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Serbian Academy of Sciences and Arts
Board for Village



Serbian Association
of Agricultural Economists

AGRI-FOOD SECTOR IN SERBIA

STATE AND CHALLENGES

Edited by

Academician Dragan Škorić
Danilo Tomić
Vesna Popović

Belgrade, 2013

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TERRITORIAL CAPITAL OF RURAL AREAS: AN EXAMPLE OF ANALYSIS OF THE POTENTIAL FOR RURAL TOURISM DEVELOPMENT IN SERBIA

Natalija Bogdanov, Dejan Janković

INTRODUCTION

In order to understand society and its development it is necessary to analyse the relevant factors that may affect the rate, the course and the consequences of social changes in rural areas. Due to specific context and the importance of rural development we need to consider the complexity of different levels of analysis and policies (national, regional and local), as well as the specific features of heterogeneous rural areas that need to be reflected in territorial policies of rural, i.e. regional rural development. From the historical point of view, different policies pertaining to rural areas had different objectives and were based on different grounds: natural resources, technological development and transfer, human resources, economic capital, social capital and social networks, etc. The concept of territorial capital requires adequate usage of territorial policies in order to transform the dimensions (capitals) of territorial development, i.e. to employ them with the purpose of the development of certain areas.

At the beginning of this study, it is important to, at least in general, place the perspectives of rural development policies and practice within the framework of endogenous and exogenous factors of rural area development. Previous development models were evidently exogenous, and their exogenous nature was especially evident in the paradigm of modernisation of agriculture and sectoral policies (primarily agricultural policies). Also, the exogenous approach was reflected in the centralist nature of planned measures and their implementation, control and managing of the processes of economic growth and development of rural areas. In rural areas, this usually refers to the process of modernisation of agriculture or some other sector, industrialisation and urbanisation [19]. These processes, exogenous by themselves in relation to rural areas, have caused the whole range of social changes in rural regions. Some of the main characteristics of the prevailing exogenous approaches is that (exogenous) development is transplanted into particular locales and externally determined; it tends to export the process of development from the region; it tends to trample over local values and disrespects them [31]. Altogether, some of the critics of exogenous approaches in rural development insisted that these approaches often are: “dependent

development, reliant on continued subsidies and the policy decisions of distant agencies or boardrooms; distorted development, which boosted single sectors, selected settlements and certain types of business (e.g. progressive farmers) but left others behind and neglected the non-economic aspects of rural life; destructive development, that erased the cultural and environmental differences of rural areas; dictated development devised by external experts and planners” [21].

In contrast to exogenous (external) models of social development, there are, logically, endogenous (internal) models. In this duality of development models, the endogenous development is determined by: internal forces and resources, endogenous initiative, participation of local forces in decision-making and in determination of the directions and dynamics of development. Unlike exogenous development, endogenous development tends to keep the benefits of development within the local (regional) economy, and to respect the local values in the process of development [32]. The key principles, which have promoted the idea of endogenous approach, are reflected in the fact that „the specific resources of an area (natural, human and cultural) hold the key to its sustainable development“, while “main dynamic force represent local initiative and enterprise”. Since the main problems were related to “(the) limited capacity of areas and social groups to participate in economic and development activity, focus of rural development was on capacity-building (skills, institutions, local networks and infrastructure) and overcoming social exclusion” [21]. The synthesis of the both models in the *neoendogenous* concept can be presented as an attempt to emphasise the necessity of territoriality in rural development, primarily through satisfying the local needs, participation and gradual decentralisation. This means that the local/regional needs are the starting point for development activities; participation encompasses a multitude of (local and external) actors and networks, but also responsibilities, which, in turn, can latently lead to greater cohesion, solidarity, identity development and boosting of all kinds of capacities at the local and regional level. Exogenous activation of local dynamics and potentials (EU LEADER initiative is a typical example), as well as cooperation with exogenous actors, financial and other institutions, in most cases is an inseparable segment of rural development. From the perspective of neoendogenous model, the development based on local resources and participation can be animated in three directions [21]: within the local area, from the intermediate (secondary) level and from above – from the global level, while the

critical point is how to enhance the capacity of local areas to steer these larger processes and actions to their benefit.

In a one of the most important EU document dated as early as late 1980s, *The future of rural society*, it was pointed out that: “*local rural development does not mean merely working along existing lines. It means making the most of all the advantages that the particular rural area has: space and landscape beauty, high-quality agricultural and forestry products specific to the area, gastronomic specialities, cultural and craft traditions, architectural and artistic heritage, innovatory ideas, availability of labour, industries and services already existing, all to be exploited with regional capital and human resources, with what is lacking in the way capital and coordination, consultancy and planning services brought in from outside*” [13].

The aim of this paper is to emphasise an possibility of applying these theoretical frameworks on rural areas in Serbia. For this purpose, the results of empirical research on the possibilities of rural tourism development in Serbia were analysed in four case studies: the region of southern Banat, central Serbia, eastern Serbia and the lower Danube region. The main hypothesis is that successful development of this sector and these regions can be achieved only if the national, regional and local policies adequately reflect the development potentials, needs and constraints. By respecting specific dimensions of different territorial capital, it is possible to create adequate policies for development of local rural economies (as well as adequate environment for development in general), but it is also possible to generate ideas for encouraging social partnerships and integration, following the example of LEADER initiative in the European Union. Rural development policies implemented in Serbia so far have not devoted enough attention to the issues of heterogeneity of its rural territories and to the need to acknowledge and encourage this diversity in an appropriate way. Serbia, in this respect, resembles many transition countries which, due to the lack of their own policies resort to uncritical adoption of solutions from other regions or other countries (so-called *copy-paste* solutions), which are most frequently not optimal for heterogeneous problems of rural areas.

The methodology of this research is based on application of desk research approach and official statistical data processing, as well as analyses of the available and the authors' own results of empirical research gathered in

focus groups, through surveys and semi-structured interviews within the project *Sustainable Tourism for Rural Development*, more in [21].

1. TERRITORIAL APPROACH TO RURAL DEVELOPMENT

The issue of regional rural development is clearly connected with the territory, which is not necessarily defined by its strict administrative demarcations. The territory is characterised by its functions, relatively similar and integrated economies, socio-cultural identity, and so on, which constitute a comparative advantage of that territory over other areas, i.e. regions. In social theory, the concept of *territorial competitiveness* is widely used and, apart from its economic meaning in the sense “the ability to withstand market competition”, it also refers to proving ecological, social and cultural sustainability of a certain area. Some approaches to this issue (LEADER) distinguish four dimensions of territorial competitiveness: “*social competitiveness*” or *the ability of participants to act effectively together on the basis of shared project concepts encouraged by cooperation between the various institutional levels*; “*environmental competitiveness*” or *the ability of participants to make the most of their environment by making it a “distinctive” element of their area while ensuring that their natural resources and heritage are preserved and revitalised*; “*economic competitiveness*” or *the ability of participants to create and retain the maximum added value in areas by strengthening the links between sectors and turning their combined resources into assets for enhancing the value and distinctiveness of their local products and services*; “*positioning in the global context*” or *the ability of participants to find an area’s role in relation to other areas and the outside world in general, in such a way as to develop their territorial plan to the fullest and ensure its viability within the global context*” [20].

