

RURAL TOURISM - LAWS AND REGULATIONS IN BOSNIA AND HERZEGOVINA

Statistics, research and fieldwork results



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TABLE OF CONTEST

II ABOUT ALTERURAL BOSNIA AND HERZEGVINA	3
II ABOUT RURAL TOURISM.....	4
1.RURAL TOURISM IN BOSNIA AND HEZEGOVINA	5
1.1. Regulatory framework in tourism in BIH.....	5
1.2. Institutional framework - support the promotion and strengthening the tourism sector	6
1.3. Analysis of the law on tourism in Bosnia and Herzegovina.....	7
1.4. Analysis Of The Law On Tourism With Emphasis On Rural Tourism	7
1.5. Registration of rural households in the FBIH	9
1.5.1. <i>Taxation</i>	10
1.5.2. <i>Tourist (sojourn) tax fee in F BIH</i>	10
1.6. <i>Registration of rural households in RS</i>	11
2.STATE OF CURRENT PRACTICES BASED ON SURVEYS- THE RESEARCH AND FEALDWORK.....	13
2.1. Methodology.....	13
2.2. Results of the research	15
2.2.1. <i>General information about the households</i>	15
2.2.2. <i>The fieldwork activities</i>	15
2.2.3. <i>Standards and infrastructure development</i>	16
2.2.4. <i>Education and visitor interpretation</i>	17
2.2.5. <i>The local community</i>	18
2.2.6. <i>Cooperation</i>	20
2.2.7. <i>Business and Marketing</i>	20
2.2.8. <i>Environmental protection</i>	21
2.2.9. <i>The needs and problems</i>	22
2.2.10. <i>Laws and Strategies</i>	23
3.SWOT ANALYSIS ON RURAL TOURISM DEVELOPEMENT	24
3.1. <i>Strengths</i>	24
3.2. <i>Weaknesses</i>	25
3.3. <i>Opportunities</i>	26
3.4. <i>Treats</i>	26
4.CONCLUSION	28

I ABOUT ALTERURAL BOSNIA AND HERZEGOVINA

Alterural is a nonprofit organisation with the aim to develop, promote and professionalize rural tourism in Bosnia and Herzegovina.

As an association Alterural was founded in 2009. by Caritas Belgium International and Caritas Bosnia and Herzegovina as an outcome of implemented projects in rural areas of Bosnia and Herzegovina.

Many professional organizations across Europe are aware of its work thanks to the membership in Europe Federation for Rural Tourism – EUROGITES (www.eurogites.org).

Alterural's vision is to have populated rural areas in Bosnia and Herzegovina and economically stable rural population, preserved rural culture and natural resources.

Alterural wants Bosnia and Herzegovina without exodus of rural population and/or negative perception about villages and rural population. Moreover, Alterural tries to activate citizens of Bosnia and Herzegovina to be more aware of their rural area and cultural heritage.

It's mission is development and professionalization of rural tourism through active projects, educative programs, development of rural tourism offers and promotion of Bosnian village, rural heritage and culture. We try to achieve all this through:

- implementation of project dedicated to rural tourism
- trainings for families, tourist organizations and representatives of municipalities
- internet promotion of the rural tourism and providers of accommodation
- networking with similar associations in Europe

Alterural is open for collaboration with all individuals and organizations that already deal with or plan to start business in rural tourism and they need professional help in this field.

In an effort to promote and understand better rural tourism regulations in Bosnia and Herzegovina, Alterural decided to engage a consultant for tourism to investigate the real situation on the field. As a result of this collaboration, this study is completed.

II ABOUT RURAL TOURISM

According to the definition of the Council of Europe, as well as rural tourism broader concept, rural tourism is

- Tourism in rural areas with all activities carried out in this area

Its most important features are:

- quiet environment,
- the absence of noise,
- the natural environment,
- communication with local people,
- local food,
- and getting to know the peasants work habits.

A whole range of special forms of tourism offers and services can be added to this.

The importance of development of rural tourism is wide. The following list gives just a few benefits that rural tourism can bring to the area:

- helps preserve the local identity, traditions and customs,
- helps protecting the environment,
- strengthen indigenous, traditional and organic production
- helps interaction between agricultural production, traditional products, promoting tradition, traditional cuisine and tourist services - using the existing resources of rural areas and villages
- important to revitalize existing, traditional buildings, cultural heritage, which gives a new and modern purpose

In the rural tourism service providers, among others, may be engaged:

- in a already registered family farm households,
- family households that are not registered as a family agricultural households,
- as individuals who decide to provide catering services in the apartments, holiday houses or rented rooms

Types of rural households are:

- Farm household, excursion type, where owner of households prepare and serve local food and beverages for up to 50 guests at one time. Accommodation services are not provided although other services can.
- Rural household in which guests are provided with catering and accommodation. They can provide accommodation for of 10 rooms and serve local food and drinks for up to 50 guests at the same time,

1. RURAL TOURISM IN BOSNIA AND HEZEGOVINA

Preserving the traditions and customs of certain areas in parts of Bosnia and Herzegovina became an integral part of the interest of an increasing number of local residents of various profiles. Many enthusiasts by giving their own examples contribute to the development of rural tourism in Bosnia and Herzegovina. The number of interesting and new destinations in rural areas of Bosnia and Herzegovina is increasing. that can be the slopes of the mountains, the plains and fields, where you live in the traditional way, preserve traditions and cherish the natural beauty of timeless and eternal value. In these areas people will welcome you with an open heart.

Although not fast enough and not with the desired effects, rural tourism in Bosnia and Herzegovina becomes recognizable tourist activity that leads to a larger income for individuals, local communities and the Federation of Bosnia and Herzegovina and Republic of Srpska.

