

DEVELOPMENT OF RURAL TOURISM IN EASTERN (PANNONIAN) CROATIA:

THE IMPLEMENTATION OF IPARD FUND

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Abstract

Rural development is very important for overall development of the European Union, therefore 1/3 of EU funds are focused on development of lagging behind regions, which are predominately rural areas. In Croatia in 2013, stakeholders in rural areas can apply for 687.5 million euros, which is much higher amount, than at the pre-accession period funds. This paper presents the research conducted during 2012 in Eastern Croatia, with survey technique, on sample of 100 potential users of rural development funds (IPARD). Research covered the period from 2010 to 2012, with aim to evaluate potential and concrete results in use of funds. The methods of synthesis and analysis, so as deductive and inductive methods were applied. The results show that 37.63% of IPARD fund was used. Consequently, there is significant space for reaching the higher level of rural development based on EU funds. This is the main base for further research in this direction.

Key words: rural development, tourism, EU, IPARD

1. INTRODUCTION

The idea of rural development of Eastern (Pannonian) Croatia coincides with the problems of regional development. Former regional policy and rural development policy has not achieved its goals. Regional divergence and backwardness of rural areas continues. Croatia needs a modern concept of rural development that includes: an integrated development, all aspects of human activities based on local resources with the aim of strengthening the economy of rural business; integral protection of all the elements of space, integrating development and protection goals as a function of long-term sustainable development, development of rural tourism and agriculture. It is a prerequisite for increasing the competitiveness of the Croatian economy and easier access to European integration and EU funds.

Concerning the fact that for rural areas of the eastern Croatia are agriculture and tourism certainly the most important activities, all of the existing strategy of development in rural areas actually were based on the strategy of agricultural development. Between the villages and agriculture is usual to "put an equal sign." Contemporary strategy, particularly strategy of sustainable rural development of Croatia, it would have to be much broader in its scope. Reduction of unnecessary problems of rural areas only to agriculture ignores all others, not so small Croatian village resources that can be rapidly activated in the transformation and adaptation of Croatian rural area on the road to European integration. In addition, the reduction and bringing the rural development only on the issue of agriculture, prevents a broader view of the whole composition of very complex problems and their possible solutions in a wide field of rural development.

Because of these problems, the aim of this paper is to research positive experience with IPARD funds in the development of agriculture and rural tourism in Eastern Croatia. In this sense, it will be conducted primary and secondary research on the subject topic, and will be given an indication of future trends.

2. DEFINITION OF RURAL TOURISM AND AGRICULTURE

In many economies for some time tourism has been recognized as a main activity, which uses the resources of the respective economies and have the impact on their nature and development, especially on agriculture. States are increasingly willing to use tourism as a subject or a macroeconomic policy. Tourism is often heavily involved in employment policy, whose meaning is very big in the modern macroeconomic management.

Participate in the process of globalization in rural tourism is to be recognized in globalization. Tourism is an economic activity that is organized in the form of noticeable economic impact is occurring in the 19th century, although travel and exploring new places, driven by human curiosity, began long ago, in the ancient world. (Koncul, 2009).

In the world is developed trend shift from the concept of mass tourism to individual forms of tourism, and to the development of rural tourism and tourist facilities throughout ensure a good position in the Croatian international tourist market. International tourist movement marked the upward trend and the increasing incidence of tourism types that differ from those of the standard forms that cover just a vacation. Continental tourism can be seen as a combination of the interests of tourism as an economic activity, the environment as a category of natural environmental elements and the local community as a driver of these processes. Large parts of the Croatian continental areas have the characteristics of the economic crisis. Development of this area should be based on a policy of development of tourism and agriculture, which has all the necessary resources, and also serves to complement the entire Croatian tourism product. The role of tourism as a driver and transformer in the revitalization of rural areas has been demonstrated in a number of European countries (Hak, 2006).

