing Plan; Tourism Product Development Programme; Tourism Development Programme; Programme of Promotional Activities (p. 68). Key properties of the STDS (2016) are stipulated in the document itself: The Strategy is being adopted for the period of the next decade for the territory of the Republic of Serbia. The Strategy defines planning and tourism development long-term goals in accordance with the overall economic, social, environmental and cultural development. The Government adopts the Strategy on the basis of the proposal of the Ministry of Tourism (p. 68).

Issue 1a: The lack of continuity in priorities defined by the Strategy. Tourism Development Strategy lacks continuity because priorities change due to dependency on political cycles. STDS (2016) begins with the critique of previous policies: In contrast to the proclaimed policy of balanced regional development and stimulation of entrepreneurship and private small and mid-sized enterprises and restructuring of the economy through effective privatization, the policy pursued was that of centralized and interventionist development (p. 9). Owing to budgetary constraints

and other development priorities, as well as the neglect and non-recognition of tourism as one of the key economic sectors, the Government failed to implement an active tourism policy (p. 6). From one side, in developed countries – policy priorities depend more on profitability than on a political cycle. From the other side, in Serbia – development priorities of one government tend to be put aside by the proceeding government.

Example 1a: The prior tourism development strategy of the Republic of Serbia 2006-2015, i.e. STDS (2006) treated mountain Stara Planina as a priority, and consequently most of the required infrastructure had been built (hotel, ski tracks, and gondola). However, some parts of the project have not been finalized (roads are still incomplete) and for that reason private investors still haven't started to invest in that region. From one side, it makes sense to finish the project, and this should be a priority for the betterment of society. From the other perspective, the prior government's project has little incentive value to the investor, particularly in the context of the abovementioned critique.

Recommendation 1a: One needs to find a method to prolong the investment cycle beyond the current political term. One option would be to append into the strategy explicit language obligating to finish all previously started projects and forbidding major investment in new priorities until the previous projects have been either 90% finished or officially discontinued.

Issue 1b: The lack of coordination in implementing the strategy caused by a discrepancy between regional and national interests. Each region has interest in attracting as many investments as possible, and if this ambition is supported on the political level, it will take away investments that could have been utilized more efficiently in some other region. Heterogeneous regional interests have not allowed the establishment and realization of the regional development concept based on economically rational criteria. Projects that could have had a greater impact on tourism development have been neglected and destroyed due to conflict of regional and national interests (Gajić et al., 2014, p. 125). STDS (2016) recognizes that lack of coordination has been identified as an issue in the previous period: There was no efficient programme/action relationship between different departments and levels of the authorities in the implementation of the previous strategy in terms of planning and implementation of infrastructural maintenance of tourist destinations, timely planning and

coordination in defining priorities, deadlines and implementers (p. 10). STDS (2016) confirms that the cure for coordination issue has not been found and it mentions this issue both in terms of weaknesses and threats. Regarding SWOT weaknesses: Absence of effective cooperation between ministry departments in the planning and implementation of development programmes in the tourism industry, especially in terms of coordination in the development of road and utility infrastructure, and rural and cultural tourism (p. 38). Regarding SWOT threats: disconnected and uncoordinated activities in the implementation of the Strategy and the Action Plan for the implementation of the Tourism Development Strategy of the Republic of Serbia from 2016 to 2025 (p. 39). Following the SWOT analysis, STDS (2016) sets an objective of tourism development: establish an efficient system of coordination of activities between all entities of tourism development in accordance with their obligations, rights and interests (p. 55).

STDS (2016) nominates the entity empowered to manage the coordination: The National Council for the Development of Tourism of the Republic of Serbia has a coordinating role in the process of implementation of the Strategy, which brings together representatives of the four sectors: the Government and ministries (public), the economic sector (private), NGO (associations) and the academic sector (p. 67). STDS (2016) defines the tourism business mission of the Republic of Serbia and requests that it: should be made efficient in terms of identifying the ranking of the Republic of Serbia's support for tourism, in accordance with the financial and institutional capacities of the Republic of Serbia to make a step forward in the tourism industry (p. 43). The Government should ensure the coordination of all institutions, agencies, organizations and associations of importance for the implementation and enforcement of the Strategy and the Action Plan (p. 44). STDS (2016) assumes that: by accepting the Strategy, the Government will accept not only the vision and goals of tourism development, but also other duties and responsibilities, in particular: 1) To position tourism as one of the priority development sectors (p. 45-46).