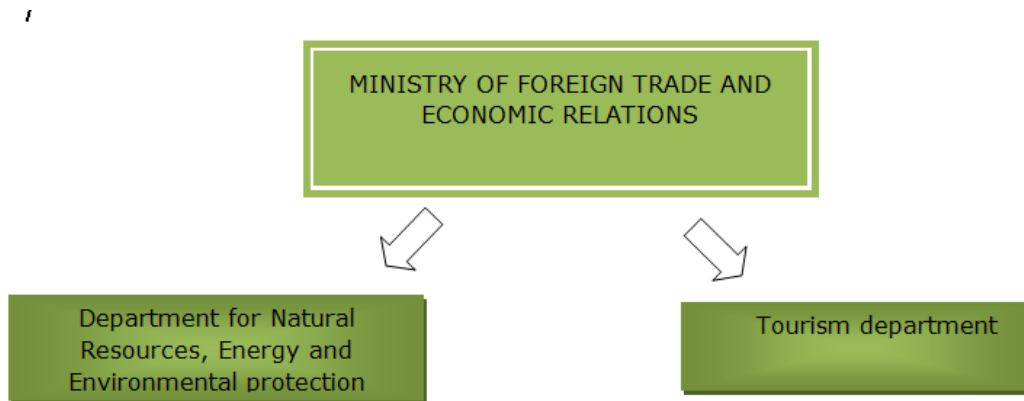
Rural tourism, especially for the rural household, is a great potential for development and we can say that it is still developing in Bosnia.

Luckily there are a lot of initiatives dealing with rural tourism development in Bosnia, mainly sponsored by international NGO's, whose work results by donating small grants, investigates the possibilities of development of new destinations and helping farmers by introducing the "touristic" aspect in theirs households and organizing different study trips,

1.1. Regulatory framework in tourism in BIH

Political situation in Bosnia and Herzegovina is complex due to its division by Entities, Cantons and region. There are a lot of laws and regulations which overlap and deal with same issues. In order to easily understand the regulation system in rural tourism it is necessary to present the regulatory framework in general.

At the State level there is a Ministry of Foreign Trade and Economic Relations whose role is to coordinate and develop policies in tourism.



At the Entity Level Bosnia has the Federal Ministry of Environment and Tourism, Ministry of Trade and Tourism of the Republic of Srpska and Brčko district Department of Economic Development, Sports and Culture whose roles are legislation and implementation of supporting regulations.



1.2. Institutional framework - support the promotion and strengthening the tourism sector

According to the institutional level and organizations dealing with tourism regulations there are still three levels :

1. Entity Level: Tourist Board and organization whose main role is promoting and strengthening the tourism sector

2. Cantonal level: Canton Tourist Board and regions tourist boards promoting and developing tourism attractions
3. State level: Foreign Trade Chamber whose role is promotion, strengthening the sector and representing the interests of legal entities in the group for the tourism and hospitality and has his entity level representatives in Chamber of Commerce Entities

Additionally, there are Associations (of hoteliers and tourist agencies) whose role is strengthening the sector and representing the interests of members of the association.

1.3. Analysis of the law on tourism in Bosnia and Herzegovina

Laws on Tourism in BiH include laws that are currently applied, i.e. laws that are applied at the entity level (FBiH and RS), because the ministry for tourism does not exist at the state level.

Laws on Tourism in Bosnia and Herzegovina:

I Federation of Bosnia and Herzegovina (FBiH):

- *Tourism Act (Official Gazette of BiH, No. 32/09)*
- *Law on Tourism Boards and promoting of tourism F BiH (Official Gazette of BiH, No. 19/96, 28/03)*

II Republic IF Srpska (RS):

- *Law on Tourism of RS (Official Gazette of RS No. 112/07)*

1.4. Analysis Of The Law On Tourism With Emphasis On Rural Tourism

Analysis of the Law of the tourism industry in BiH with an emphasis on rural tourism, as a form of tourism, is essential to minimize the damage caused by mass tourism. Attention must be particularly paid to the analysis of the law on environmental protection, the legislation of organic food and the laws in the catering business.

Therefore the most important laws and regulations dealing with rural tourism in BIH are:

Federation of Bosnia and Herzegovina (FBiH):

- *Environmental Protection Act F BiH (Official Gazette of BiH, No. 33/03, 38/09)*
- *Law on organic production of the F B (the Act was not passed)*
- *Catering Industry Act F BiH (Official Gazette of BiH, No. 32/09)*

Republic of Srpska (RS)

- *The Law on Environmental Protection of RS (Official Gazette of RS No. 28/07)*
- *Law on organic food (Official Gazette of RS No. 75/04, 71/09)*
- *Catering law of RS (Official Gazette of RS No. 15/10)*

Rulebooks of importance of rural tourism in FBiH:

- *Regulation on Classification, types of facilities in rural household ("Official Gazette of BiH", No. 32/09)*
 - ✓ *ANNEX I - TERMS OF CATEGORISATION OF ROOMS FOR RENT - EXISTING BUILDING*
 - ✓ *APPENDIX II CONDITION OF CATEGORISATION ROOMS IN RURAL HOUSEHOLDS*
 - ✓ *ANNEX III CONDITION OF CATEGORISATION OF APARTMENTS ON RURAL HOUSEHOLD*
 - ✓ *APPENDIX VII - TERMS OF CATEGORISATION OF VACATION HOMES IN HOUSEHOLD - EXISTING BUILDING*
 - ✓ *APPENDIX VIII - TERMS OF CATEGORISATION OF VACATION HOMES - NEW BUILDING*
- *Regulations on the classification and categorization of minimum conditions of other types of restaurants to accommodate the groups' camps and types of accommodation venues "(" Official Gazette of BiH ", No. 32/09)*

All these categorization rules deal with similar regulations as EUROGITES and involve 13 elements:

- 1) general conditions
- 2) acceptance of customer service and others
- 3) horizontal and vertical communication
- 4) minimum net coverage
- 5) equipment, planning and others
- 6) bathroom
- 7) separated bathroom
- 8) breakfast, half and full board - non obligatory

- 9) catering facilities, serving breakfast, half board and full board - non obligatory,
- 10) other facilities
- 11) cleaning
- 12) exterior building and environment
- 13) maintenance

1.5. Registration of rural households in the FBiH

Under the terms of the Law on Catering FBiH and its regulations a person in the household can:

- rent rooms, apartments and houses for rent, if he is the owner of a maximum of 10 rooms or 20 beds,
- set up a camp on his land for a maximum of 20 units, or 60 guests at a time
- prepare and serve hot and cold meals, drinks and beverages from predominantly own production to a maximum of 50 persons at the same time
- organize wine tasting or tasting of traditional beverages, serve local meats from own production in the designed part of his household or commercial building, indoor or outdoor space for a maximum of 50 persons at the same time
- sell handicrafts, as well as organize activities to promote cultural heritage and traditional lifestyle of rural areas.

