

DEVELOPMENT OF SPA TOURISM IN DEVASTATED RURAL REGIONS OF THE REPUBLIC OF SERBIA

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Abstract

The subject matter of the paper is an exploration of the possibilities and limitations for the spa tourism development in devastated rural regions of the Republic of Serbia. The aim of the paper is to point out to main obstacles for more efficient use of the healing natural resources in the spas situated in the least developed local administrative units (LAU) of the Republic of Serbia. We start from the hypothesis that the development of spa tourism in devastated rural regions of the Republic of Serbia could not be possible without regional state aid. We define devastated rural regions of the Republic of Serbia on the basis of the "Law of Regional Development" and its accompanying regulations. In order to explain the complexity of economic problems of the spa resorts in devastated rural regions, we compare relevant statistical data for 2017 and 2018 with the data from the last 2011 Census. Based on the "Law on Investments" and its accompanying regulations, we analyze the existing and possible investment policy instruments aimed for the development of spa tourism in least developed LAU of the Republic of Serbia.

Key Words: devastated rural regions, spa resorts, regional state aid, Republic of Serbia

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Introduction

Economic development of the least developed rural regions is of vital strategic interest for the Republic of Serbia. Those regions are burdened with long-term problems of depopulation and unemployment. On the other

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hand, those regions are rich with natural resources which are utilized modestly but could become the key economic development incentives. Among those natural resources are healing natural factors, such as thermal and mineral waters, clean air and peloids. These natural resources should be considered as an important comparative advantage for the development of spa tourism in rural areas.

There are two strategic directions for more efficient utilization of the healing natural factors in the least developed rural regions of the Republic of Serbia. First, the existing accommodation facilities in spa resorts in the least developed rural regions need to be revitalized. Second, new accommodation facilities should be built in those spa resorts. Both the revitalization of the existing facilities in spa resorts located in the least developed rural regions and the construction of the new ones need long term investments. Taking into account the economic situation in the least developed rural regions of the Republic of Serbia, the investments in spa resorts in these regions could be realized only with the assistance of the regional state aid.

The NUTS methodology for classifying the regions

In order to understand the conditions in which spa resorts are functioning in the least developed regions, we compare economic indicators for underdeveloped areas with corresponding indicators for the Republic of Serbia. According to the "Law on Regional Development" (*Official Gazette of the Republic of Serbia*, no. 51/2009, 30/2010, 89/2015), the regions of the Republic of Serbia are administrative territorial units established for the purposes of planning and implementing the regional development policy. The methodology applied for their classification has been created in line with the NUTS ("Nomenclature of Territorial Units for Statistics") methodology (EUROSTAT, 2016) implemented within the European Union Cohesion Policy (Grbić, 2013).

According to the NUTS methodology (EUROSTAT, 2016), there are three hierarchical levels of statistical territorial units in the national economy, based on the number of inhabitants. Within the NUTS 1 level are the regions with 3,000,000 to 7,000,000 inhabitants, within the NUTS 2 level are the regions with 800,000 to 3,000,000 inhabitants and within NUTS 3 level are the areas with 150,000 to 800,000 inhabitants. According to the "Regulation on Establishing the Single List of the Level of Development of Regions and the Local Territorial Units" (*Official Gazette of the*

Republic of Serbia, no. 104/2014), in the Republic of Serbia there are two NUTS 1 regions: Serbia North and Serbia South. Within Serbia North, there are two NUTS 2 regions: the Region of Belgrade and the Region of Vojvodina, while within Serbia South there are three NUTS 2 regions: the Region of Šumadija and Western Serbia, the Region of Southern and Eastern Serbia and the Region of Kosovo and Metohija (Graph 1).

The NUTS 2 regions of Serbia North are considered as developed ones because their GDP per capita is above or at the level of the national GDP per capita. In 2017, GDP per capita of Belgrade Region was 68.1% higher than national GDP per capita while GDP per capita of the Region of Vojvodina was at the level of the national GDP per capita. Belgrade Region contributed with 40.4% and the Region of Vojvodina with 26.5% to the formation of national GDP (Statistical Office of the Republic of Serbia, 2019).

NUTS 2 regions of Serbia South are considered as underdeveloped ones because their level of GDP per capita is below the national GDP per capita. In 2017, GDP per capita of the Region of Šumadija and Western Serbia was 30.5% lower than the national average while GDP per capita of the Region of Southern and Eastern Serbia was 36.3% lower than the national average. The Region of Šumadija and Western Serbia contributed with 19.2% and the Region of Southern and Eastern Serbia with only 13.8% to the formation of national GDP (Statistical Office of the Republic of Serbia, 2019).