Recommendation 1b: One need to quantify the priorities. Nomination of the entity in charge for the coordination is a good step, but it does not solve the key issue i.e. the missing criteria for prioritization. Authority will act a final judge, but we need to provide objective criteria for a judgement, such as quantified percentage of investments to be dedicated to specific priority. From one side, STDS (2016) defines key priorities i.e.

areas where most of the investments will go, and labels them as important tourism products: Tourism products of particular importance for tourism development are: 1) City breaks; 2) Festivals/Events (cultural, sporting, etc.); 3) Mountain tourism; 4) Spa and wellness/health tourism; 5) Thematic routes; 6) Rural tourism; 7) Nautical tourism; 8) Meetings, incentives, conferences and exhibitions/events (MICE tourism); 9) Cultural heritage; 10) Special interests; 11) Transit tourism (p. 34). From the other side, STDS (2016) should be appended to include the percentage of total available funds attached to each priority, meaning that each one should be financed with the said percentage of available funds, and a sum of all percentages should be 100%. For example, 1) SPA tourism 20%, 2) Festivals 30% and 3) Ski resorts 50%, summing up to 100%. Concrete percentages may be defined in some other planning act, such as action plan, but it would be ideal to locate them in the Strategy itself. The objective of proposed measure - the quantification of priorities is to limit the space for a dispute caused by the discrepancy between regional and national interest in the implementation phase, that could lead to suboptimal fund allocation.

Plans of detailed regulation of tourist destinations (PDR)

STDS (2016) explains that planning process in tourism relies on the master plan, spatial and urban plans: The Strategic Master Plan is the starting point for the development of spatial and urban plans for priority tourist destinations. The spatial and urban plans for areas which have been proclaimed tourist sites determine the conditions for tourism infrastructure and, in holiday locations in the tourist area, conditions for the construction of tourism superstructure. The conditions are defined by the Ministry of Tourism based on the request of the authority responsible for the preparation and adoption of the spatial and urban plan (p. 69). Regarding the planning principles: The Strategy has to be coordinated with the Spatial Plan of the Republic of Serbia and clearly defined objectives of planning of all departments or institutions responsible for the activities of importance for the development of tourism (p. 67). In practical terms, following the project approval, an investor explores the limiting provisions i.e. mandatory requirements stipulated in the PDR. STDS (2016) recognizes the existence of PDRs as a strength within the SWOT analysis of the tourism planning process: Modern regulatory framework for the planning of tourist destinations (tourism master plans as input for spatial plans/plans of detailed regulation of tourist destinations) (p. 37).

Issue 2a: The lack of continuity in plans of detailed regulation (PDR), i.e. plans keep changing with every new political cycle. In theory, PDR should be valid for at least twenty years, while in Serbia they are often changed in significantly shorter periods, e.g. once in five years. Consequently, some Serbian towns do not have business tourism (MICE) because a new owner has changed the purpose of the hotel after the privatization. For example, the hotel Zlatibor located in the center of Užice is closed, and business tourists stay at the hotel Zlatiborska Noć, located in Bela Zemlja, seven kilometers from the city center. The root cause is the major decline in industrial activity in many Serbian towns, leading to a complete shutdown of most if not all factories in some region. Consequently, foreign business visitors have significantly decreased or completely stopped business visits to that region. Finally, new hotel owners have decided to change the main purpose of the hotel, effectively leaving the town without the accommodation suitable for business tourism. STDS (2016) recognizes the requirement for investments in business tourism: activities of special importance for tourism development that will be supported through funding by the Ministry of Tourism: 6) Organization of conferences and events - strengthening the Republic of Serbia as a MICE tourism destination (p. 66).