In order of further processing the topics is needed to define the key concepts of rural tourism and agriculture. Rural tourism in is a form of tourism taking place in rural areas or settlements, Providing employment and income to local population, and offering individualised holiday products to consumers. Rural tourism is based on accommodation service which is complemented by additional services / facilities relying on the local social, cultural and natural resources, which are exploited according to the principles of sustainable development. (Ruzic, 2009). Other definition says that rural tourism is any form of tourism that displays the rural life, art, culture, and heritage at rural locations, thereby benefiting the local community economically and socially as well as enabling interaction between the tourists and the locals for a more enriching tourism experience can be termed as rural tourism. Rural tourism is essentially an activity that takes place in the countryside. It is multi-faceted and may entail farm/agricultural tourism, cultural tourism, nature tourism, adventure tourism, and eco-tourism. As against conventional tourism, rural tourism has certain typical characteristics like; it is experience oriented, the locations are sparsely populated, it is predominantly in natural environment, it meshes with seasonality and local events and is based on preservation of culture, heritage, and traditions.

Agriculture, also called farming or husbandry, is the cultivation of animals, plants, fungi, and other life forms for food, fiber, bio fuel and other products used to sustain human life (Wikipedia, 2013).

3. RURAL TOURISM IN SUSTAINABLE DEVELOPMENT

Today is the emphasis from mass tourism put on improvement of quality, on the positive and affirmative attitude towards nature and the environment (sustainable development - green tourism) and a degree of individuality in integrated product destination (the process of rejuvenating tourist destinations), or on a personalized relationship with the client (Stipanović, 2006).

Tourism of 21st century is characterized by increasing propulsive force, dynamism, turbulence, and the transformation of traditional industries offer in entertainment, events, and active vacation adequate to rampant tourist preferences in terms of increasingly severe international competition. It is determined by the dynamics, turbulence and it is very difficult to determine the future direction, intensity and dynamics of activities. The secret of success is flexibility, fast response to new market stimuli, and in constant improvement and innovation offers. The tourist market is characterized by the key forces: the changing behaviour of tourists, a growing variety of products and services, the more complex concepts of development, globalization, which is made that competition is global, global marketing with the use of new distribution channels, increasing demands on education, and practice staff.

Tourism development of rural areas must be based on the synergy of the development of all the carrier of offer. A crucial issue is how to initiate change and affirm a new way of thinking and doing business in the current sluggish and inert carrier of offers on the micro and macro levels. One way is certainly encouraging participation of carrier of offer for applying of rural tourism and farmers on call for proposals of European funds, which will help getting the funds for development and increasing the competitiveness.

Recently, in order to achieve objectives of development appear numerous selective forms of agriculture and tourism, which are integrated with each other. The concept of organic farming has central place in domestic scientific community thought, as well as at the foreign scientific community, since human access to natural ecological environment becomes everyday approach. Organic farming is becoming a form of agriculture that falls under a kind of sustainable agriculture, and for humanity, it represents a fundamental existential human activity which is reflected integral sustainability (Puđak & Bokan, 2011).

Concerning its many resources, Croatia has a perspective that through the joint cooperation of state bodies, institutions, manufacturers and retailers, encourage a stable and long-term agricultural production, thereby ensuring their sustainable development for future generations. Therefore, it is necessary to build a strategy for rural tourism based on agriculture, with concrete goals, which would be the basis for advocacy and promotion of organic production. State bodies and institutions should provide training and education through the maintenance of educational and counselling workshops for all agricultural producers to help them to get closer to the theoretical, practical and legal framework of organic production. Also of great importance is the integration of science and the inclusion of representatives of agriculture, education, and tourism sectors to verify in their work importance and benefits of food for tourists, which will affect raise environmental awareness among consumers from an early age. In the marketing promotion of rural tourism is necessary to inform and educate consumers and the market about the importance and value of food, in order to stimulate demand. On the other hand, for all producers and carriers of offer, is to join together in an umbrella organization, and that as joint forces acting on the market, in order to facilitate the withdrawal of European funds.