In addition to social, economic and ecological dimensions, certain authors also include a political-institutional dimension [28] as well as a cultural dimension of rural development [25]. Ray [29] points to the so-called approach of “culture economies”, which arises from three sources: “the changing nature of post-industrial consumer capitalism, the trajectory of rural development policy in the EU, and the growth of regionalism as a European and global phenomenon”. This approach assumes that culture is the basis of territorial identity, whereas culture very broadly refers to the whole range of markers such as different

languages and dialects, food, folklore, crafts, historical heritage as well as (specific) natural environment. At the same time, in terms of production, a certain territory is focused on preservation and/or developing of territorial identity, which is valorised through a variety of products and services offered to those who use a rural area and to “consumers”. The notion of “commodified rural spaces” refers to material and nonmaterial conceptualisations of the rural, and each one has its own constructivist basis and consequences (which is the case with branding in general). However, the question is whether these constructions marginalise the problems existing in rural areas (poverty, deprivation and the like), more in Cloke et al. 1994, in [14]. From the sociological perspective, “territorial competitiveness” should not be understood too narrowly, i.e. strictly in economic terms, as a means leading to increasing competitiveness of a certain area at the global (market) level. Territorial competitiveness should be understood in terms of a region that represent a framework in which actions and decision-making take place based on the willingness and aspirations of the “local” population and on regional proximity. This framework actually represents “an experiential basis serving as a structural basis for developing awareness of responsibility”, “competencies for acting and controlling”, and possibilities for *intra*-regional and *inter*-regional cooperation and exchange of experience (and not for strengthening autocracy and/or protectionism), as a means for minimising the effects of global markets etc., more in [24]. Rural development is a broader framework than regional development, because rural development includes not only the regional approach, but also the whole range of sectoral approaches, as well as approaches from the local level. The notion of rural development can be understood to include the “interventions” planned by the state, but partly also the positive social changes that more or less spontaneously occur in the historical development of rural areas, usually influenced by the processes of modernisation, industrialisation and urbanisation of society. The need for intervention in rural (development) policies arises from the necessity to reduce poverty and social inequality of rural population, but also from the need to achieve equal development in the entire area of a certain society. Although reduction of rural poverty is often incorporated as the basis that determine rural and regional development [28], similar in [12], certain authors claim that reducing poverty is the main objective of rural development, both in developing and developed countries, de Janvry *et al.* 2002, in [5].

According to certain opinions, regional rural development is essentially oriented to people with the purpose of reducing mass rural poverty [28], which can be achieved by optimal development of the abovementioned dimensions within a smaller or larger territory. Although systematisation of the main conceptual approaches in strategies of rural development can refer to sectoral, territorial and human approach (oriented to rural population) [5], sociological perception of this issue devotes special attention to the fact that the territorial approach, oriented to the potentials i.e. competitiveness of a certain area, is basically an approach focusing on broadly understood *capabilities of the actors/population*. This complements the conclusion that actors in a particular rural area (together with social institutions and organisations in the area) have to recognise and exploit the potentials they have and take collective action to try to overcome the limitations of the area where they live and work. In this sense, reducing mass rural poverty can be seen as a consequence of rural development [16].

The importance of “local” rural development emerged as early as in late 1980s in the aforementioned document of the European Commission *The Future of Rural Society*, which pointed out the need of external support (rural development policy) to endogenous potentials of rural areas. Endogenous potentials and local-territorial approach to rural development in the policies of the European Union were a step forward in understanding that agricultural policies that dominated rural policies (together with other, usually separated and often uncoordinated, sectoral, measures) failed to achieve the equal results in terms of reducing poverty and inequality in different rural areas. This led to the crucial issue of identifying the reasons why some planned social changes and projects fail to contribute to the development of certain areas. It seems that this indicated the complexity of the issues of rural development, primarily at the level of planning and understanding rural development as *a process*. The complexity of this problem was brought to light by raising the issues of social networks, interactions, power relations of actors and institutions, participation, local resources and knowledge/skills, different types of capital that rural areas have and, perhaps even more importantly, that they use in different ways for the purpose of their own development [17].

A region, as a development category, need to provide a position for systematic development of a settlements network, adequate economic and spatial redistribution of economic capacities, subsidiary distribution of power, authority – as support to local and regional initiatives – and

responsibility for certain development activities. Although there are regions of different sizes (as well as local self-governments of different sizes), a region represents an optimal framework for integrated and sustainable management of socio-economic, demographic, cultural and ecological development of a certain territory [15]. Also, regions represent the best compromise between fragmented local initiatives and “distant” global national development plans. A regional framework allows for the possibility of integrated development; in other words, it provides the best framework for potential realisation of the synergy effect of local development initiatives, together with the support provided by the system of global (national) measures of development support. Integrality, as a principle, would involve: constructive connecting at the level of internally perceived common interests, needs and possibilities for development; connecting at the level of mutual initiatives and actions (social actions) and exploitation (or creation) of social capital; sustainable management of socio-economic and ecological development and effective “local” implementation, monitoring and evaluation the of the desired objectives of development.

2. A CONCEPT OF RURAL TERRITORIAL CAPITAL

Territorial capital was introduced in a context of a regional policy by the OECDs’ *Territorial Outlook*. This document identified that “prosperity is increasingly a matter of how well each city or region can achieve its potential. Territorial capital refers to the stock of assets which form the basis for endogenous development in each city and region, as well as to the institutions, modes of decision-making and professional skills to make best use of those assets” [26]. EC confirmed this statement saying: “*Each region has a specific ‘territorial capital’ that is distinct from that of other areas and generates a higher return for specific kinds of investments than for others, since these are better suited to the area and use its assets and potential more effectively. Territorial development policies (policies with a territorial approach to development) should first and foremost help areas to develop their territorial capital*”, European Commission, 2005: 1, cited in [10]. According to Brunori [7], [8] territorial capital can be defined as the interaction among all the material and non material, private and public assets characterising a territory where territorial governance is the process of combining the interactions and the interests of the different actors and their ability to use, combine and transform local assets [22].

From the analytical point of view, territorial capital comprises all factors accessible in the area, both tangible and intangible, which can be observed as the assets as well as development constrains. The territorial capital refers to the things that constitute an area's assets (activities, landscape, heritage, know-how, etc), and are not a part of an accounting inventory exercise, but are intended to identify the distinctive features of an area whose value can be enhanced [20]. In terms of qualitative descriptions, measurements and quantifications of the territorial capital of a certain area, the literature provides different taxonomies of the components of territorial capital, as well as indicators used for its describing and measuring.

	<i>Old approach</i>	<i>New approach</i>
General Objective	Production and economic growth	Sustainable management of local resources
Specific Objectives	Farm income, farm competitiveness	Competitiveness of rural areas, valorisation of local assets
Key target sectors	Agriculture	Various sectors of rural economy
Main tools	Subsidies	Investment
Key actors (individual)	Farmers	Rural entrepreneurs
Strategic competencies of individual actors	Farm management and farming methods	Entrepreneurial vision, integration of agriculture with other activities
Key actors (institutional)	National governments	All levels (supra-national; national; regional; local)
Institutional approach	Top down (Government)	Bottom up (Governance)

Table 1: A new paradigm for rural development policies

Source: [22]

Initially, this approach based on the territorial assets was elaborated in a local development framework, and was not directly linked with rural growth. The physical, financial and natural capital, the social and cultural context and political relevance for local development, were considered as

seven core elements of local and regional development. An increased recognition of the importance of this approach in addressing development challenges of rural areas caused new systematisation and elaborations of links between the various components of territorial capital. Therefore, EC [20] proposed eight components of territorial capital that are directly linked to the four types of territorial competitiveness (Table 2).