Defining devastated rural regions

Within the NUTS 3 regional hierarchical level, there is Belgrade as a capital city and there are 29 districts. In order to determine which districts should be considered as the least developed ones, we present their contribution to Gross Value Added (GVA) of the Republic of Serbia and compare the level of development of each district to the national average, using GVA per capita index for each NUTS 3 district (except for the districts in Kosovo and Metohija).³

³ Data for the Region of Kosovo and Metohija are not available. Thus, GVA of the Republic of Serbia comprises regional GVA of the Region of Belgrade, the Region of Vojvodina, the Region of Šumadija and Western Serbia and the Region of Southern and Eastern Serbia.

Table 1: *Contribution of NUTS 3 Districts to Gross Value Added of the Republic of Serbia and Gross Value Added per capita Index, 2017*

NUTS 3 Districts	Contribution to GVA of the Republic of Serbia (in %)	GVA per capita index (the Republic of Serbia = 100)
The Region of Belgrade		
Capital City Belgrade	40.4	168.3
The Region of Vojvodina		
District of Južna Bačka	10.9	123.6
District of Srem	4.0	93.8
District of Južni Banat	3.5	89.2
District of Srednji Banat	2.2	86.3
District of Severni Banat	1.6	79.5
District of Zapadna Bačka	2.0	77.8
District of Severna Bačka	2.4	71.6
Šumadija and Western Serbia		
District of Morava	2.6	89.0
District of Šumadija	3.4	83.0
District of Zlatibor	3.0	78.4
District of Kolubara	1.8	76.8
District of Mačva	2.5	62.6
District of Pomoravlje	1.8	60.9
District of Rasina	1.9	60.2
<i>District of Raška</i>	2.2	51.1
Southern and Eastern Serbia		
District of Bor	1.5	91.8
District of Pirot	1.1	88.5
District of Braničevo	1.9	77.2
District of Nišava	3.8	73.0
<i>District of Toplica</i>	0.7	58.0
<i>District of Zaječar</i>	0.9	55.4
<i>District of Jablanica</i>	1.4	49.5
<i>District of Podunavlje</i>	1.3	47.0
<i>District of Pčinja</i>	1.3	45.5

Source: *Statistical Office of the Republic of Serbia (2019)*

Table 1 shows that within the underdeveloped NUTS 2 regions, there are six districts (Raška, Toplica, Zaječar, Jablanica, Podunavlje and Pčinja) whose level of development, measured by GVA per capita amounts to less

than 60% of the level of development of the Republic of Serbia. Five of them are located in the most underdeveloped Region of Southern and Eastern Serbia and one of them in the underdeveloped Region of Šumadija and Western Serbia.

In the Republic of Serbia, all NUTS 3 districts are divided in local administrative units (LAU) whose boundaries correspond to the territories with the status of towns or municipalities. According to the "Law on the Territorial Organization of the Republic of Serbia" (*Official Gazette of the Republic of Serbia*, no. 129/2007, 187/2016, 47/2018), there are 29 LAU with the status of towns and 150 LAU with the status of municipalities.

All towns and municipalities in the Republic of Serbia are classified in four groups depending on the level of their economic development in comparison with the national average. The towns and municipalities belonging to the first and the second group are considered to be the developed ones. The first group encompasses all towns and municipalities with the level of development higher than the national average. The second group encompasses those towns and municipalities whose level of development amounts from 80% to 100% of national average. The municipalities classified in the third or the fourth groups are considered as underdeveloped ones. The third group consists of underdeveloped municipalities whose level of development amounts from 60% to 80% of the national average. The fourth group comprises those least developed municipalities whose per capita income is below 60% of the national average. All municipalities classified in the third and fourth group are situated in underdeveloped NUTS 2 regions of the Republic of Serbia.

In the above mentioned "Regulation on Establishing the Single List of the Level of Development of Regions and the Local Territorial Units" (*Official Gazette of the Republic of Serbia*, no. 104/2014), devastated areas have been singled out within the fourth group of local administrative units. It has been explained that devastated areas are meant to be "those least developed local administrative units whose level of development is less than 50% of the national average." The level of development of each LAU is calculated based on both its income per capita and additional indicators of crucial importance for understanding the statehood of its economy. Thereby, the level of development of each municipality is calculated by applying the LAU development index. As explained in the "Regulation on Establishing the Methodology for Calculating the Level of Development of Regions and Local Territorial Units" (*Official Gazette of the Republic of Serbia*, no. 68,

2011), the LAU development index is a synthetic indicator comprised of additional separate indicators showing the economic situation of a certain town or municipality. Those separate indicators are the following: the population growth or decline, the population density and the rate of unemployment. By applying the LAU development index, 19 municipalities have been singled out as the devastated areas, as presented in Table 2.