Recommendation 2a: The strategy should be appended to explicitly prohibit any modification of PDRs in the period of twenty years. Only after twenty years have passed, a specific PDR could be modified. On top of it, privatization procedure should be appended to prevent the purpose modification of a privatized hotel if that hotel is the only one in the city.

Issue 2b: On-site construction may start before the PDR has been fully completed with required details, or even without the PDR, if a project is supported by the local government.

Recommendation 2b: The strategy should be appended to explicitly prohibit the beginning of onsite construction works without the PDR being finalized in detail. A dozen pages without necessary details should not be treated as a valid document, even if they are labeled a PDR.

Issue 2c: Frequent PDR modifications with the same pattern – new building replaces playgrounds and parks. Investors are motivated by profit and backed up with the local government. For example, in the center of New Belgrade, parking and children playground have been

converted into residential buildings, leaving church visitors without the parking place and children without the playground. Purpose modification has been done with the support of clerical administration and local government.

Recommendation 2c: Modification of PDR should not allow purpose modification where buildings (business or residential) replace empty space (park, playground), but should allow the opposite. State/Government is expected to act as a regulator and use the legislative power to affect the company activities (Jovičić et al., 2019, p. 27).

Air and rail transport

Transport is one of the key factors for tourism development. Affordable prices could significantly increase tourist inflow. This paper focuses on air and rail transport. An example of a tourist visiting a city for a weekend with the budget of 300 EUR clearly shows the impact of air transport costs. From one side, most European cities use the benefits of low-cost airlines to boost city tourism. A tourist that spends 20 EUR for a low-cost airplane ticket to Rome, will spend remaining 280 EUR of his budget in the city. From the other side, Serbia does not use this benefit at all, or usage is very limited. A tourist that spends 200 EUR for a regular airplane ticket to Belgrade, will spend remaining 100 EUR of his budget in Belgrade. The total costs are the same, but distribution is significantly different. Key point is – the more you spend on airplane ticket, the less you spend in the city. A key lesson is – in order to boost tourism, one needs to decrease the cost of transport, and this is the area where Serbia is lagging compared to other European cities.

Regarding air transport, STDS (2016) recognizes this issue and stipulates: poor presence of "low-cost" air carriers as a weakness in the SWOT analysis of Serbian tourism (p. 37). Further, STDS (2016) suggests that: infrastructure and transportation sector should enable market access for low-cost airlines (p. 53). Finally, STDS (2016) assigns concrete entity to be in charge of the improvement of conditions for low-cost airlines: in order to further develop air traffic in the Republic of Serbia, a new public company "Aerodromi Srbije" was formed, intended to put to use a large number of unused airports, facilitate conditions for low-cost airlines and improve air traffic and the availability of a large number of tourist destinations in the Republic of Serbia (p. 16).

Issue 3a: Poor presence of "low-cost" air carriers since low-cost airlines are not allowed to operate on the level of the market demand. The issue originates from the interest of Air Serbia to keep the high prices of airplane tickets. From one side, the company interest is a legitimate one, as the goal of each company is profit. From the other side, the government has a right and obligation to react i.e. finetune the level of deregulation.

Recommendation 3a: Government should improve conditions for low-cost airplanes. In the *Wrath of Khan* (1982), Spock says that: logic clearly dictates that the needs of the many outweigh the needs of the few. The interest of millions of tourists for affordable airplane ticket should outweigh the need of one company to keep high profits. This issue is comparable to the issue of grocery store Lidl not being allowed to operate in Serbia for two decades, and the resolution is expected to be comparable as well.

Regarding the train transport, it has a complex role in the Republic of Serbia, mainly due to issues accumulated in previous three decades of underinvestments due to lack of funds. In recent two decades, significant effort has been put into modernization, mainly financed by multilateral creditors such as European Bank for Reconstruction and Development (EBRD), International Bank for Reconstruction and Development (IBRD) and European Investment Bank (EIB). The railway system (public enterprise Serbian Railways) has been separated to infrastructure and operations in order to increase competition by enabling the equal access to public railway infrastructure.