	<i>Environmental Competitiveness</i>	<i>Social Competitiveness</i>	<i>Economic Competitiveness</i>	<i>Positioning in the global context</i>
Physical resources - in particular natural resources, public facilities and infrastructure, and the historical and architectural heritage;	X		X	
Human resources - the men and women living in the area, those who take up residence there and those who depart from the area, the population's demographic characteristics and its social structure	X	X		
Culture/Identity - the shared values of the players in the area, their interests, attitudes, forms of recognition, etc.		X		
Know-how/skills as well as technological mastery and research and development capabilities;		X	X	X
Governance and financial resources the political rules of the game, the collective players involved; the "governance"; financial resources (institutions, businesses, people, etc.) and their management (savings, loans, etc.),		X	X	X
Activities and business firms , their degree of geographical concentration and their structure (size of firms, sectors, etc.);			X	
Markets/External relations especially their integration into the different markets, exchange and promotion networks, etc.;	X		X	X
The image and perception of the area both internally and externally.	X			X

Table 2: Four types of territorial competitiveness

Source: authors' elaboration based on [20]

Camagni [10] provided a theoretical categorization and arrangement of ‘territorial capital’ by an extended version of role of basic capitals in the development process. His concept categorises all potential sources of territorial capital in a three-by-three matrix, built upon the two magnitudes: rivalry and materiality (Figure 1). The most important and innovative aspect of this solution is that it seeks to incorporate hard and soft elements and puts the capacity “to convert potential relationality into effective relationality and linkages among economic agents” into the centre of the regional policy system, labelling the middle classes of the matrix the ‘innovative cross’ [10].

Rivalry	High rivalry (private goods) (club goods)	c) Private fixed capital and tool goods	i) Relation private service	f) Human capital
	(impure public goods)	b) Intermediate, mixed- rivalry tangible goods	h) Cooperation network	e) Relation capital
	Low rivalry (public goods)	a) Public goods and resource	g) Agglomeration economies, connectivity and receptivity	d) Social capital
		Tangible goods (hard)	Mixed goods (hard+ soft)	Intangible goods (soft)
		Materiality		

Figure 1: A classification of territorial capital according to materiality and rivalry

Source:[10]

The FP7th project IAREG¹ analysed diverse characteristic of territorial capital with particular attention on the assessment of the “intangible assets” for regional performances. An important conclusion of this research is that intangible assets are essential in determining regional performances. Besides, the authors stressed that there is considerable tendency to “increase the share of intangibles over tangibles, confirming

¹ IAREG - Intangible Assets and Regional Economic Growth.

the growing role of knowledge capital in the competitive behaviour of the firms” [33].

Though this classification of territorial capitals is a clearly structured theoretical taxonomy that is characterised by a two-dimensional structure, there are significant overlaps between the categories and difficulties in allocating policy action to a specific “type” of territorial capital. It thus seems relevant to alert decision makers on the different capital dimensions and raise understanding of “relational” activities, but not a suitable template for developing policy proposals. Paying particular attention to activities that go beyond the ‘traditional’ ones also links to the need to translate abstract potentials into actual assets. This provides a detailed reference for addressing the inter-relatedness of places, as characterised by the overarching theme of “connexity”.

The EDORA project² analysis in many respects refers to the activities addressed within the innovative cross, i.e. the linking activities of territorial capital enhancement. This presentation of the inter-linkages of capital resources as the innovative elements can be seen as an option to map the various types and aspects of capitals available/required in development processes. Taking this concept as an analytical tool for analysing, e.g. case studies like the exemplar regions in this project, reveals the difficulty to attach the various elements and action to the specific boxes of this schematic presentation.

The relations between different forms of capital were analysed also by Buordieu, who, realising the characteristics of social capital, considered its relations with other forms of capital – economic and cultural-symbolic capital [9]; [6]. According to Buordieu: “the volume of the social capital possessed by a given agent depends on the size of the network of connections he can effectively mobilize and on the volume of the capital (economic, cultural or symbolic) possessed in his own right by each of those to whom he is connected. This means that, although it is relatively irreducible to the economic and cultural capital..., “social capital is never completely independent of it” [6].

In the sense of mobilisation of social capital, A. Portes [27] also claims: „to possess social capital, a person must be related to others, and it is

² EDORA: European Development Opportunities for Rural Areas Led by UHI Millennium Institute, Inverness, Scotland; EDORA is the project of ESPON - the European Observation Network for Territorial Development and Cohesion.

those others, not himself, who are the actual source of his or her advantage“. Therefore, according to Buordieu, it is important that social capital is connected with other forms of capital, while economic capital is essentially the most important and is at the root of all other forms of capital. If we observe the relationship with social structure, it follows that possession (and access to different forms of capital) is unevenly distributed. This indicates that there is a need to analyse the ways in which social capital can be combined and transformed in other forms of capital, see [18]. For these reasons, by having insight into the dimensions of territorial capital in selected Serbian regions we can discover and use the potential connections and potential transformations of different types of capital in order to develop a case study of the regions.

3. TERRITORIAL CAPITAL OF RURAL AREAS AS POTENTIAL FOR DEVELOPMENT OF RURAL TOURISM IN SERBIA

3.1. Serbia – Diversification of Rural Territory

The discussion about future rural development policy of Serbia, particularly in terms of its adaptation to the EU policy framework, raises the interest of policy makers in the diversity of rural areas. Hence, the diversity of rural Serbia is becoming more recognised as one of the key development factors [1]. This diversity comprises at the same time richness and a major challenge for the policies dealing with rural issues [34]. Diversity of rural Serbia is driven by many factors, whereby particular emphasis is on the variety of natural resource endowments, cultural and historical heritage, as well as economic, social and demographic patterns. Hence, both researchers and policy makers seek for new development approaches based on regional diversity in order to achieve better usage of the development opportunities and act in response to challenges of diverse types of rural areas [4]; [30].

Bogdanov, Merediht and Efstratoglou [3] studied the diversity of rural Serbia in order to define the homogenous types of rural regions. Distinguishing factors included geographical characteristics (mountains, plain areas, valleys), accessibility (areas adjacent to cities, remote areas), population fluctuations and migration, infrastructure, differences in

environmental conditions (e.g. protected areas), variations in agricultural systems and productivity, a degree of diversification of local economies (activities such as tourism, processing, manufacturing), etc. Based on the above, a typology of the rural areas in Serbia was constructed using those variables which accounted for the greatest differences between areas. The following thematic or sectoral factors were considered as the most important: demographic structures, geographical characteristics, structure of the economy, and developments of labour market, agricultural systems, touristic potential and infrastructure. On the basis of all the analyses performed, it is concluded that the Serbian rural mosaic consists of four basic types of rural regions:

Highly productive agriculture and integrated economy (I) – The main natural characteristics of this region are flat, high quality land and rich water potentials. Compared to other rural regions, it is characterised by more favourable demographic trends. This is proved by advantageous indicators such as aging ratio, educational structure and positive and high in-migration ratio. Economically, the region is characterised by a well-integrated economic structure dominated by food and chemical industries. The region of highly intensive agricultural production is characterised by remarkably rich soil potential - the arable land per capita is 1.08 ha (10.37 ha per the employed in agriculture). The more favourable land/man ratio enables sound agricultural productivity in this area, which reaches over 30% above Serbia's average. The average yields per head and hectare exceed the national average by 20% (vegetables and some fruits) to 50% (industrial crops). The farm structures in this region are dual, polarised into big farms organised on the principles of modern management and, on the other side, a number of small and semi subsistence farms managed by farmers with some other gainful activity. Physical infrastructure is more developed than in other parts of Serbia, particularly with regard to the supply of electricity, water and gas, as well as the road network. On the other hand, the quality of water, sewerage and waste disposal is still inadequate. Public services (education and health) are adequate to meet the basic needs of rural population, but without innovative solutions and programmes targeting vulnerable categories (the elderly, the disabled, the poor, youth and women).