4. SITUATION AND TENDENCIES OF APPLICATION OF EUROPEAN UNION FUNDS IN AGRICULTURE IN REPUBLIC OF CROATIA AND EUROPE

While in the period of accession to European union is many talked with focus on the abundance of funds that will be available with the entering into full membership, and therefore here are mentioned up ten

times bigger amounts that will be available in the Republic of Croatia; at the same time very little is talked about our own readiness or the Croatia as the subject, whose various segments will have opportunity to use these funds. On the other hand, the fact of availability does not mean that these resources will be reached, on the contrary, the process of our own preparation, preparation of our project idea is one major challenge that is put in front of us as a society as a whole, in order to such potential use of these funds, make real as much as possible.

When we talk about the readiness of the Croatia, or the willingness of existing stakeholders that are acting as potential beneficiaries of European funds, we actually speak about absorptive capacity of the entire system of attracting of EU funds. Under these capacities is considered the ability to attract all available funds, to adequately manage and use or implement funds in a prescribed manner, and the ability to meet all the formal requirements that donor, in this case to the European Commission places in front of recipients of funds. Regardless of their level in the vertical or horizontal scale, their function or position they occupy in the system of use of the funds, each of the stakeholders has certain:

- Administrative and management capacity - the ability to carry out all the activities that are part of the normal procedure in financing projects from EU funds. Includes ability at all levels, from the highest-negotiated to the lowest -user level.
- Financial capacity - the ability to settle all the financial demands that are placed in front of all the users of the funds of the European Union, from the national level, where exist demand for Croatian contribution not only to the common budget of the European Union, but also to the entire programme packages, through which by a variety of funds, will be implement the financing of various project ideas, to the lowest level, or the level of stakeholders who need to have the funds necessary for financing.

Authors in the European Union countries, which has been used structural funds for years, absorption capacity of their entire system will also share in the administrative, financial and macro capacities. Macroeconomic capacity usually means that a country as a user of the Structural Funds has right to use the amount of funding that goes to a maximum of 4% of its GDP (Zaman & Georgescu, 2009).

But speaking from the perspective of users of funds, which are located at the micro level, so to say, not only at the level of NUTS II regions or Spatial units for statistics second levels (Official Gazette, 2007), but also at the level of counties, cities or municipalities, which actually include family farms, companies, small businesses and various organizations, so as all similar stakeholders, one thing is sure and that is that the administrative capacity is every day more and more improved. As we are getting closer to the EU and as the whole process of negotiation and accession to full membership is going, so the administrative capacity became more improved. Maybe we can not talk about a systematic improvement, although there are attempts, but we can talk only about individuals that are better informed and educated, and as such are more or less incorporated and have more or less important role in the use of EU funds, which then ultimately leads to raising of the quality of the entire system. But on the other hand, speaking about the financial capacity for use of the EU funds, they remained the same at smaller part of the stakeholders, but at the most of the stakeholders, they have become increasingly smaller.

In any case Every European region has to invest in project development to apply their quality ideas towards available European funds which are the key of its development. It is proved on the case of Poland, that the economies attracting huge percentage of available funds does not have critical problems when the Europe is affecting the financial crisis. Many quality ideas are waiting to be put on paper, but there aren't enough good consultants which can guide the applicant to the stage of collecting non-refundable funds (Šostar, 2012).

In conditions of full membership in the European Union, to the beneficiary country through the Structural Funds and the Cohesion Fund are on disposal significant funds, much bigger than those in the

pre-accession period. But the fact of availability of funds does not necessarily mean much bigger use of them, but it means that the whole system of using EU funds in the Republic of Croatia will face different challenges. As a key and indispensable prerequisite for any use of the available resources is the existence of adequate absorptive capacities. Absorption capacities can be divided into administrative-managerial, macroeconomic, and financial capacities. While macroeconomic is defined with macroeconomic indicators, so that is limited at 4% of gross domestic product, managerial and administrative are defined with the whole system of the funds, mainly at the organizational and implementation level, and as such they could be improved, and in the most cases relevant stakeholders are constantly and systematically working on their improvement or expansion. At the same time, financial are those which are defined on the level of Croatia as a potential candidate, through the ministries down to lowest level stakeholders at the micro-level, as stakeholders which definitely have to participate in co-financing of the project with a certain percentage of funds.