Issue 3b: The lack of train connecting Belgrade Airport with the center of Belgrade.

Recommendation 3b: STDS (2016) should be appended to explicitly set the target date for opening the train line connecting Belgrade airport with the center of Belgrade. The existing city bus lines and taxi service should not be used as an excuse for not having quick and affordable train transport.

Issue 3c: The lack of direct train line connecting Pančevo with Belgrade. Consequently, it is much harder to live in Pančevo and work in Belgrade. Current situation matches the interest of the residential building industry and harms the interest of people that are left without the option to live in

Pančevo and forced to buy or rent more expensive apartments in Belgrade.

Recommendation 3c: STDS (2016) should be appended to explicitly set the target date for reopening direct train line connecting Pančevo with Belgrade. Existing line where passengers need to switch the train during the trip should not be used as an excuse for not having a fast and affordable direct train line.

Speculative land transactions

Tourism development assumes building, and building assumes land, and land may be subject of speculative transactions. Normal rural land with the price of X per square meter may be priced 10 X after it has been included in some investment project. The example of a ski resort may illustrate the current situation. From one side, in developed countries, such as Slovenia, when ski track uses private owned land, the common practice is that owner of a ski resort (state for example) offers to land owner to choose a method of compensation. One option for a land owner would be to rent his land and get regular economic rent as a compensation for land usage. The state would agree to pay the economic rent to the land owner during the winter months, when this land is used as a part of a ski track. Alternatively, the owner may choose to receive compensation in the appropriate land of the same quality in the same area. From the other side, in Serbia, two issues may appear

Issue 4a: Rural land often becomes a subject of a speculative trade prior to being included in the investment project. Speculative land owner profits on the difference between his buy price of X before investment project has been announced, and his selling price of 10 X agreed with the new buyer (public enterprise in charge for the implementation of new investment in tourism development) after the land has become the scarce resource included in the project.

Recommendation 4a: Government should avoid including any land in the tourism investment project if the land has changed the ownership due to trade in the period up to two years before the project has been announced.

Issue 4b: Speculative land owner insists on selling the land (included into tourism investment project) to the government instead of renting it or exchanging it for appropriate land of the same quality. Moreover, the

selling price tends to be significantly higher compared to the market price. Finally, this process may be supported by the local government.

Recommendation 4b: Strategy should be appended to explicitly prohibit the state to buy land. If land owner is not willing to agree on land exchange or rent, the project should be modified to exclude the debatable land.

Poor tax collection

Poor tax collection is neither specific for Serbia nor for the current period. However, Serbia has created a tax related paradox that should be carefully analyzed. From one side, it is logical to expect that municipalities with developed tourism (more hotels, restaurants and tourists) should have higher tax revenues compared to those with less developed tourism (fewer hotels, restaurants and tourists). From the other side, some Serbian municipalities fail to follow this logic. In order to understand the regulatory environment and the context of Serbian business practice, we need to focus on three taxes: (1) property tax, (2) building tax and (3) municipal tourism tax. (1) The property tax is a levy on property that the owner is required to pay. The tax is levied by the local body like Municipality in which the property is located. (2) The building tax is a tax paid by owner to the governing authority of the jurisdiction in which the building is constructed, after the building construction is completed. (3) The municipal tourism tax a.k.a. the municipal accommodation tax (MAT) is a tourist tax per person per night.

Issue 5a: Poor tax collection of property tax reduces government revenues and enables tax evasion. This issue is neither new, nor specific for tourism. The root cause of the issue is ownership i.e. tax evasion is a consequence of undetermined ownership. Ownership is deliberately kept undetermined in order to avoid the property tax. It is a common case that, after the original owner has deceased, successors divide the inherited land in line with local customs and fail to legally transfer the ownership. Instead of updating the cadaster land parcels as a fundamental source of data showing the details of ownership and value of land, successors tend to participate centennial legal disputes, partially initiated by the prospect of tax exemption until the dispute is resolved. Consequently, a public register made for the purpose of taxation is not able to collect a property tax, neither from a deceased, nor from the undetermined successor. Moreover, if the property is inherited by a large number of owners, most

of them may decide not to pay property tax. In either case, either due to undefined owner or due to a large number of owners, the amount of unpaid taxes is huge and increasing. Finally, and on the top of it, Government has a "wrong" policy of tolerating the tax evasion, both in case when the owner does not pay any income tax and in case when the paid amount is minimal, i.e. significantly smaller than the expected amount. STDS (2016) recognizes this issue and stipulates: a large number of facilities, the ownership of which is not determined (p. 37) as a weakness in the SWOT analysis of Serbian tourism.