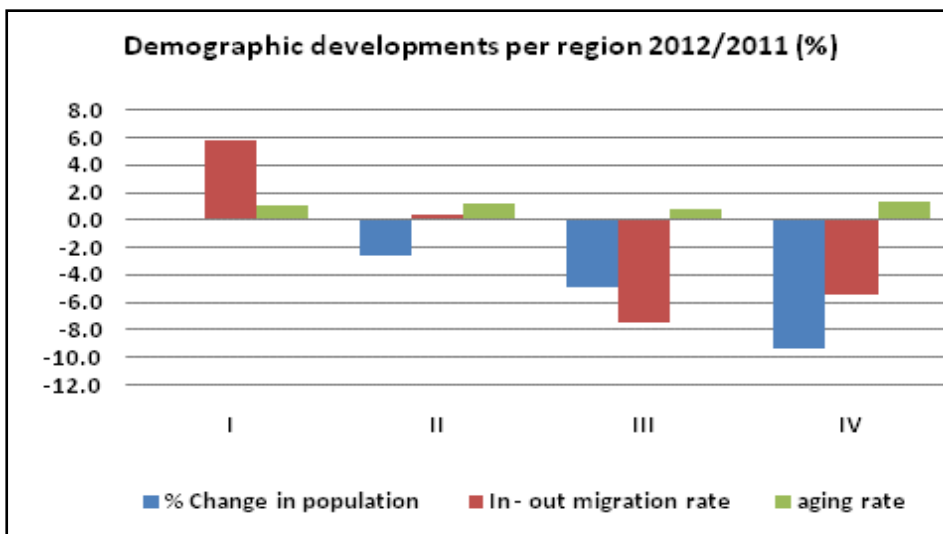


Figure 2: Demographic Development per region (I-IV)
Source: [5]

Small urban economies with labour intensive agriculture (II) – This region covers the territory nearby the biggest urban centres. The regional economy is based on the industry (mechanical and chemical), agriculture, as well as trade and transport sectors. The main transport routes (both road and rail) pass through the territory of the region. The agriculture is dominated by intensive farming (the production of fruit, vegetables and livestock). The farm structure is dominated by small scale farms (average size is less than 3 ha) and a high concentration of the farms sized 3–7 ha (60% of the total number of farms). Hence, pluriactivity has been identified as a survival and/or capital accumulation strategy for the rural households in this region. Such model has resulted in higher activity and employment rates compared with other rural regions. Since the region is located near large urban centres, this rural area has a more favourable infrastructure and easier public service access. Availability of modern roads is at the national average (61%), and the road network is equally present in the entire area of the region.

High tourism capacities and poorly developed agriculture (III) – This region encompasses western parts of Serbia, with considerable tourism potential. The main tourism potential of the region lies in spas (Užice, Pribojska and Ovčarska spas), monasteries Studenica, Sopoćani, and Stari Ras (all of those are UNESCO protected), ethnic villages, ski centres, National Park Kopaonik etc.

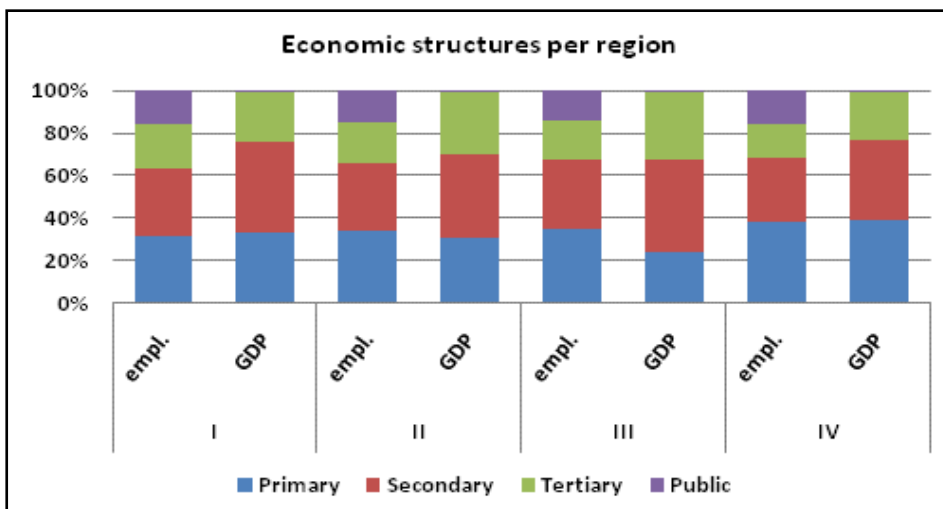


Figure 3: Economic structures per region (I-IV)
Source: [5]

The advantage of this region is that it spreads along the main roads toward Montenegro and Sarajevo, which gives rural areas some tourism advantages. A part of the region's GDP comes from mining as it contains energy and mineral resources. The industrial sector in this region is partially connected with its natural potentials (water supplies, wood production and processing, meat, vegetable and fruit processing). The tertiary sector contribution to the regional GDP is over 32%, out of which rural tourism makes up about 11%. The industry of this region has characteristics of mountainous economy: the hydropower plants, tourism and cattle breeding (particularly dairy products) are the traits of this region. The road network is well developed, but the quality of roads and other infrastructure capital is relatively low.

Natural resources oriented economies mostly mountainous (IV) – this region is highly heterogeneous in terms of its natural resources and geographical characteristics. The diversity of the landscape in these areas and the heterogeneous structure of natural resources have resulted in a fairly diversified industrial and agricultural structure. The economic structure is based on exploitation of natural resources, through mining and agriculture. Compared to the other rural areas, this region has the lowest population density (43 people per km²). Unfavourable demographic trends are prominent, with the highest rates of rural poverty and unemployment in Serbia. The activity and employment rates in this region are the most unfavourable compared to the other rural areas, due

to the lack of the employment opportunities and inefficient labour market. Facilities for processing the produced raw materials are lacking, but their development offers a way to improve the local labour market.

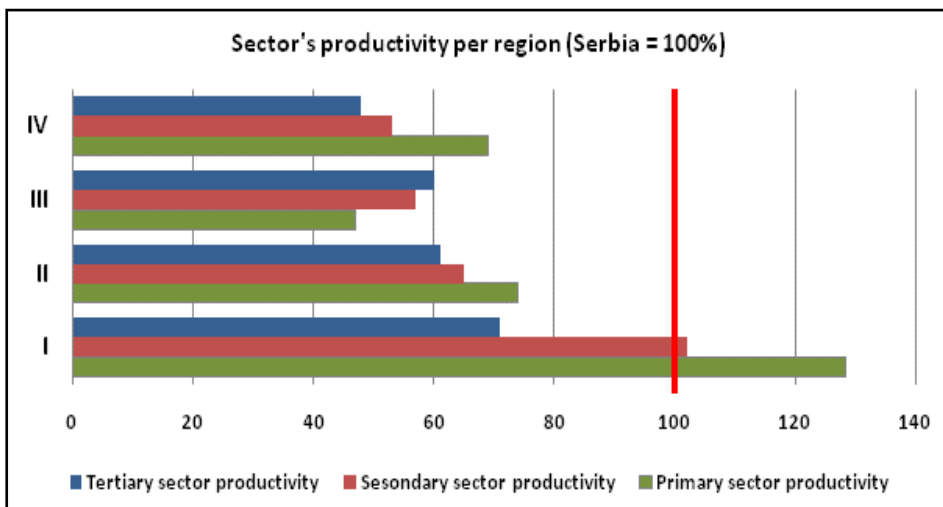


Figure 4: Sector's productivity per region (I-IV)
Source: [5]



Figure 5: Land and agricultural labour productivity (I-IV)
Source: [5]

Such considerable differentiations in the basic development performance of rural regions require specific development strategies, which would be more oriented towards regional features.

3.2. Methodology of Estimating the Territorial Capital of Rural Regions

This part of the paper presents the results of case studies which evaluated different dimensions of territorial capital in four selected regions. The goal of this study was to determine whether the development of the existing dimensions of territorial capital in the selected areas is in line with the intended directions of rural tourism development in these areas.