Furthermore, the structural funds require full financing from the users, and then on the basis of accepted reports on realized expenditures for eligible activities, they receive funding from the European Commission. It is clear that this technique of co-financing, with the obligation of having some own funds on disposal in advance, brings numerous stakeholders in the unenviable position of not giving them the opportunity to compete for funds at all. If something concrete is will not be done in this area, in terms of improving the position of stakeholders, there is a real danger that a significant part of structural funds will remain unused. In this sense, a smaller stakeholders, with the smaller financial capacity must appear together as applicants, through various partnership projects such as organizing the Local Action Groups (LAGs) that are specifically supported by the European Commission. Also the companies can link into clusters, which is a form of organization that is very present and strongly evolved in Europe. In addition, it is required a systematic approach of the Government, in order to improve the position of the stakeholders in this sense, through lending, guarantees, as though already partially happening, but when we are talking about large funds of membership of the European Union, there are and required significant resources, and a systematic and carefully planned approach. This activities will increase the equality of participants in terms of opportunity for co-financing the project ideas through EU funds. Nevertheless, it will be achieved through a greater number of quality projects.

5. ANALYSIS OF FINANCIAL CAPACITY IPARD PROGRAMME

The key idea is to analyze the financial capacities to identify opportunities for development of business sector. Business reengineering is the redesign of business processes and associated systems and organizational structures, in order to achieve a dramatic improvement in business, especially in relation with the customers. Marketing reasons for making such changes may include poor financial performance, external competition, reducing of market share or emerging the marketing opportunities. (Andrić & Hak, 2012).

It is conducted a research to determine use of the IPARD program and the problems and difficulties that arise during the process of application of projects. The number of applied projects is analyzed and it is placed in relation to the total approved projects. Based on conducted interviews are identified the reasons for these findings and are provided guidelines for improvement.

5.1 IPARD Measure 101, 103, 301 - Investment in farms and farm products

For measure 101 (Investment in agricultural economies) and measure 103 (Investments in processing and marketing of agricultural products) were conducted 6 call for proposals. Indicators of available resources are shown in the tables 1 below:

Status	No of applications	Amount of investments (in HRK=0.133€)	Amount of support (in HRK)
Total	160	713.740.553,38	347.534.173,95
Measure 101	112	331.290.807,77	161.065.052,83
Measure 103	48	382.449.745,61	186.469.121,12
Rejected	51	172.865.640,54	78.485.919,69
Gave up of application	5	29.876.972,74	14.994.040,72
Measure 101 approved	75	221.239.888,07	115.668.964,01
Measure 103 approved	29	267.109.751,46	133.553.408,79
Total arranged	104	488.349.639,53	249.222.372,80

Table 1 Ratio of applied and approved projects in IPARD (Measures 101 and 103) - the first 5 call for proposals

In Table 1, we can see the relationship of applied and approved projects through Measures 101 and 103 through the first five competitions in the period from January 4th 2010 to November 28th 2012. The total number of applications was 160, of which were approved 104, 51 applications were rejected and 5 applicants gave up the project.

Total	No of applications	Amount of investments (in HRK=0.133€)	Amount of support (in HRK)
Measure 101	61	345.333.925,34	165.966.289,50
Measure 103	44	157.312.704,46	79.260.567,05
Rejected	17	188.021.220,88	86.705.722,45
Gave up of application	2	8.846.584,99	4.528.517,11
Measure 101 approved	In process	In process	In process
Measure 103 approved	In process	In process	In process
Total arranged	In process	In process	In process
Total	In process	In process	In process

Table 2 Relationship of reported and approved projects IPARD program (measures 101 and 103) - the 6th call for proposal, processing in progress

In Table 2, we can see the relationship of reported and approved projects through Measures 101 and 103 through the 6th call for proposal, which was published in the period October 17th 2011 to November 28th 2011. Processing project applications are pending, and the total number of applications is 61st Approval

of projects that will be praised is expected during 2012 year. So far, the two projects were rejected during the administrative checks due to incomplete documentation.