To provide services under Article 41 of this Act a person in the household is obliged to obtain decision of the relevant authority that approves the provision of these services. The decision under paragraph 1 of this Article shall be issued to an individual in the household under the following conditions:

1. He/she is a citizen of Bosnia and Herzegovina
2. He/she is the owner of the facility (room, apartment or holiday home, etc.) or land for camping,
3. He/she has the business assets to do this job
4. He/she meets the required medical conditions
5. The building facility in which he/she will provide services have to meet the prescribed minimum conditions and requirements for the category in accordance with this Act

6. He/ she is not registered in final court decision and security measures or protective measure prohibiting the provision of services in the household are not imposed.

The decision referred to in Article 45 Paragraph 1 of this Act shall be issued by the relevant authority within 15 days of the complete application is submitted

- a) The decision approving the provision includes: name, identification number and address of the applicant's residence,
- b) place, street and number of the building in which services are provided,
- c) catering services and the number of guests that the service can be provided for,
- d) type and category of the facility where services are provided,
- e) data which shows how services will be provided throughout the year or seasonally

1.5.1. Taxation

According to the Law on Value Added Tax ("Official Gazette", No. 9/05 and 35/05), ("Official Gazette", No. 44/03 and 52/04) on real estate and properties is taxable with VAT

According to the Law on Income Tax Article 32 states:

“Tax on income from assets which, according to Article 20 of this Act shall have the renting of houses, apartments, rooms and beds to tourists who pay the tax is calculated and payable on each rent collection” The tax is calculated at the rate of 10% on taxable income, which makes the prepayment of rent minus expenses.

Expenses recognized in the percentage of revenue generated on the basis of rental property are as follows:

- 50% of the revenue generated from renting apartments, rooms and beds to tourists who had paid local taxes

1.5.2. Tourist (sojourn) tax fee in F BiH

Tourist tax for private individuals who are registered for the provision of accommodation in the household for 2013 year, is KM 60.00 per bed unit in the site, depending on the grade of the tourist sites.

Private individuals who are registered for the provision of accommodation in the household in accordance with the regulations governing the hospitality industry (hereinafter referred to as the caterer), pay an annual lump sum of tourist tax for each bed and accommodation in a camp which is used for the provision of accommodation.

Additional (extra) beds are exempt from annual lump-sum tax.

Caterers are required to pay annual lump-sum cost into the account of tourist boards of the Canton by 31 July of the current year or in three installments, with the last installment should be paid by 30 September of the current year, in accordance with the regulation issued by the Government of the Federation of Bosnia and Herzegovina.

Tourist tax do not pay:

- children under twelve years old ,
- blind, deaf and people with physical disabilities,
- participants in school trips organized by schools,
- persons referred for treatment at a health resort by medical institutions,
- foreign nationals who are according to international regulations and agreements are exempt from paying taxes,
- members of the Ministry of Interior and Ministry of Defense, when staying in the accommodation during the execution of their official duties,
- seasonal workers with registered residence
- Persons from age 12 to 26 pay fee reduced by 50%.

1.6. Registration of rural households in RS

What is needed for registration?

- Request for issuing permits to conduct activities - duly completed forms for registration
- 1A to 7 ,
- Administrative fee of 10.00 KM
- If the person is registered as an agricultural holding, a certificate of registration of agricultural farms ,
- Notarized affidavit that the legal requirements in terms of space , equipment , equipment and employees to carry out activities in the farm ,

- If the party personally submitted prior - copy documents, the same does not have to be certified,
- A certificate from the relevant municipal authorities on legal capacity of carrier registration.

Under the regulations of administrative procedure and on the basis of a duly submitted request, "AFIP" issue a decision on registration within eight days from the date of application.

The AFIP notifies about this decision on registration the following parties: the applicant , the Tax Administration of the RS and competent municipal authority of the local government in whose territory the registered entity performing the activity and the Ministry of Trade and Tourism , within eight days from the day the decision is adopted .

The Register shall contain information on :

- The bearer of rural households and providers of catering services in the apartments , vacation homes and rooms for rent
- The name under which the entity will operate
- Characteristics of catering facilities to provide services such as volume, exterior and structure of the building, number of rooms, number of beds and specific types of services
- Stating if the business is seasonal or annual
- Open bank accounts of entities onto which they are paid specific funds for development of tourism

2. STATE OF CURRENT PRACTICES BASED ON SURVEYS- THE RESEARCH AND FEALDWORK

The main objective of fieldwork was to have a clear picture of services provided by families and b&b accommodations, understanding problems they are dealing with and have a complete overview of regulations regarding the rural tourism in Bosnia and Herzegovina.

2.1. Methodology

The research on the current state of Rural Tourism Regulations and practices was done with approximately 30 families, in 3 regions in Bosnia and Herzegovina: Mostar and Herzegovina region, Goražde and Podrinja Canton and Central Bosnia Canton and Vlačić.



For research purposes a previously prepared survey way used. It was crucial to visit families on the field and have meetings with active organizations and local politicians dealing with specific regulations. Visiting consisted of three main parts:

- Filling up the questionnaire for the surveys on the field by families in order to present the real legal practices in the sector
- Taking pictures of buildings and members of the households
- Understanding their problems and needs in order to help them in the future.

This study covers the following aspects / areas:

1. *General information about the household*
2. *The fieldwork activities (primary- additional)*
3. *Standards and infrastructure development*
4. *Education*
5. *The local community*
6. *Cooperation*
7. *Business and Marketing*
8. *Environmental protection*
9. *The needs and problems*
10. *Laws and Strategies*

Each segment is a separate chapter in the report, consisting of a graphic, tabular and textual detailed findings.