A list of the selected indicators which served as an analytical framework for estimating the territorial capital is presented in Table 3. The values of the indicators were determined by interpreting the following data: results of surveys conducted with members of rural households engaged in rural tourism, interviews with local entrepreneurs who provide tourist services or are in other way associated with this activity, and interviews with focus groups formed by representatives of local authorities. On the basis of the interpreted results, every observed indicator was assigned a score within the range from 1 to 5 (1 being the least favourable, and 5 the most favourable value compared with the neutral response or the average value in case of quantifications).

<i>Dimension</i>	<i>Concept</i>	<i>Indicators</i>
Human capital	Personal abilities/skills, entrepreneurial potential	Age structure and educational structure Participation in educational programs and trainings related to standards of food safety and tourism Possession of specific knowledge and skills important for improving the economic position of households and / or an individual Being informed about the types of support for agriculture and entrepreneurship Recognising deficits in workforce quality and the need for further trainings
Social capital	Ability of working collectively; Mutual trust and connections/ties between groups; Networking between institutions and individuals / households	Recognisability/visibility of local actors in the tourist sector Strength, institutionalisation of cooperation between local actors Confidence and motivation of entrepreneurs for co-operation with local actors Involvement of women as decision-makers Relevance of social networks resulting from previous work experience
Economic capital	The extent and quality of resources, sources of household income;	The extent of physical resources (agricultural and tourist), compared with an average The quality of physical resources (accommodation facilities) Stability of income and their sources (income sustainability) Placement of local products through tourism Diversification of tourist services and facilities

Cultural capital	Forms of knowledge specifically linked to the area. Local heritage.	<p>Typicality / recognisability of cultural and historical heritage and local architecture</p> <p>Typicality / recognisability of local products (local know-how)</p> <p>Participation of households in activities related to using local heritage</p> <p>Relevance of local brands for the tourist offer</p> <p>Assessment of the market potential for local products</p>
Natural capital	Natural resources (water; air; soil; biodiversity; human pressure on natural resources)	<p>Recognisability of specific local resources by local population;</p> <p>Attractiveness of local natural resources, and the possibilities of their use for tourist purposes;</p> <p>Diversification of natural resources</p> <p>Satisfaction with the state of the environment, waste management</p> <p>Current state of utility systems</p>

Table 3: Territorial capital analytical framework for four case studies of Serbian region

Source: authors' elaboration

3.3. Results and Discussion

CASE STUDY OF SOUTHERN BANAT
<p>HUMAN CAPITAL</p> <ul style="list-style-type: none"> • The average age structure and educational structure of the household members engaged in tourism are more favourable compared with the regional average; • About 25% of households have members who have been educated in the fields of various quality standards, health and safety standards, etc. Also, 30% of the respondents reported that their household members have been involved in trainings and education in these fields; • Participation in educational programs is much broader and more diverse, which can be attributed to a more organised system of knowledge transfer in Vojvodina, more active extension service and a larger number of actors in the system of knowledge and technology dissemination; • As many as one third of the respondents have regular contacts with experts from the tourism industry or contact them when needed; • According to the respondents' assessments, there is a need for enhancing human capacities and the fields of knowledge and skills that should be improved are the fields of market, marketing and quality standards. • A high percentage of the respondents (73%) estimated that they were familiar with the support for agriculture and rural development, and each of the respondents knew at least something about the support measures of the Ministry of Agriculture, Forestry and Water Managements of the Republic of Serbia; • Importance of the workforce they have is not highly valued as a development potential by the respondents, unlike the inventiveness of their members which they value highly. Nevertheless, it is interesting that it was the activities that are highly dependent on the quality of human potential that the respondents identified as the activities that may lead to diversification of their income.

SOCIAL CAPITAL

- The majority of the respondents recognise the local government as the key actor in promotion of local products and tourist potential! In contrast to other regions, the respondents recognise the contribution of all local people in promoting local tourism, and not only those directly involved in this activity (preserving the tradition, environment, etc.).
- NGOs, the state and rural networks were the least recognised as promoters of local values and potentials.
- Only a quarter of the entrepreneurs state that the reason why they opt for local suppliers is the need to create local partnerships. Buying food and agricultural products on the local market is primarily motivated by practical reasons (proximity of the market – 38%). All the entrepreneurs believe that the products bought on the local market can be found elsewhere.
- The heads of the household who used to be employed indicate, more often than in other regions, that their prior work engagement was useful for starting a new business in terms of enhanced social capital.
- The key partner for the entrepreneurs is the municipality (much more than in other regions), followed by NGOs and other actors. The municipality is more focused on the problems in agriculture, and less in the area of tourism.

ECONOMIC CAPITAL

- The households engaged in tourism have smaller average size of households in comparison with the regional average; in comparison with other areas, the households in this region more often also have other types of physical capital, equipment, which can be used for diversification of tourist services: recreation spaces, boats, vehicles (bicycles, motorcycles), shops and wine cellars; a significantly higher percentage of the respondents, compared with other regions, evaluate the state of their facilities and equipment as excellent or very good. Nearly half of the households are categorised tourist facilities, the quality of which is at the average level.
- The number of farms with mixed income is higher, while the income from agriculture is less important than in other areas; the households engaged in agriculture are mostly specialized – the percentage of the households engaged in unspecialised production is much lower than in other regions (about 20%).
- The percentage of guests' needs which are met by own households' production is very low – providers of tourist service are not engaged in agriculture or, alternatively, agriculture is their secondary activity, which does not provide surpluses that would satisfy tourists' demands.
- There is no problem of hidden unemployment and physical resources of the households are used to a large extent. The strategy of the households is focused on increasing utilisation of available resources, rather than on expanding into other areas of business.

CULTURAL CAPITAL

- When evaluating local resources and wealth, the respondents reported a great number of local events and cultural attractions.
- The products of the utmost significance are agricultural products produced in a traditional manner and organising local events, which are of great importance for about 80% of the households.
- The main products of the region are identified to be wine, honey, fish and agricultural products such as corn, sunflower, etc. The most important traditional products are not determined, due to high dispersion of responses indicating different groups of product.
- A relatively small percentage of the households (less than in other parts of Serbia) use local heritage and enjoy the benefits of local brands.
- Compared to other regions, there is a noticeable difference in that the respondents in this area attach less importance to local products as a factor of preserving the rural tradition, while a larger percent of responses indicate that the respondents believe that their products are similar to others.
- Only a small percentage of the respondents report that the reason why they obtain supplies on the local market is because their customers insist on these products. This suggests that the region does not have typical local products and / or tourist offer is not based on them.

NATURAL CAPITAL

- When evaluating local resources and wealth, the respondents named a great number of natural resources (the sandy desert, rivers, canals, forests), which the respondents consider as their local brands. The respondents claim that the “natural beauties” are the most important capital in their region.
- The emphasis on the quality of food is not as strong as in other regions, but the respondents from this region more often mention water resources and specific plant and animal species.
- In terms of environmental protection, the respondents expressed by far the deepest dissatisfaction with waste management, sewage system and environmental protection, which is the case also in other regions and household samples.
- Regarding the state of utilities and infrastructure, the respondents expressed by far the greatest dissatisfaction with the state of the sewage and sanitation system. According to the opinion of more than a third of the respondents, waste and sewage are the largest problems of the public utility system.