Kostadinova (2016) reports on the example of good practice: "Municipal Economic Development in Eastern Serbia" project, financed in 2015 by the Swiss Agency for Development and Cooperation (SDC) and the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) tried to engage field enumerators in nine municipalities to update existing taxpayers' registers. Property tax databases had not been updated for a long time, in some municipalities for more than 15 years, leading to 25% of property being outside the taxation scope. In Sokobanja, the number of tax applications has increased tenfold, from 308 in 2013, to around 3,000 in 2015, only by registering weekend cottages. The approach is based on the underlying principle that it is fairer to register all forms of property instead of burdening already registered tax payers with increased tax rates. Consequently, nine municipalities in Eastern Serbia registered a 123% increase in the property tax collection rate, in 2015. The top five municipalities that achieved the best results received a substantial incentive grant from the SDC worth one million CHF, ranging from 75,000 to 400,000 CHF.

Recommendation 5a: The government should improve the national monitoring framework for property tax collection, i.e. encourage municipalities in Serbia to update existing taxpayers' registers by following the piloted taxation model.

Issue 5b: Poor tax collection of building tax due to the sluggish pace of regularization of unauthorized constructions. This issue is directly related to property tax issue i.e. the government has a policy of tolerating the tax evasion.

Recommendation 5b: The government should encourage municipalities in Serbia to increase the building tax collection rate. Government should provide incentive grant to municipalities that achieve the best results –

similarly to previous action related to property tax. The complexity of proposed action is to get the trust of the municipalities that their effort will be rewarded according to results, due to the common opinion that money distributions from republic funds depend on political criteria rather than on task accomplishment.

Issue 5c: Poor tax collection of tourism tax. STDS (2016) recognizes this issue and stipulates the root cause: massive level of unregistered capacities and operations in the "grey zone" (p. 37) as a weakness in the SWOT analysis of the Serbian tourism.

Recommendation 5c: Tax reforms should increase the quality of the tax administration, as effective and honest administration can serve to address all three issues of poor tax collection. McClellan (2013) suggests that: by reducing corruption, policymakers also reduce evasions, thereby receiving better returns on reform than by focusing solely on evasion. Serbia should have effective tax administration in order to raise the tax revenues while minimizing the burdens on the population. Pindžo & Barjaktarević (2018) provide an encouraging update on recent Government activities: In order to reduce the effects of the - shadow (grey) economy, to provide support to the tourism industry and to obtain more realistic statistical data, the Government of the Republic of Serbia has begun reforming the tax system with regard to individual accommodation service providers (p. 352).

According to Jovičić et al. (2018): some issues are systematic in nature, i.e. paradoxes are immanent, and one should ignore the paradoxes as non-curable issues and focus on curable issues. (p. 50). After identifying the top five curable issues, we move on to the top two incurable issues.

Poor level of staff skills

Andevski et al. (2012) elaborate that: education in Serbia faces challenges of reforms and rapid adaptation to demands of the global environment, as well as to high standards and expectations. Hanić and Stamatović (2013) stipulate that: Among all the market factors of production, the labor market in Serbia is the least developed, very particular and complex. The educational system of the Republic of Serbia is based on good practices inherited from the former Republic of Yugoslavia. Secondary education at the lowest level of difficulty is tailored towards training cooks, confectioners and waiters, while the higher level of secondary education