2.2. Results of the research

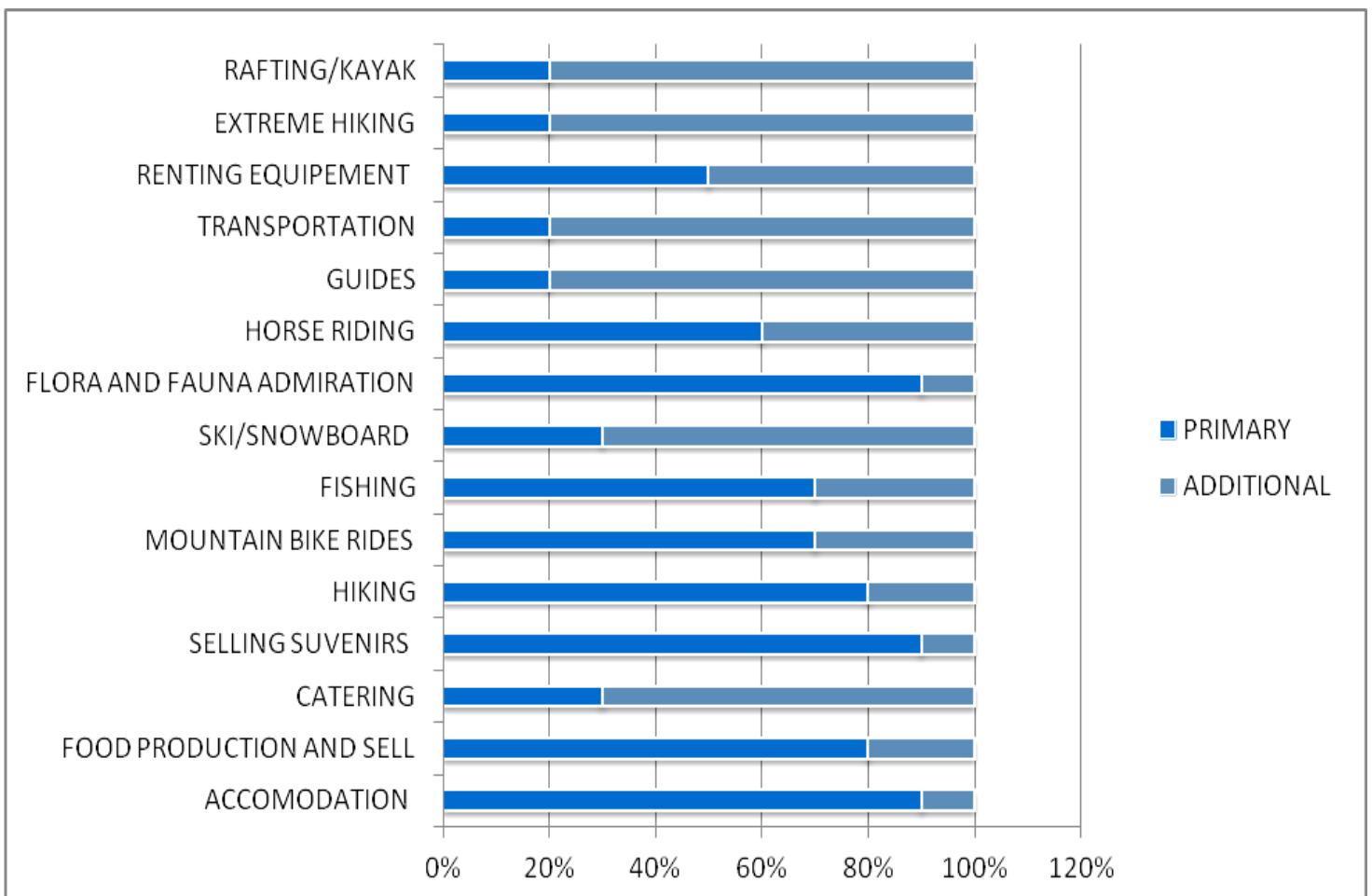
2.2.1. General information about the households

In a sample of 30 households, only 10% considered renting rooms and houses the primary source of employment and income.

60% of households engaged in agricultural production.

20% of households have legally regulated status.

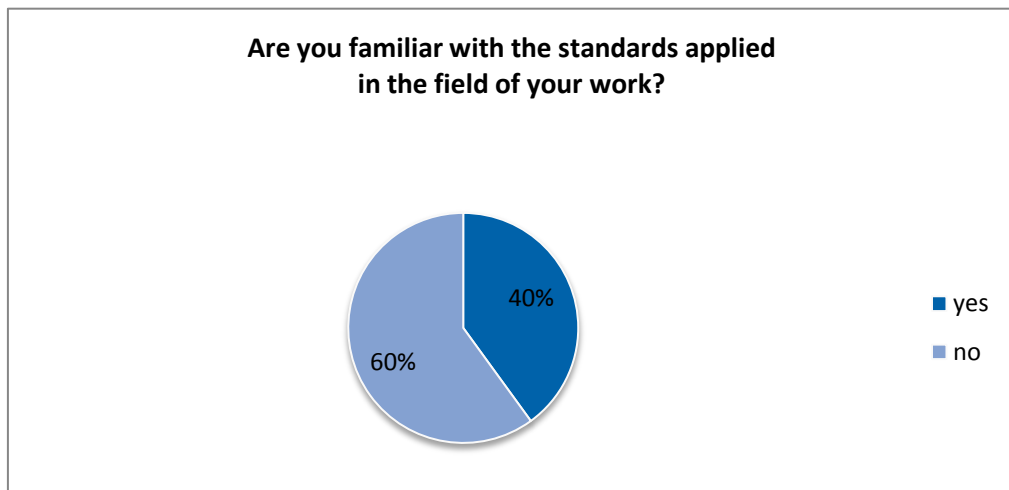
2.2.2. The fieldwork activities (primary-additional)



2.2.3. *Standards and infrastructure development*

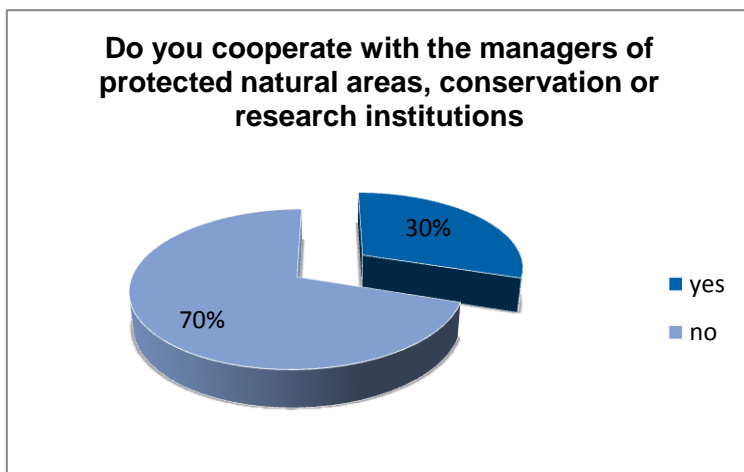
At the question did the members / employees of your household passed the training ?