CASE STUDY OF CENTRAL SERBIA

HUMAN CAPITAL

- The average age of the members of the surveyed households engaged in tourism is relatively favourable, indicating that the workforce is vital and there is great working potential.
- A small percentage of the households (less than 20%) have members who have been educated in the field of food safety standards, or who have attended courses of similar content; on the other hand, there is a high participation of the household members in training programs related to improving quality standards in tourism.
- The respondents who are interested in the state support for agriculture and rural development are generally well informed about it.
- According to the respondents’ estimates, the knowledge and skills that they lack the most are about the market, marketing and finances.
- Over half of the respondents use the services of consultants / experts; however, this cooperation is not based on a regular programme of cooperation, but the respondents contact them only when they need them.
- The possibilities of diversification of their income are perceived without much respect for the available human potential.

SOCIAL CAPITAL

- The majority of the respondents recognise the *Rural Network* as a crucial actor in promoting local products and tourist potential of their region; the municipality (ranked high, but slightly lower than in Vojvodina) is identified as a key partner in affirmation and promotion of tourist potential, while other actors were not recognised.
- The heads of the households who used to be employed also often report that the previous experience and business connections were useful for starting a new business.
- The connectivity between local stakeholders is extremely low and there are no partnership business relationships based on business agreements and joint initiatives.
- Half of the stakeholders have confidence in the quality of the products obtained from local suppliers (farms), but this relationship/confidence is neither very strong nor crucial in their business relations.

ECONOMIC CAPITAL

- The average household size is at the average level, while the percentage of those who deal with unspecialised agricultural production is high (61% respondents).
- According to 95% of the respondents, accommodation capacities are in excellent condition and a large number of the households use them fully. Very few households own bicycles, motorcycles, boats, fenced and arranged areas for camping, caravans and the like.
- For about half of the households, agriculture is a significant source of income; the placement of their products is almost entirely through tourism, meeting even 50% of the guests' demands for food.
- Tourist services provided by the households are not diversified and are mainly reduced to accommodation, preparation of food and winter stores, etc. Recreational activities and similar activities are not offered to tourists.

CULTURAL CAPITAL

- Cultural heritage as a resource is valued much less than in other regions, and it is often not even recognised as a factor in tourism development.
- The traditional products of the region are identified to be rakija (Serbian brandy), cheese and kajmak (Serbian cream cheese). In addition to these products, raspberry, plum (or fruit in general) and honey are mentioned, but by a significantly smaller percentage of the respondents. On the other hand, the households engaged in tourism in this region more often identify handicrafts and traditional local events as a part of their cultural identity.
- The majority of households (64%) use the local knowledge, resources and heritage, by producing brandy, wine and food prepared in a traditional way. These products are highly valued, but their production is considered to be insufficient, there is no continual supply, and they are also considered to be uneconomical and with no prospects on the market.
- The majority of the stakeholders (58%) believe that the local products are better than similar products from other parts of Serbia, while 14% think that they are the same, and another 14% of the stakeholders believe that they are more expensive than other similar products.

NATURAL CAPITAL

- Natural resources are highly valued: there is a large consensus that the beautiful nature (in a broader sense, including clean air, conditions for producing high quality agricultural products) is the most valuable natural resource of the region.
- Apart from spas, other attractive destinations were not identified.
- The respondents refer to the beautiful scenery, pleasant climate, spas, clean water as the main natural resources, but not stressing that they have special values or specific features compared to other places in the region; the only feature that was identified as a special benefit is that they are more easily accessible for tourists and proximity to large cities.
- Utility infrastructure is underdeveloped (excluding roads); the main problems are inadequate waste management (illegal dumping) and lack of sewage systems.

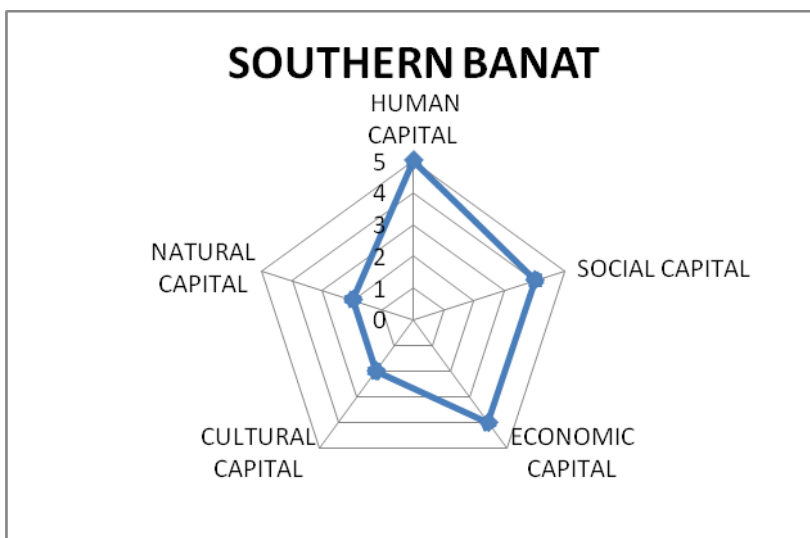


Figure 6: Estimation of the territorial capital of southern Banat
 Source: authors' elaboration

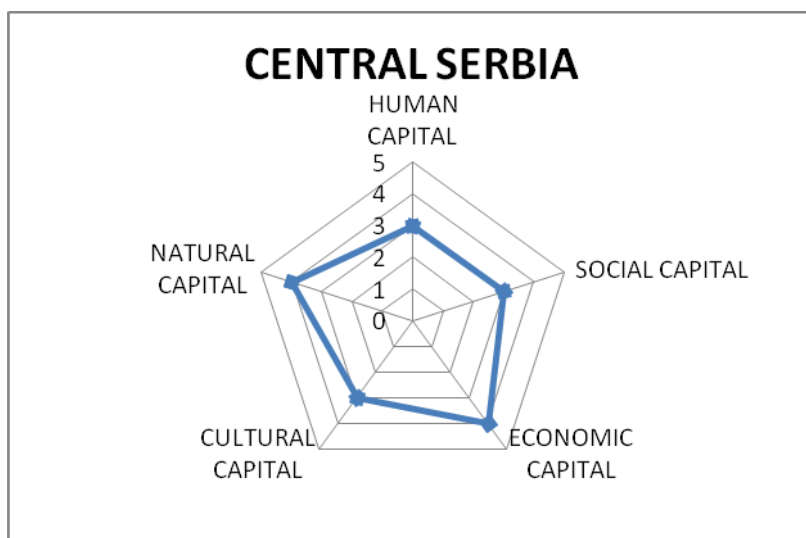


Figure 7: Estimation of the territorial capital of central Serbia
 Source: authors' elaboration

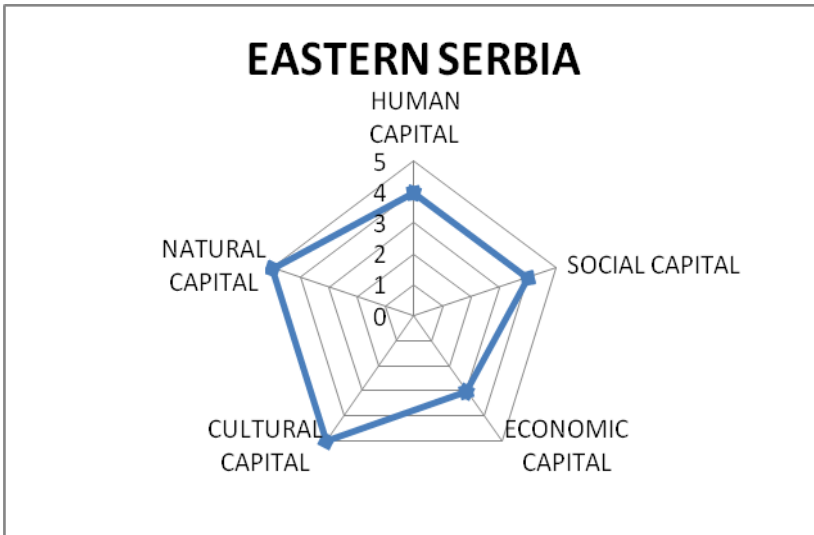


Figure 8: Estimation of the territorial capital of eastern Serbia
 Source: authors' elaboration