5.2. Measure 301 - Improvement and development of rural infrastructure

For Measure 301 (Improvement and development of rural infrastructure) was performed 2 call for proposals. Indicators of available resources are shown in the table 3 below.

Status	No of applications	Amount of investments (in HRK=0.133€)	Amount of support (in HRK)
Measure 301	113	470.859.394,06	440.741.832,54
Rejected	66	274.041.378,54	251.373.629,96
Gave up of application	2	6.177.493,00	6.177.493,00
Total arranged	45	190.640.522,52	183.190.709,58

Table 3 The ratio of reported and approved projects IPARD (measure 301)

In Table 3, we can see the relationship of reported and approved projects through the Measure 301 through two new call for proposals during the period from 06th December 2010 to 13th June 2011. The total number of applications was 113, of which were approved 45, 66 applications were rejected, two applicants gave up of the project.

5.3. Measure 302 - Diversification and development of rural economic activities

For Measure 302 (Diversification and development of rural economic activities) were conducted 2 calls for proposals. Indicators of available resources are shown in the 4 table below.

Status	No of applications	Amount of investments (in HRK=0.133€)	Amount of support (in HRK)
Total measure 302	56	53.868.701,15	27.141.352,52
Rejected	16	11.968.754,02	6.596.726,82
Gave up of application	0	0	0
Total arranged	40	41.899.947,13	20.544.625,70

Table 4 The ratio of reported and approved projects IPARD (Measure 302)

In table 4 we can see the relationship of reported and approved projects through the Measure 302 through two new calls for proposals during the period from January 3rd 2011 to October 31st 2011. The total number of applications was 56, approved were 40, 16 applications were rejected, while none of the applicants has given up the project.

6. METHODOLOGY OF RESEARCH

Current knowledge and research in the field of measuring of fiscal capacities and fiscal needs, and correcting horizontal fiscal imbalances in Croatia are quite deficient. Relatively few papers are dealing with the problems of economic and fiscal imbalances in Croatia. However, even these works did not enter into a deeper elaboration of criteria and calculation of fiscal capacities and fiscal needs of Croatian counties based on which the state provided a good system of awarding grants for equalization.