- 40% of owners of households has not passed any form of training while
- 60% of owners households participated in workshops organized by local and international NGOs

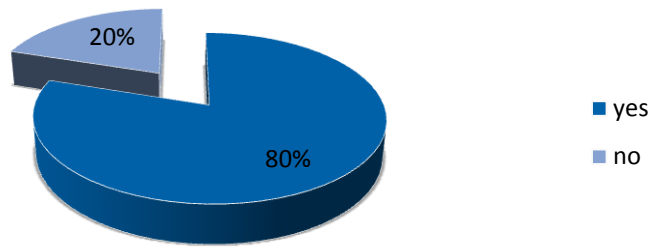


Asked whether he/ she develops and maintains the infrastructure of the routes which are regularly used by tourists?

- 90% of respondents said that since it is their households they are maintained

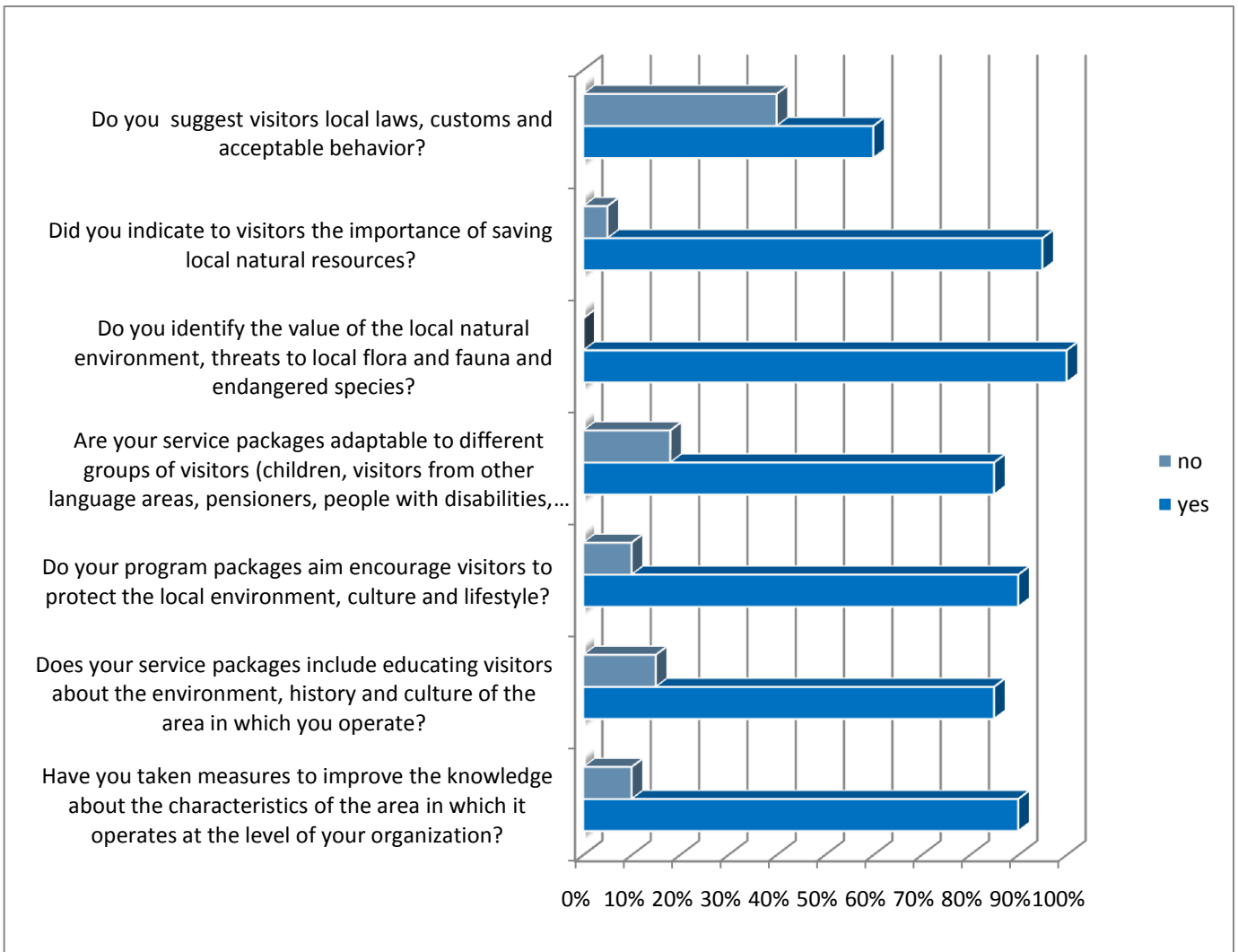


Are you aware of a number of health and safety issues that may be relevant for the users of your services?



2.2.4. Education

In the following graph we can see in what way households are affected by visitor' knowledge of nature