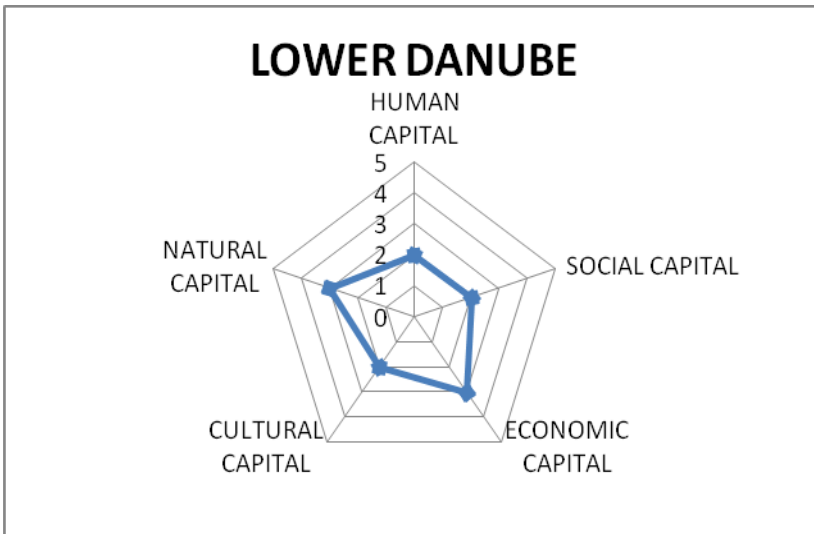


Figure 9: Estimation of the territorial capital of lower Danube
 Source: authors' elaboration

CASE STUDY OF EASTERN SERBIA

HUMAN CAPITAL

- The average age of household members is very high (as high as 46 years), resulting in less favourable educational structure of household members compared to other regions.
- The respondents are informed about food safety standards, environmental protection and other aspects of natural resources exploitation more than respondents in other regions. This can be primarily attributed to numerous support programs for improvement of tourist services which have been implemented in the region in recent years, and which typically started with training programs.
- A large number of the respondents are generally informed about the state support for agriculture and rural development, but a high percentage of the respondents say they do not know enough details (53%).
- According to the respondents' estimates, the knowledge and skills that they lack the most are in the fields of marketing and the market, new trends and finances.

SOCIAL CAPITAL

- The majority of the respondents recognise the local self-government as the key actor in promoting tourism potentials. It is notable that NGOs are highly valued, and that the attitude that "nobody does anything" is much less common.
- The relationship with the local community is described by the stakeholders mostly (41%) as very close. Contractual business relationships with small producers for supplies are not common, but the entrepreneurs in this region, more than in other regions, opt for a permanent, regular suppliers and associates. Compared to other regions, the motives of the local entrepreneurs to collaborate with local residents are notably different – a high percentage of the stakeholders (32%) said that the motive for cooperation with local people is their wish to provide income for the locals, which was not the case in other regions.
- Social ties that the household heads gained during previous jobs were of great importance for starting business in tourism.

ECONOMIC CAPITAL

- The households engaged in tourism have small average size of estates;
- 80% of the households have categorised tourist facilities, but with no facilities in the first category; the accommodation is of lower quality compared to other areas, and the special equipment and other facilities / resources are less common;
- Household incomes are highly diversified – more than 50% of the households do not have a stable income, receiving over 50% of their income through temporary employments, rents and other sources: what is specific to the region is a high percentage of households with incomes from pensions (in 22% of the households pensions account for 50% of income).
- All of the food surpluses are placed through tourism and the households do not sell their products on the local market. The lacking amounts of food are provided by other local suppliers, making a closed supply chain within the local market.
- Tourist facilities are more diverse than in other areas, so the households that are not directly involved in the sector also enjoy the benefits from tourism.

CULTURAL CAPITAL

- The respondents identified a large number of local events and cultural and historical sites as their local brands. The respondents in this region attach notably more importance to their cultural and historical monuments.

- The traditional products of the region, as reported by the highest percentage of the respondents, are considered to be lamb, various dairy products (cheese, kashkaval cheese, belmuz – a traditional dish made of *cheese* and *corn flour*), wooden and woollen souvenirs, rakija (Serbian brandy), wine and honey. These responses overlap among the respondents to a great extent, which supports the finding that *there are strong ties between the local population and their local identity. The respondents from this region value the local products more than respondents in any other area. It is certain* that these products require very specific local knowledge and that the respondents are aware of the distinctive characteristics and uniqueness of their brands.
- A high percentage of the households use local heritage and enjoy the benefits of the local brands.
- The majority of the respondents (73%) believe that local products are important for tourism and preservation of rural traditions (68%), but despite the attitude of 55% of the respondents that the production is small, the same percentage of them believe that these products may be profitable.
- The products of this region have great market potential – they are well known to tourists, because these products to a greater extent reflect the original and specific local knowledge.

NATURAL CAPITAL

- The respondents in this region reported a number of natural resources, attaching remarkably more significance to them than it is the case in other regions; according to their opinion, the greatest capital of this region is its natural beauties; the respondents are much more specific in evaluation of their natural resources, mentioning a wide range of natural resources such as: “hydroenergetic potential, a waterfall and rivers”, “springs”, “mines”, “caves”, “forests”, “breweries / and other facilities of traditional architecture”.
- The natural resources of the region are very attractive, providing opportunities for diversification of tourism. These potentials are largely unexploited due to: lack of money, lack of entrepreneurial potential and knowledge due to institutional constraints (unresolved property rights and regulatory frameworks).
- There is a very high consensus on the poor state of the rural environment in the region; the respondents consider this issue as more important than some essential issues, such as the condition of local roads. This attitude also supports the finding that the population of this region attaches great importance to the natural resources and local heritage.
- The physical infrastructure is extremely undeveloped (among others, due to low population density and negative demographic trend). The region is not easily accessible, and the quality of electricity, water supply system and other utility services is low.

CASE STUDY OF LOWER DANUBE

HUMAN CAPITAL

- The average age of household members engaged in tourism is high and the educational structure of household members who can potentially engage in tourism is less favourable compared with other household types and regions.
- Gender balance is noticeably less favourable, which represents a threat to tourism development.
- Compared with other regions, the respondents are *considerably less* informed about food safety standards, environmental protection and other aspects of natural resources exploitation. There is a very low level of participation in educational and training activities related to enhancement of quality standards in tourism. The feeling of the respondents that they need to be educated is weaker than in other regions, and they would not be as willing to pay for such services to professionals;
- The majority of the respondents are generally informed about the state support for agriculture and rural development.

SOCIAL CAPITAL

- By far the largest percentage of the respondents (61%) recognised actually themselves as the key actors in promotion of local values and the region, and this answer was immediately followed the answer that “nobody does anything” (22%)!
- The contribution of the local self-government and other village residents, as their closest partners, is valued much lower, while the NGO sector, tourism organization, the state, etc. are not even mentioned.
- With regard to the importance of cooperation with the local environment, more than half of the stakeholders stated that such cooperation is only ad-hoc and non-binding, having no the regular forms of partnership.

ECONOMIC CAPITAL

- The average size of the utilised agricultural land per household with a farm is 3.4ha, which is among the lowest values compared to other household samples. The majority of the respondents (76%) defined their farms as unspecialised.
- Most of the respondents have categorised facilities, the majority of which belong to lower categories; in principle, apart from their accommodation capacities, the households have little and insufficiently diversified other resources for tourism.
- Tourist offer provided by the households in this region consists of a small number of services, focusing particularly on accommodation of guests;
- What is specific about this region compared with other areas is the percentage of the households with incomes from abroad - more than 15% of the households have more than 50% of income from household members from abroad or they have foreign pensions.
- The percentage of guests' needs met by the own production of the households is low.