Table 2: *Devastated areas in the Republic of Serbia*

District (NUTS 3)	Municipality
The Region of Šumadija and Western Serbia	
District of Zlatibor	Prijepolje
District of Mačva	Mali Zvornik
<i>District of Raška</i>	Tutin
The Region of Southern and Eastern Serbia	
District of Braničevo	Golubac
District of Pirot	Babušnica, Bela Palanka
District of Nišava	Merošina, Svrlijig
<i>District of Toplica</i>	Žitorađa, Kuršumljia
<i>District of Jablanica</i>	Bojnik, Lebane, Medveđa
<i>District of Pčinja</i>	Bosilegrad, Bujanovac, Vladičin Han, Preševo, Surdulica, Trgovište

Source: "Regulation on Establishing the Single List of the Level of Development of Regions and the Local Territorial Units" (Official Gazette of the Republic of Serbia, no. 104/2014)

It could be seen that sixteen out of nineteen devastated municipalities are located in Southern Serbia while three remaining ones are located in Western Serbia. It is also worth mentioning that eleven devastated municipalities (Golubac, Babušnica, Bela Palanka, Merošina, Svrlijig, Žitorađa, Kuršumljia, Bojnik, Lebane, Medveđa, Bosilegrad, Bujanovac, Vladičin Han, Preševo, Surdulica and Trgovište) are located in three least developed districts of the Southern Serbia (Districts of Toplica, Jablanica and Pčinja). The economic situation in those rural districts can be well explained by Article 107 of *The Treaty on the Functioning of the European Union* (EU Official Journal, C 326/2012). Article 107 of the Treaty refers to the role of regional state aid for the realization of regional development policy goals. Namely, in Article 107 of the Treaty, it has been stipulated that regional state aid should promote the economic development of "areas

where the standard of living is abnormally low or there is serious underemployment."

Spa Resorts in devastated rural regions

There are five well known Spa Resorts located in three devastated rural municipalities, belonging to three least developed districts in the Southern Serbia: Lukovska banja, Prolom banja, Kuršumlijska banja, Sijarinska banja and the Spa Resort of Bujanovačka banja. With the exception of Prolom banja, the other four were well known even from the period before World War II. In 1929, there were 288 healing waters on the territory of the Kingdom of Yugoslavia, and 46 of them were ranked as of the first and the second category (Radović-Stojanović & Gnjatović, 2018). Kuršumlijska banja was ranked as of the first, and the Sijarinska banja as of the second category (Statistical Yearbook of the Kingdom of Yugoslavia, 1929). The other two, Lukovska banja and Bujanovačka banja, were ranked as "the others", which was supposed to mean - of minor importance. The development of Prolom banja began after World War II and it was officially opened in 1968.

The Spa Resorts of Lukovska banja, Prolom banja and Kuršumlijska banja are located in the Municipality of Kuršumlija, District of Toplica. These Spa Resorts are situated on the slopes of the Kopaonik. They are rich with mineral waters. The Spa Resort of Sijarinska banja is located in the Municipality of Medveđa, District of Jablanica. This Spa Resort is situated on the slopes of the Goljak. There are eighteen mineral springs which are actively used for healing purposes. The Spa Resort of Bujanovačka banja is located in the Municipality of Bujanovac, District of Pčinja. It is situated on the slopes of Kozjak and Rujan. It is rich with thermal mineral water, medical mud (peloid) and natural gas, used for therapeutic purposes.

The Municipality of Kuršumlija, situated in the District of Toplica, is one of the least developed devastated rural regions in the Republic of Serbia. As of the population estimates data for 2018, the Municipality of Kuršumlija had 17,545 inhabitants. It covers an area of 952 km². The Municipality of Medveđa, situated in the District of Jablanica, is also one of the least developed rural regions of the Republic of Serbia. As of the population estimates data for 2018, this municipality had 6,590 inhabitants. It covers an area of 524 km². The Municipality of Bujanovac is situated in the District of Pčinja which is the least developed devastated rural region in the Republic of Serbia. As of the population estimates for 2018, the

Municipality of Bujanovac had 37,735 inhabitants. It covers an area of 461 km² (Statistical Office of the Republic of Serbia, 2019a).

Besides extremely low standard of living of their inhabitants, the key economic problems of those three municipalities have been demographic decline, relatively low population density and relatively high unemployment rates (Table 3).