trains receptionists (front office in a hotel) and customer service representative (front office in a travel agency). Higher education is delivered by high schools for tourism and by the department of tourism on post-secondary education within a faculty setting. Lukinović et al. (2017) remind that: a key factor in achieving and preserving the competitive advantage is the human factor, i.e. innovative and creative workforce. From one perspective, the quality of education has never been a problem, but some authors see the room for improvement. Vukić & Vukić (2018) suggest that: although in most developed countries Vocational Education and Training (VET) is based on the principle of dual education, in our country only a small number of higher education institutions use this model (p. 622). On the other hand, the quantity of skilled staff is poor. Maksimović & Stamatović (2018) confirm that: human resources are very limited in terms of both the need for capacity and the development of awareness, organization and management of rural tourism (p. 539). STDS (2016) recognizes this issue and stipulates: quality of workforce in the tourism and hospitality industry (p. 38.) as a weakness in the SWOT analysis of Serbian tourism. Further, STDS (2016) suggests that the tourism policy of the Republic of Serbia should have the following task: improvement of human resources and labor market - adapt the education system to the tourism and hospitality industry and related activities according to international standards, uniform coverage of the whole Republic of Serbia with a vocational school system for hospitality and hotel management, develop new teaching plans and programmes for formal and informal knowledge and the acquisition of new skills and new professions in the tourism and hospitality industry and related sectors (p. 54). Moreover, in the chapter related to priority activities in tourist destinations, STDS (2016) stipulates: activities of special importance for tourism development that will be supported through funding by the Ministry of Tourism: 9) Research activities, education and training in tourism (p. 66). Finally, the tourism growth model presented in STDS (2016) assumes that government should: raise the level of staff professionalism and skills (p. 46).

Issue 6a: Staff skills in Serbian tourism have gradually eroded due to migration of educated people from Serbia into more developed countries. Migration of the educated workforce has been and will remain a huge problem. Young people tend to leave Serbia as soon as they get the required education, motivated by significantly higher salaries. Countries with lower salaries are not able to stop the emigration. Consequently,

people all over Europe are moving from poor to rich countries. This issue is not specific to Serbia and has nothing to do with the educational system. The economics of the workforce supply simply dictates higher salaries. Tourism follows the same trends as health sectors, thus the skilled workforce in tourism moved from Croatia to Germany, creating a void for the skilled workforce from Serbia to move to Croatia. The government of any European country where salaries are lower compared to nearby countries cannot stop the economic migration, neither in health sector, nor in tourism. Serbian employees will migrate from Serbia searching for a higher salary (Jovičić & Stamatović, 2018). The Serbian government cannot do anything to compensate for the identified trend. We recommend the Serbian government to examine this issue as a paradox i.e. to ignore it as incurable in order to focus the attention on appropriate curable issues.

Poor tourism inspection of projects financed by the government

Technical control of the project implementation assumes supervision of the execution of investment projects and it is mainly focused on the appropriate use of funds. STDS (2016) stipulates that the government should control the implementation of tourism projects: It is necessary that the ministry departments and local governments enable supervision of the execution of assigned tasks and appropriate use of funds (p. 67). Further, STDS (2016) recognizes that inspection of tourism projects has been identified as an issue in the previous period and stipulates: insufficiently effective inspection mechanisms (p. 38) as a weakness within the SWOT analysis of Serbian tourism. Finally, one of STDS (2016) tasks is to organize the control and inspection of tourism project financed by Government: the tourism policy mission comes down to the following key features: 2) organization of control, enforcement and compliance with laws, regulations and norms of acceptable behavior in performing activities (inspection) (p. 53). Tourism inspection depends on labor and building inspection. Labor inspection is performed by a labor inspector, employed by local or central government, to inspect employment and labor conditions in firms in order to check whether firms comply with labor law. A building inspection is performed by a building inspector, typically employed by the local/central government to inspect worksites in order to check whether a building meets local and national building/construction codes, contract specifications and zoning regulations.

Issue 7a: Poor labor, building and tourism inspection. Poor tourism inspection of projects financed by Government is caused by poor labor inspection and poor building inspection. In terms of time, both labor and building inspection precede the tourism inspection making the last one heavily dependent on the findings of its predecessors.