CULTURAL CAPITAL

- In comparison with other regions, the respondents insist much less on traditional cuisine and alcoholic beverages.
- Only a small percentage of the respondents use the local knowledge, potential and heritage of the region, since only 39% of them produce traditional food, while a significantly smaller number of the respondents is involved in other activities.
- The respondents in the region value the local products as highly as the respondents from other regions, considering them as important for tourism and rural tradition; however, *it is noticeable that a smaller percentage of the respondents consider the local products significantly better than other similar products;*
- Cultural and historical heritage is recognised as the greatest capital of the region.
- The agreement of the responses about traditional products is relatively small and the households use the local heritage and enjoy the benefits of the local brands only to a small extent; like in other regions, a high percentage of the respondents (over 38%) consider their local products to be of the same quality as other similar products, claiming that their products have no particular value in this regard.

NATURAL CAPITAL

- With regard to evaluating local resources and wealth, a great majority of the respondents agreed that the river Danube and the river resources are the main brands of the region, and this response was given an overwhelming advantage over all the other sites they mentioned.
- Such homogeneous responses, which are at the same time very different from the descriptions provided by respondents from other areas, indicate that the region heavily relies on this resource.
- The utility systems are not sufficiently developed and are neglected. The local residents claim that the problem of inadequate waste management is the major constraint on the development of tourism.

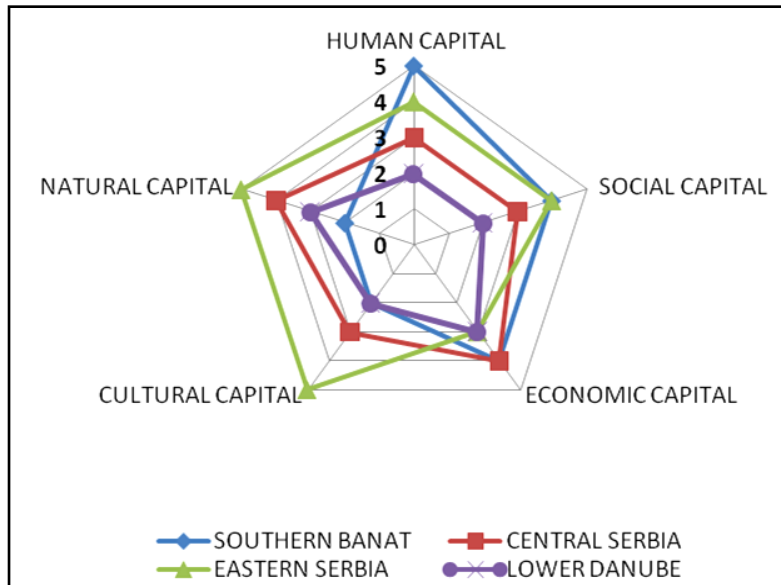


Figure 10: Comparative estimation of the territorial capital of the analysed regions

Source: authors' elaboration

CONCLUSIONS

The aim of this study was to determine whether the development of the existing dimensions of territorial capital in the selected areas is in line with the intended directions of rural tourism development in these areas. The structure of different dimensions of territorial capital in the studied areas showed different levels of development of these dimensions and different connections between them. In other words, on the basis of the selected indicators, it is possible to identify different potentials and obstacles for development of rural tourism in the studied regions. The selected indicators denoting different types of capital were derived from available data obtained from an empirical study, and they show that it is necessary to create different territorial policies of regional rural development (i.e. development of rural tourism in the regions) in order to use the advantages of the existing capital and work on removing the obstacles related to deficiencies in certain types of capital.

The presented analysis indicates that the region of the eastern Serbia abounds in cultural, natural, as well as human and social capital, although the estimation of the economic capital is that it is relatively smaller compared with other regions. This relatively favourable situation of the

territorial capital of the region of eastern Serbia, especially with regard to the natural and cultural capital, is very logical considering the fact that the region is qualified as the *Natural resources oriented economies, mostly mountainous*. High values of the estimated quality of human and social capital in this region can be attributed primarily to numerous projects for tourism enhancement which have been implemented in the region in recent years. On the other hand, the region has been faced with high rates of depopulation, low population density, high rates of population aging, etc., which clearly do not contribute to high quality of workforce and social relations. However, with regard to the prospects of tourism development, there are evident results achieved on improving human capital, entrepreneurial and other relations among the local actors.

The average age, education and skills of the members of the surveyed households/farms in southern Banat, as well as received trainings and their contacts with experts, indicate a high level of human capital compared with other regions. This fact should be taken advantage of in rural tourism, although the estimations of the natural and cultural capital are relatively low. This region is characterised as the region of *Highly productive agriculture and integrated economy*. This means that the performances of the natural capital are more oriented towards exploitation of this high-quality land for agricultural purposes. Other elements of natural capital, even at the level of micro-location which evidently has the potential for tourism development, are less significant. The obtained results thus suggest that tourist offer of this region can be based on specific types of services which, rather than “relying” on natural beauties and cultural heritage, are based on attractive facilities, for example, recreation. Developed economic capital, infrastructural facilities, easy accessibility and proximity to large shopping centres seem to be the key advantages of this region.

Apart from the values of the natural and economic capital (which are comparatively among the lowest), the region of the lower Danube does not have remarkable values for other types of capital. This indicates the need to employ different policies to possibly stimulate the development of the lacking resources, provided that the creators of rural development policies consider rural tourism as a significant aspect of regional development, primarily because of the natural potentials of the region.

High values of the economic capital in the region of central Serbia arise from significant accommodation capacities and other conditions

favourable for development of rural tourism, as well as placement of a significant share of products through tourism. Natural capital is also highly valued, but there are lower values of cultural, social and human capital due to relatively lowly valued cultural heritage, weaker ties between the local stakeholders and poorer education and evaluation of the available human potential. The conception of tourism as a development option for this region is (too) traditional, relying on the natural beauties – landscapes, spas and cultural monuments. On the other hand, it is this long tradition in providing rural tourism services that has led to the situation that the local actors are not united, that there is no sufficient networking among them and no innovation in their offer. Therefore, this region might lose the pace with the regions which are just starting such innovations and which systematically enhance their territorial capital in that direction. The region belongs to the area described as *Small urban economies with labour intensive agriculture*, which implies that it is threatened to lose its identity by reallocation of resources to other sectors of urban economy.

These advantages and disadvantages should be analysed and used by creators of local/regional development policies in order to strengthen the natural, social and economic competitiveness of the region. They should enable better usage of the specific natural and cultural resources of the regions, the actors' abilities to successfully cooperate, and create and maintain added values within the very region. In addition, apart from the aforementioned dimensions of territorial competitiveness, positioning in the global context is of special importance for rural tourism development in general, thus in the studied region, as well. The question is just to which extent the local decision-makers and creators of development policies and strategies are going to rely on the sector of rural tourism and invest in it with the purpose of improving the living standards of rural population and economic performances of the regions. What is very important to be concluded from these analyses is what are the aspects of development and what kind of adjustments and investments in resources need to be made in which region if the goal is sustainable development of rural tourism. The most significant thing here is which sector, i.e. activity has the highest rate of return on investments and what are the manifest, as well as lateral effects of investments in development of certain potentials. This is important to note because rural tourism is often unjustifiably considered as a “magic wand” for solving problems of rural areas, with no prior analysis of territorial capital and adequacy of territorial capital for development of rural tourism.

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