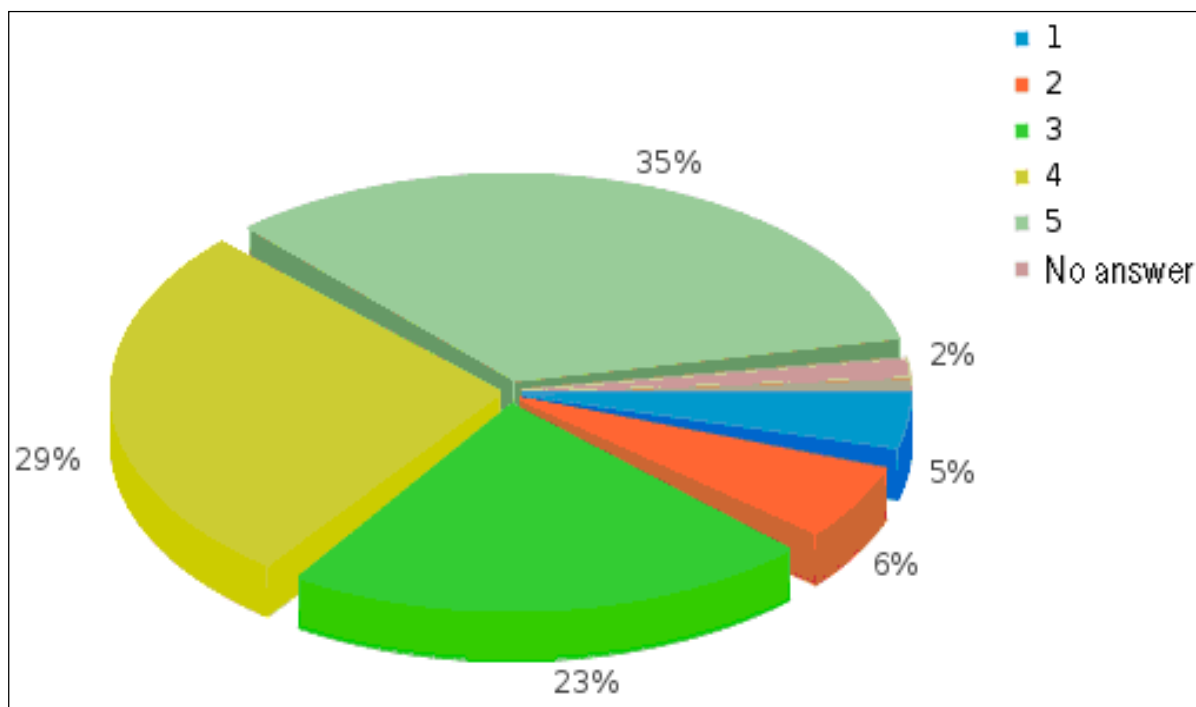
In conducting a research, the local representatives were cooperative, and researchers have provided all the necessary logistics. So for the purposes of this research is designed survey, with 60 questions, and it was fulfilled by 100 examinees, potential users. We used the recommendations and papers of several consultants and local consultants, to form the survey as clear and enough simple for the representatives of local stakeholders. We tried to make them as short as possible with a small number of open-response questions. Respondents were also questioned about the key issues they face in their daily work. Trust and anonymity of examinees and interviewees in this research were guaranteed, however, were encouraged them to disclose their identity. Although, aware of the fact that the response in Croatia on survey of this type of research questionable, we were able to make up the additional interviews with local stakeholders.

With method of synthesis and analysis were compared the research results with the actual results in the field, the amount of the EU funds, which are allocated to the stakeholders in the observed years. Inductive method based on the general part of the research tried to confirm / deny hypotheses, in order to gain a clearer picture about the topic of research. Deductive-logical methods was used in making more accurate conclusions on the basis of the empirical results.

We intend to continue in the coming period with surveys and interviews of additional stakeholders, in order to get introduced with as much as possible problems in accessing funds. Such survey will follow the methodology of this initial study with perhaps more questions and conducted interviews.