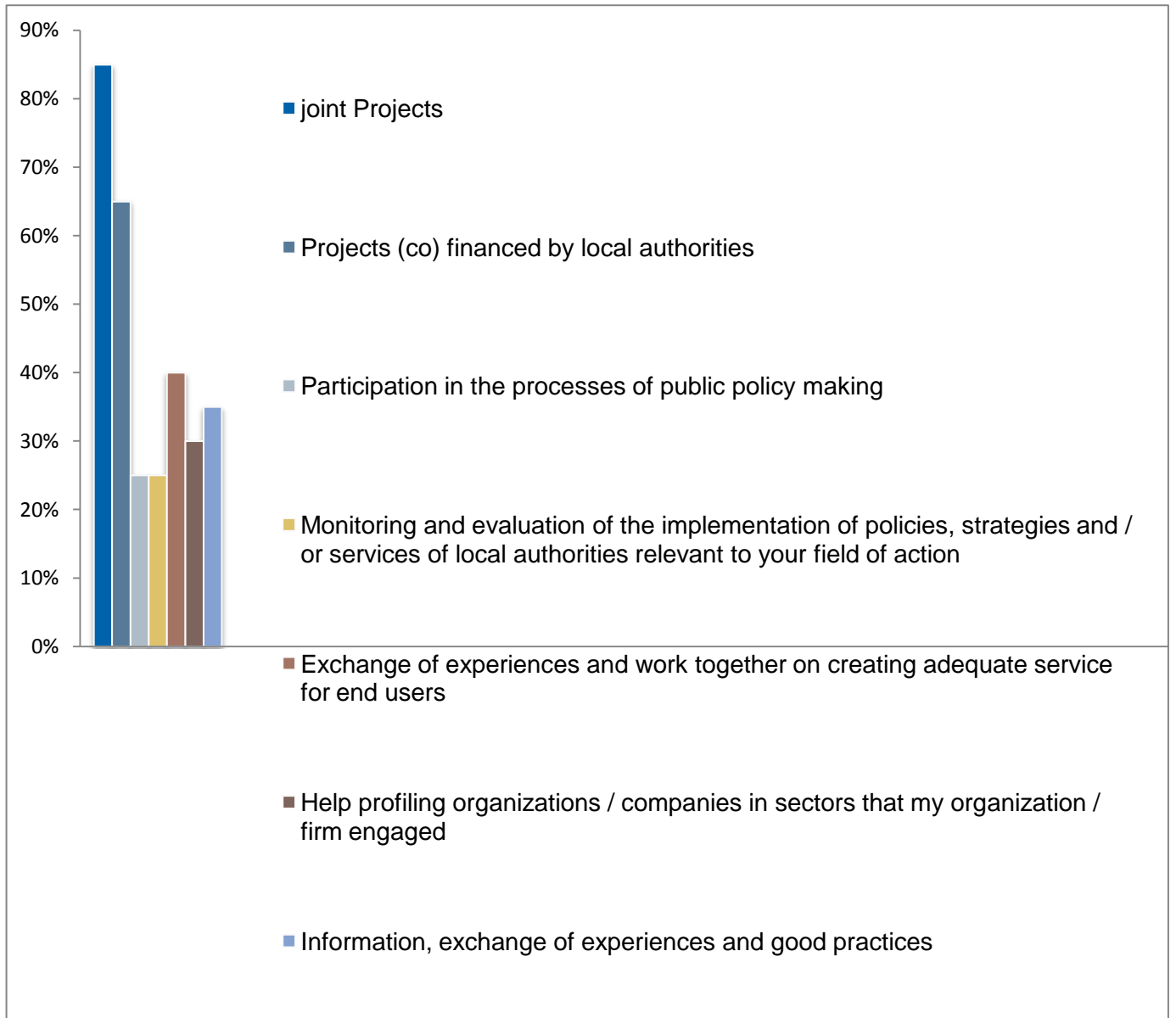


2.2.5. *The local community*

QUESTION	YES	NO
Do you consult the local community about your service package?	80.95 %	19.05 %
Do your service packages in any way affect the way of everyday life of the local community?	81 %	19%
Are the cultural and historical information you provide adequate and verified?	92.5 %	7.5 %
Do you buy and offer local food, drinks and souvenirs?	82.5 %	17.5 %
Do you buy your equipment, goods and services of socially responsible companies?	82.5 %	17.5 %
Do you cooperate with other business entities (travel agencies, companies)?	100 %	0 %
Do you use environmentally friendly products?	92.3 %	7.7 %
Do you cooperate with local authorities?	83.3. %	6.7 %

In most cases, households with local authorities achieve cooperation through joint projects, and at least through the monitoring and evaluation of policy implementation, strategy and / or services of local authorities relevant to the field of action and exchange of experiences and work together on the creation of adequate services for end users.

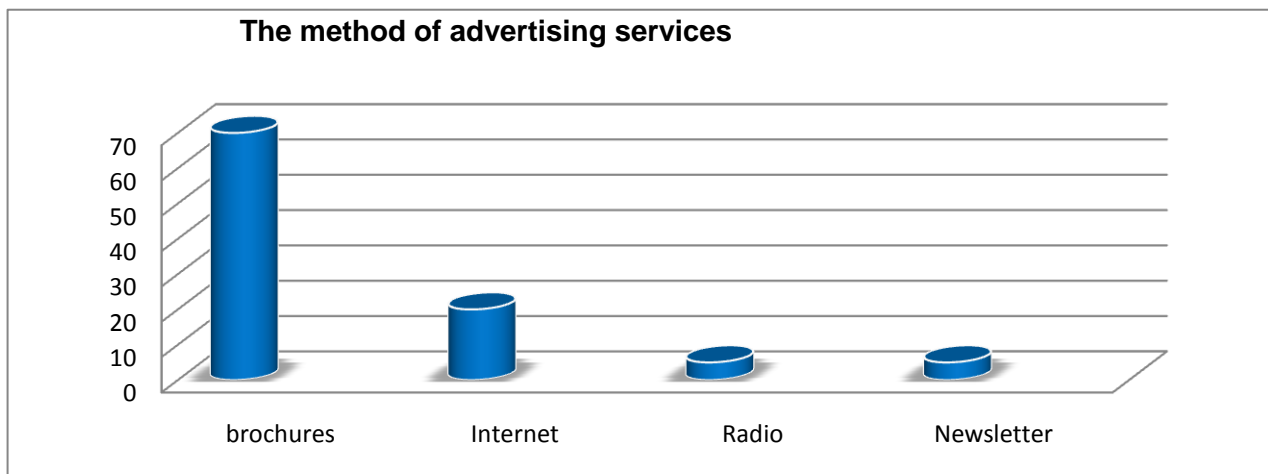
Method of realization of cooperation with local authorities:



2.2.6. Cooperation

- 54% of households are not satisfied with cooperation with local authorities.
- 64% of households are involved in projects which include education or training
- 50% of households have established cooperation with the households of the same profile of which 75% are satisfied with the level of that cooperation. Cooperation is mainly established through joint projects / tenders.
- 80% of households who do not have designed common program packages are interested in cooperation.
- 70% of households are a member of the alliance / network, or other professional associations.