Regarding the labor inspection, the general trend in transition countries is to attract foreign investors by minimizing the rights of employees and their unions and maximizing the power of employers. Škorić & Jovanović (2018) argue that: significant fluctuation of employees in tourism in Serbia and the departure of a large number of skilled workers abroad require a different approach in the employment policy and the engagement of workers in this field (p. 603). However, the observation that the general economic environment does not favor the labor inspection and diminishes its significance has nothing to do with the tourism itself. If employment in the "grey zone" is partially tolerated by local municipalities with the objective of attracting investors, the spillover effect will consequently minimize the relative power of tourism inspection as well. Finally, this is a systematic issue - one must firstly improve the labor inspection in order to provide the economic environment in which tourism inspection makes sense.

Regarding the building/construction inspection, the current balance of power in Serbia is such that building/construction lobby has relatively high power and influence. Moreover, the observation that general economic environment does not favor the building inspection and diminishes its significance is largely unrelated to tourism itself. If building/construction in the "grey zone" is partially tolerated by local municipalities with the objective to attract investors, the spillover effect will consequently minimize the relative power of tourism inspection as well. Finally, this is a systematic issue - one must firstly improve the building/construction inspection in order to provide the economic environment in which tourism inspection makes sense.

Since Ministry in charge for tourism is not in the position to influence neither labor nor building control, we advise the Ministry to look at the issue of poor tourism control as a paradox i.e. to ignore it as incurable in order to focus the attention on appropriate curable issues.

Finally, an example of from the financial sector may illustrate the practical reasons why tourism inspection did not have appropriate

effectiveness in Serbia in the last two decades. The Central bank executes the control of commercial banks via its department for control. The Central bank as an institution has a real leverage over any commercial bank because it may destroy it, i.e. denying the license of that bank to operate. In real life, the ability to control originates from the ability to destroy. Further, the head of Central bank has political support of the government and is in political terms positioned higher compared to the head of any commercial bank. From the other side, the number of institutions with the prerogatives comparable to Central bank is short. The head of Government auditing institution, i.e. the state auditor is in political terms positioned lower compared to head of a public enterprise. Consequently, the State auditing institution does not have real power over a public enterprise. Similarly, the head of tourism inspection is not in the position to enforce effective inspection unless the whole economic balance of power is shifted.

Conclusion

A practical approach focuses on issues that keep appearing regardless of political cycles, and the selection of priorities in the last two decades has demonstrated the underlying problems that appear in the implementation of a tourism development strategy. Issues have been divided into the curable and incurable. We have proposed appropriate recommendations in order to concentrate on and fix curable issues, and we also explained why we recommend the policy makers should ignore systematic and incurable issues.

Regarding the curable issues, this paper provides recommendations on how to fix five of them: 1a) The strategy should include the requirement to finance the finalization of existing projects prior to financing new priorities; 1b) The strategy should include the percentage of total available funds attached to each priority, meaning that each one should be financed with the appropriate fund allocation percentage for all priorities; 2a) The strategy should prohibit any modification of plans of detailed regulation of tourist destinations (PDRs) in the period of 20 years; 2b) The strategy should explicitly prohibit the commencement of onsite construction works without the PDR being finalized in details; 2c) Modification of PDR should never allow purpose modification where buildings (business or residential) replace empty space (park, playground); 3a) The government should improve conditions for low-cost airplanes; 3b) The strategy should set the target date for opening the train line connecting Belgrade airport with the center of Belgrade; 3c) The

strategy should set the target date for reopening the direct train line connecting Pančevo with Belgrade; 4a) The government should avoid including any land in the tourism investment project if land has changed the ownership due to trade in the period up to two years before the project has been announced; 4b) The strategy should prohibit the state to buy the land included in tourism project financed by the government; 5a) The government should improve the national monitoring framework for property tax collection, i.e. encourage municipalities in Serbia to update existing taxpayers' registers by following the piloted taxation model; 5b) The government should encourage municipalities in Serbia to increase the building tax collection rate; 5c) Tax reforms should increase the quality of the tax administration, as effective and honest administration can serve to address all three issues of poor tax collection.