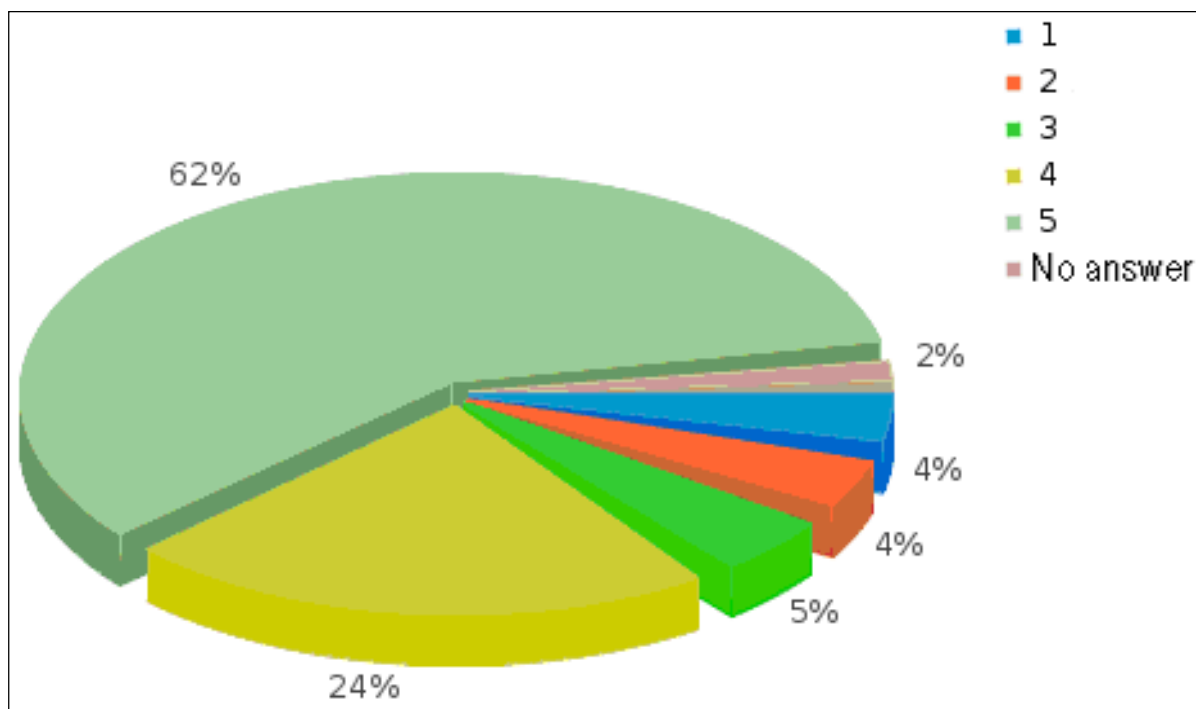
7. RESULTS OF RESEARCH

Because the fact that research brought answers on 60 questions, it is impossible to present all of them in this paper, so we present only some which we perceive as a significant. In this case figures are divided as follow: 1-completely disagree; 2-mostly disagree; 3- nor agree nor disagree; 4-mostly agree; 5-completely agree. In graph one 1 is presented attitude of examines on funds of European union as a potential source of financial aspects.



Graph 1 Counting more on EU funds as potential source of financial assets (Own research, 2010-2012)

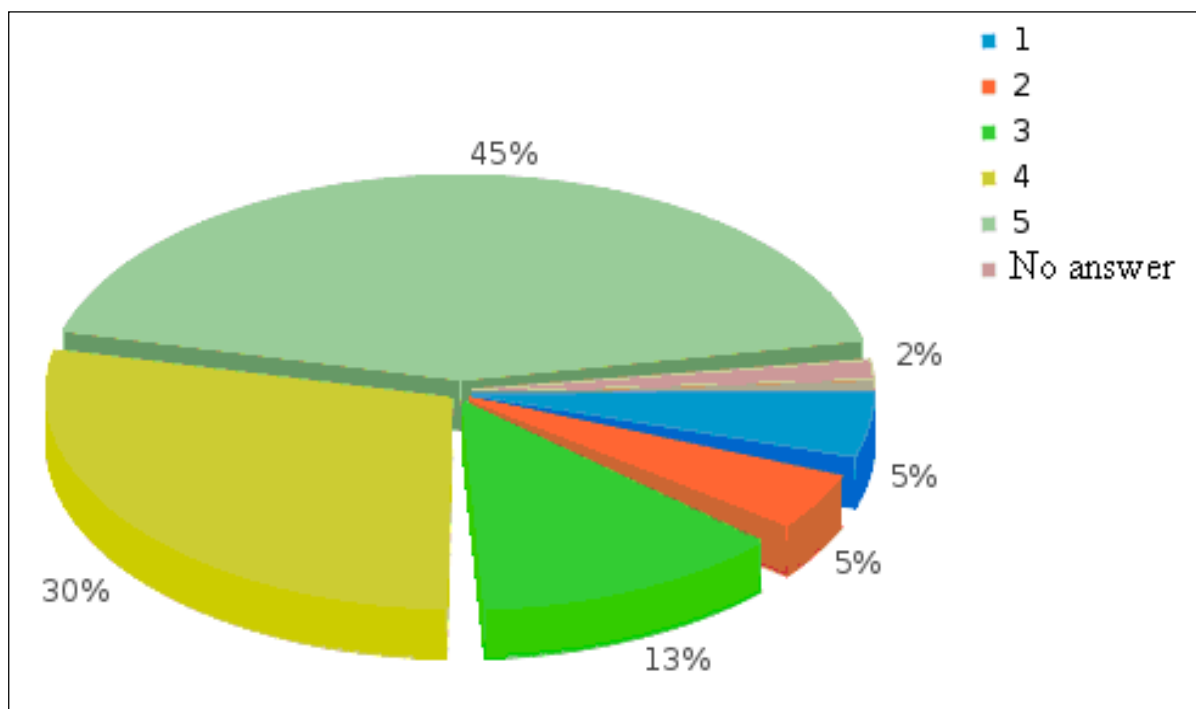
As we see 35% completely and 29% mostly agree in perceiving EU funds as potential source of financial assets. 6% mostly and 5% completely disagree. Therefore, we can conclude that examines, as potential IPARD users believe in potential of EU funds.