2.2.7. Business and Marketing

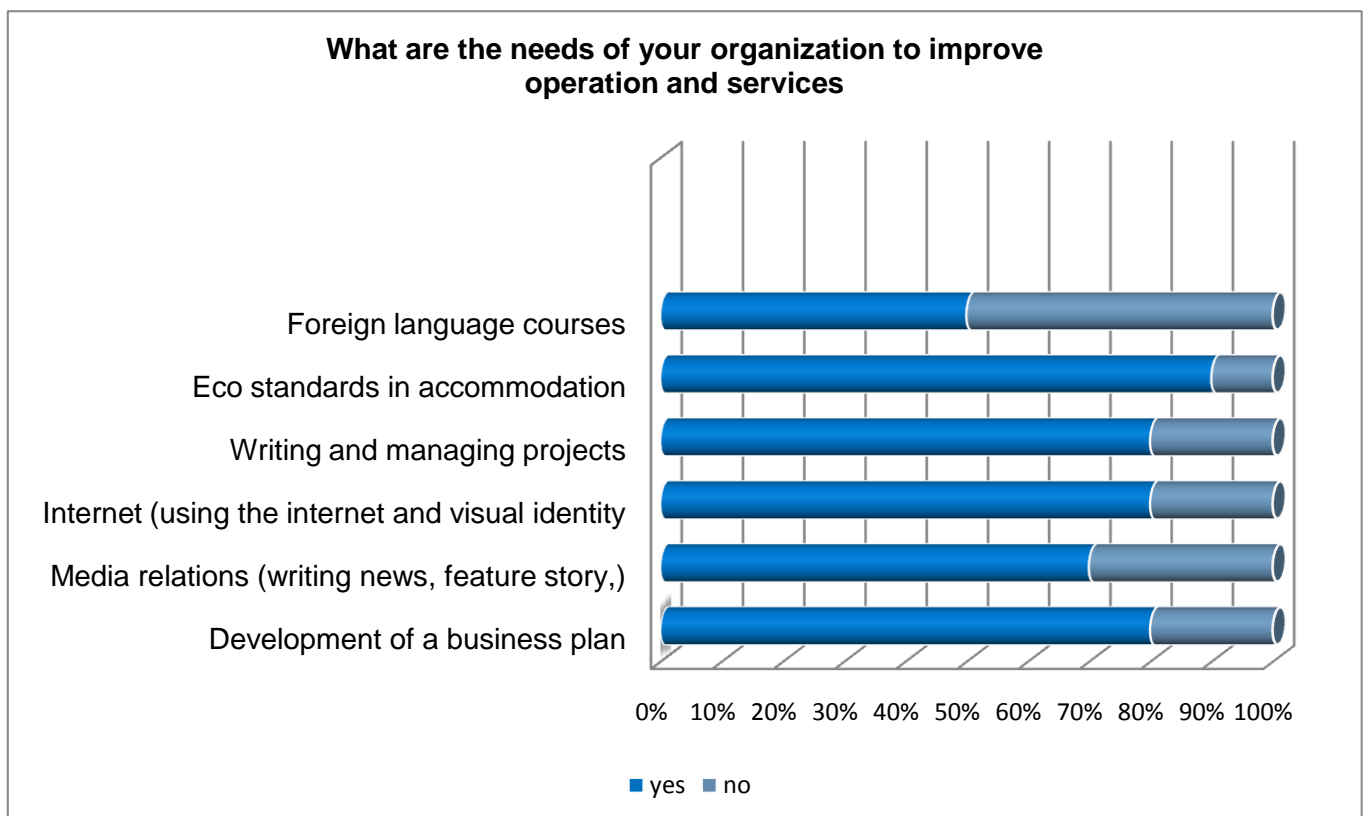
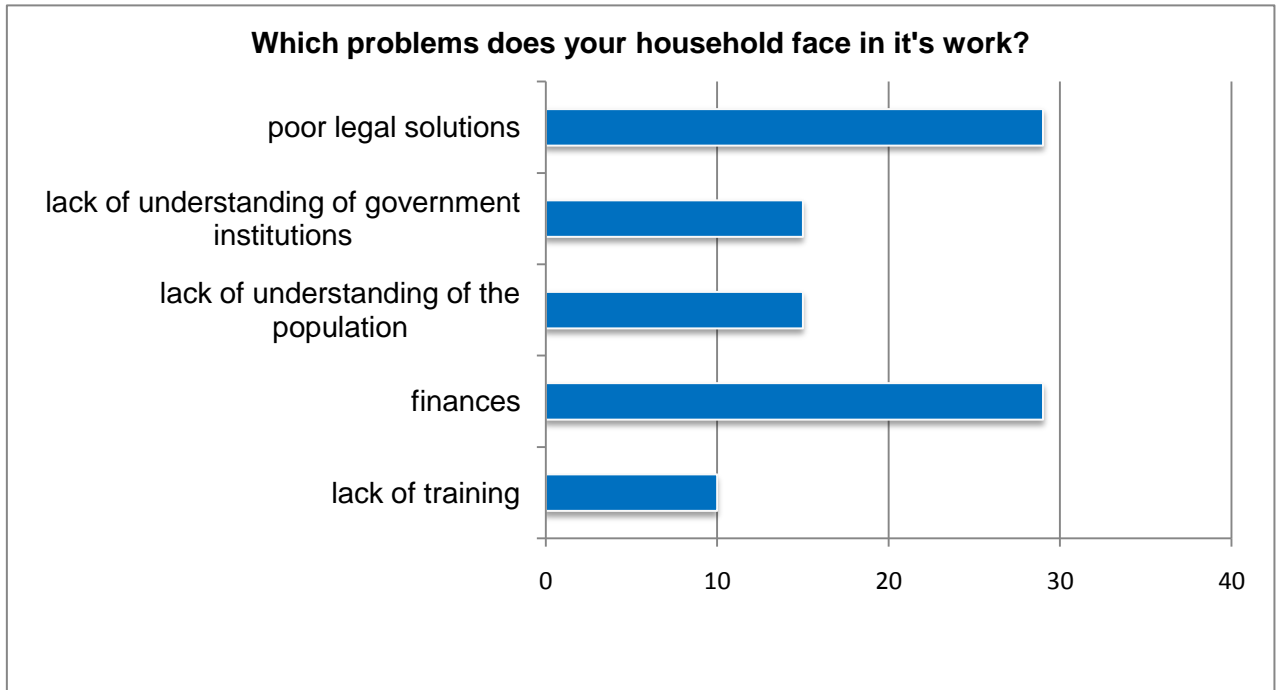


- 69.05% of households cooperate with the Tourist Board, of which 55% considers work of tourist boards bad.
- 45% of households participate in tourism fairs
- 70 % households advertise at local level, 15 % at national and only 5 % advertises internationally with the help of some organizations.

2.2.8. *Environmental protection*

QUESTION	YES	NO
Do you use responsibility wood and water resources?	92.85 %	2.43 %
Are you promoting responsible fishing?	83.33 %	9.75 %
Do you minimize the use of motor vehicles?	80.95 %	19.51 %
Do you collect and remove trash wherever you can?	97.61 %	2.43 %
Do you use containers for recycling and using products without much packaging?	71.42 %	24.39 %
Do you care about the protection of local waters by chemicals and other pollutants?	100 %	0 %
Do you use cleaning products, dishwashing or toothpaste near the drinkable water?	14.28 %	85.36 %
Do you directly participate in conservation, rehabilitation, research and monitoring of the environment in the local community?	50 %	48.78 %

2.2.9. *The needs and problems*



2.2.10. Laws and Strategies

- 90% of households was never included in the consultation process during the development of the law and / or strategies.
- 60% of households see the current legal framework as bad.
- Only 10% of households considered to be excellent in the knowledge of achieving the goals true the nonprofit sector.