Regarding the incurable issues, this paper explains why the government should ignore them: 6) Poor level of staff skills in Serbian tourism is caused by unstoppable migration of educated people from Serbia into more developed countries and 7) Poor tourism inspection is a consequence of poor labor inspection and poor building inspection. Tourism inspection cannot overcome the issues caused by poor labor inspection, due to the general trend in transition countries to attract foreign investors by minimizing the rights of employees and their unions and maximizing the power of employers. Lastly, tourism inspection is unable to overcome the issues caused by poor building inspection and the tourism inspectors should leave the building inspection to deal with building/construction lobby.

References

1. Andevski, M., Urošević, S., Stamatović, M. (2012). Discourse of sustainable development – a base of environmental education in Serbia. *Environmental Engineering Management Journal*, Vol.11, No. 9, 1611-1626.
2. Government of the Republic of Serbia, Ministry of Trade, Tourism and Telecommunications, *Tourism Development Strategy of the Republic of Serbia for the period 2006-2015*.
3. Government of the Republic of Serbia, Ministry of Trade, Tourism and Telecommunications, *Tourism Development Strategy of the Republic of Serbia for the period 2016-2025*, Official Gazette of the RS no. 98/16

4. Hanić, A., Stamatović, M. (2013). Self-Employment of Young People: Study on potential Entrepreneurs in Serbia, in Economic Sciences on The Crossroad, *Institute of Economic Sciences*, Belgrade, 601-618.
5. Jovičić, A., Stamatović, L. (2018). Can migration reduce the positive effect of investments in education? *International Scientific Conference "Theoretical and Empirical Aspects of Economic Science - 60 years of Challenges and Opportunities"*, Belgrade, 211-214.
6. Jovičić, A., Đokić, A., Stamatović, L. (2018). Management in the Serbian IT sector – specificities and recommendations. *FBIM Transactions*, Vol. 6, No. 2, MESTE, 44-53.
7. Jovičić, A., Đokić, A., Denić, N. (2019). Sustainable development of enterprises: an ecological economics perspective. *Ecologica*, Vol. 26, No. 93, 26-30.
8. Kostadinova, D. (2016), Municipalities in Eastern Serbia Champion Property Tax Collection, <https://www.urbanet.info/property-tax-collection-serbia/>
9. Lukinović, M., Stamatović, M., Šarkić N. (2017). *Inovacije: pravno-ekonomski aspekt*, Službeni glasnik, Beograd, ISBN 978-86-519-2122-6.
10. Maksimović, S., Stamatović, M. (2018). The conceptual framework of the project approach in the rural tourism in Serbia, *International Scientific Conference "Tourism in function of development of the Republic of Serbia"*, Vrnjačka Banja, Thematic proceedings II, 538-555.
11. McClellan, C. (2013). The Consequences of Poor Tax Administration: Collections, Growth, and Corruption. *Dissertation*, Georgia State University, 152-154.
12. Nimoy, L., (1982). *Star trek 2: the Wrath of Khan*, Paramount.
13. Pindžo, R., Barjaktarević, L. (2018). Digital transformation of tourism, *International Scientific Conference "Tourism in function of development of the Republic of Serbia"*, Vrnjačka Banja, Thematic proceedings I, 340-355.

14. Simić, I., Marinović, I. (2018). Digital transformation in the function of improving the competitiveness of the Republic of Serbia in the tourism sector. *Intrenational Scientific Conference "Tourism in function of development of the Republic of Serbia"*, Vrnjačka Banja, Thematic proceedings I, 374-389.
15. Škorić, S., Jovanović, V. (2018). Trends in engagement of workers in tourism – registered and employment (persons in employment), *Intrenational Scientific Conference "Tourism in function of development of the Republic of Serbia"*, Vrnjačka Banja, Thematic proceedings I, 603-621.
16. Vukić, M., Vukić, M. (2018). Connection of tourism companies with the development of dual system in higher education. *Intrenational Scientific Conference "Tourism in function of development of the Republic of Serbia"*, Vrnjačka Banja, Thematic proceedings I, 622-639.