Graph 2 Use of all available supporting infrastructure-agencies, chambers (Own research, 2010-2012)

The figure of 62% examines, that believe that is very important to use available supporting infrastructure means several things; first of all that stakeholders needs support, that they are not able to prepare qualitative project alone, without help from agencies, chambers etc. Finally, according to those facts, they need help and support in project preparation and implementation.

Data presented in graph 3 show examinees attitude on application of projects to open call for proposals.



Graph 3 It is important to apply on as much as possible open EU funds calls for proposals (Own research, 2010-2012)

Examinees in 45% completely believe or 30% mostly believe that is important to apply on many EU funds. This fact is encouraging on one side, on the other side; it shows that there is lack of strategy in approaching to the EU funds. Because, in that case, the stakeholders are not aware that their absorption capacities are limited, and in that sense stakeholders have to manage that capacities very carefully-in a way that have to choose on which project they will apply and on which they will not. Namely, many stakeholders only want to withdraw some money from European Union funds, therefore they do not calculate on which fund and with which idea they will apply for funding. They just want to use the opportunity to get funds. For further implementation, they do not care much. This is naturally completely opposite to strategical approach, which is based on planning of cost and benefits in the long term. Nevertheless, the use and role of tools like cost benefit analysis in planning of approach to the EU funds, is completely underrated.

8. CONCLUSION

After an analysis of the implementation of research funds from the IPARD program, it is evident that there is a possibility of increasing the use of available funds. Detected problems are unacceptability of registered investments, incomplete documentation, the invalidity of documents, financial gap, the problems of ownership, technical problems. It is certainly evident that the funds realized from available IPARD could be increased. One of the common reasons for the rejection of the project application is unacceptability of registered investments. This includes the definition of the cost of the project that are not allowed for funding and is therefore very important to take into consideration guidelines for the preparation of projects. Common case is also incomplete documentation, which is applied to the contracting authority. Either out of ignorance, superficial information or the impossibility of obtaining certain documents. As much as the project applied has a high quality, if the documentation is incomplete, the project can not be approved for funding. There are cases where the documentation is not in accordance with instructions and official forms which are available upon publication of each contest of IPARD program. We have to know that documentation should be prepared in accordance with the call for proposal, in the required form and shape. We have to pay attention to the financial part of the project. As in the application of the project exists several documents that specify the financial value of the project and funding ratios, it is necessary to harmonize the situation, in order not to different values written in documents. Unresolved property relations are a sure indication that the project will be rejected and will not be taken into account in the assessment. Apart from all the above mentioned problems, there certainly should be taken into consideration to provide the requested documentation in deadlines, ensuring of financing instruments of project and explicit instructions that available official forms have not be changed or deleted. All documents must be signed by an authorized person at the appropriate place with the seal that confirms the authenticity of the signatures. Those are only some of the most important rules that have to be followed. Because in the situation of growing completion for money from growing European Union funds is necessary rule that is, unfortunately, in many cases main reason for rejection of the projects.

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