3. SWOT ANALYSIS ON RURAL TOURISM DEVELOPEMENT

3.1. *Strengths*

- Rich in natural resources
- Expressed interest among rural population for work in agro-tourism
- Favorable conditions, for development of agriculture especially livestock and fruit production, rich fruit area, high potential for development of agro- tourism
- Preserved environment
- Diversified and abundant medicinal herbs and forestland fruit
- Underdeveloped industry
- Rich in Cultural and historic heritage some of them are protected by UNESCO
- Existence of hunting grounds and abundance of game and fish
- Existence of traditional handicrafts
- Interest of local authority in establishing all kinds of cooperation
- Readiness of local population and authority to implement development projects
- Favorable geostrategic position
- Traditional hospitality
- Location of national parks
- Untouched and beautiful mountain areas
- Region borders with Serbia and Montenegro and connecting those countries with Adriatic Sea.
- A good quality agricultural product
- Affordable prices of goods and services
- Good covering of IT network
- Well organized health protection
- One of the most secure regions in BiH
- Developed sports, cultural and artistic associations
- Tradition and experiences in organizing fairs and various events

3.2. *Weaknesses*

- High unemployment rate
- Population migration, especially among young in bigger centers
- Unfavorable ratio of elderly population-youth and educational structure of population
- The inability of the rural population to invest in additional facilities / repairs households in order to achieve a minimum of international standards in rural / agro tourism
- Rural households are not categorized
- Lack of tourist mapping paths signalization
- Lack of info points in all cities of the region
- Lack of physical infrastructure
- Lack of laws on tourism in BiH
- Some areas have minefields
- Abandoned farms and land
- Farmers have no experience in the organization, management, and marketing
- Insufficient training in starting a new business (lack of quality operational business plans)
- Low level of awareness about the importance of environmental protection
- Uneven distribution of resources by local communities
- Negligence of the natural, cultural and historical heritage
- Lack of strategies relating to the allocation of donor funds and commodities
- Poor marking of the attractive tourist areas
- Insufficient quantities of traditionally produced agriculture products (households often producing only for their private use)
- Poor conditions of roads and maintenance
- Poor promotion, marking and exploitation of / Heritage for tourists visits sites of cultural and historical monuments
- A bad image of BiH in the world
- Poor communication between municipalities and cantons
- The absence of the ministry of tourism at the state level
- Poor work cantonal / or municipal tourist offices
- Weak promotion of touristic potentials in BiH and abroad
- The pre-war touristic infrastructure is not yet restored
- A greater distance between the village, households/ accommodation engaged in agro-tourism activities

- Unfavorable length of the tourist season (only 6 months)
- The lack of a number of other touristic attractions like entertainment facilities
- Lack of regular transportation in rural areas
- The absence of the making original tourist souvenirs
- No exchange offices in the region

3.3. *Opportunities*

- Networking urban and rural areas
- Agriculture and rural development are priority areas in each strategy for development in BiH
- The increased interest of farmers to engage in agro-tourism activities and use the extra space in households
- Certification of the territory
- Take massive resources to rural areas, household products
- Establishment of eco / ethno – village
- Increased interest in food production without the use of additives
- Restoration of cultural events
- Opening and expansion of capacities for visits to cultural and historical sites
- To create more interest among tourists for hunting and fishing
- Availability of funds (IPA) and other donors for development of rural tourism
- The presence of local and international organizations and NGOs involved in development of rural tourism
- International donors are interested in the implementation of rural development programs
- The increase interest of women for education and the importance of their role in rural development-agro tourism
- Possibilities for the revival of old traditions, customs, games, folklore of the Bosnian village
- To make internal categorization and standardization of households of agro-tourism
- To make tourist package arrangement with concrete tourist offers based on 3-4 day stay

3.4. *Treats*

- Continuation of emigration of people from rural to urban areas

- The strong influence of negative politics persists
- Reduction of international assistance
- General economic recession
- General political instability in the country after the reduction of foreign investment
- Continued isolation of municipalities in the region between themselves
- Limited local funds
- Underground Economy
- The lack of any type of selective support measures for rural areas
- Lack of financing the rural areas by the relevant institutions
- Inadequate and negative acts in the field of environmental protection, agro-tourism, agriculture and rural development
- Inadequate and unfavorable laws
- Poor maintenance of roads in rural areas during the winter
- Disappearance of traditional crafts
- Inability of local authorities to support and finance projects for rural development
- Unfinished privatization process
- Lack of any kinds of selective support measures intended for rural areas
- Complicated procedures for provision of funding

4. CONCLUSION

After the presentation of the study and detailed analysis of the market, one can easily conclude that Bosnia and Herzegovina has a very high potential of natural and technical resources for the development of rural tourism.

The main problem I would say is the absence of the common law on tourism at the state level as well as lack of the promotion of the tourism industry. In both entities' Law on Tourism, rural tourism is not mentioned nor are its other parts such as eco and bio tourism. Rural tourism does not have specific legislation in BiH, which negatively reflects in practice where ecotourism is more widely used in the promotion and marketing than it should be.

There is currently a high demand for new markets and BiH in the near future, with constant work, can become a leading destination for this type of tourism.

There are, of course, the key issues that need to be addressed before the start of marketing of the region and the introduction of standards and classifications of accommodation. The following points should be kept in mind before starting an initiative.

The following items require immediate attention:

- strengthening institutional arrangements and regulations for planning and management of rural development
- support through training and teambuilding
- environmental protection and preservation of cultural and historical heritage
- Support for stable legislation which will protect environmental and nature
- Ensure socio-economic development of the local population
- The structure of institutions in Bosnia and Herzegovina is often cited as one of the major obstacles to economic development, and thus an obstacle to the development of rural tourism.
- The institutional framework is complex, leaving little room for efficiency and coordination of tourism activities in BiH.
- Development of rural tourism the EU and IPA projects
- Horizontal collaboration between the stakeholders working on similar projects
- Vertical collaboration between stakeholders in charge of promotion
- Adequate taxation and regulations in order to encourage as many young people as possible to stay in villages and work at their farms which will prevent abandonment of villages