Table 3: *Selected economic and demographic indicators for the Republic of Serbia and the Municipalities of Kuršumljia, Medveđa and Bujanovac*

	Estimated population June 30th		Population growth or decline 2011-2018		Population density (number of inhabitants per 1 km ²)	
	2011	2018	Number	Growth rate (in %)	2011	2018
The Republic of Serbia	7236519	6982604	-253915	-3.5	93.6	90.0
Municipality of Kuršumljia	19243	17545	-1698	-8.8	20.1	18.4
Municipality of Medveđa	7460	6590	-870	-11.7	14.2	12.6
Municipality of Bujanovac	38230	37735	-495	-1.3	83.1	81.8
	Number of employed		Number of unemployed		The unemployment rate (in %)	
	2011	2018	2011	2018	2011	2018
The Republic of Serbia	1 746 138	2 131 079	738 756	552 513	29.7	20.1
Municipality of Kuršumljia	2 671	4 415	3 040	2 582	53.2	36.9
Municipality of Medveđa	1 225	1 686	1 482	1 380	54.7	45.0
Municipality of Bujanovac	5 478	5 845	4 227	4 609	43.5	44.1

Source: *Statistical Office of the Republic of Serbia (2012); Statistical Office of the Republic of Serbia (2019a)*

All analyzed municipalities cope with the problem of depopulation. This problem arises when over a longer period a certain area registers a population decline. Table 3 shows that in 2011, which is the year of the last Census, the Municipality of Kuršumljia had 19,243 inhabitants. As of 2018, this Municipality had 17,545 inhabitants. In 2011, there were 7,460 inhabitants in the Municipality of Medveđa. As of 2018, this Municipality

had only 6,590 inhabitants. The situation is less dramatic in the Municipality of Bujanovac although this local administrative unit is also burdened with the problem of negative population growth rate. In 2011, there were 38,230 inhabitants while in 2018, there were 37,735 inhabitants.

The problem of depopulation is not only the specificity of devastated areas; it is also faced by most municipalities and cities in the Republic of Serbia. For that reason, it has been identified at the national level, as well. The depopulation trend in the Republic of Serbia has been already registered in the period between the two Censuses, conducted in 2002 and 2011 (Zdravković, 2016). This trend continued after the last 2011 Census. When it comes to the three mentioned municipalities, it should be borne in mind that the Municipality of Kuršumljija and the Municipality of Medveđa register a far more intense population decline in comparison to this demographic trend on the level of the Republic of Serbia, as shown by the data presented in Table 3. While in the period from the last 2011 Census until 2018, the Republic of Serbia experienced negative average population growth rate amounting to -3.5%, the Municipalities of Kuršumljija and Medveđa were faced with the negative average population growth rates amounting to -8.8% and -11.7% respectively. In the same period, negative average population growth rate amounting to -1.3% was registered in the Municipality of Bujanovac.

Negative population growth rates have led to a decrease in population density in the territory of the analyzed municipalities. The population density is calculated as the number of inhabitants per square kilometer of a certain area. The decrease in population density is an indicator which gains in its importance with migrations caused by growing regional economic inequalities (Vojković, 2003). The problem of demographic emptying of the analyzed devastated rural regions is particularly noticeable in the Municipalities of Medveđa and Kuršumljija. Table 3 shows that from 2011 to 2018, in the Municipality of Medveđa, the number of inhabitants per square kilometer dropped from 14.2 to 12.6. Thus, in 2018, the population density of the Municipality of Medveđa was seven times lower than the population density in the Republic of Serbia. On the other hand, from 2011 to 2018, in the Municipality of Kuršumljija, the number of inhabitants per square kilometer dropped from 20.1 to 18.4. Thus, in 2018, the population density of the Municipality of Kuršumljija was almost five times lower than the population density in the Republic of Serbia. As for the population density of the Municipality of Bujanovac, it has been 10% to 12% lower than the national average.

All three analyzed municipalities are coping with high unemployment rates. The unemployment rate has been the number of registered unemployed persons divided by the number of employed and registered unemployed persons. Table 3 shows that from 2011 to 2018 there was a positive trend in the alleviation of the unemployment problem both on the national level and on the level of the municipalities Kuršumlija and Medveđa. On the contrary, in the Municipality of Bujanovac even higher unemployment rate has been recorded in 2018 than in 2011. Compared to the unemployment rate on the national level, the rate of unemployment of these three municipalities is twice as high as the unemployment rate in the Republic of Serbia. In 2018, the unemployment rate in the Republic of Serbia was 20.1%. In the same year, the unemployment rates in the Municipalities of Kuršumlija, Medveđa and Bujanovac were 36.9%, 45% and 44.1%, respectively. From the point of view of European Commission, such high unemployment rates, which could only be found in devastated regions, speak about the extent of the poverty of their inhabitants (European Commission, 2014). On the other hand, such high unemployment rate in devastated regions speaks about the abundance of the labor force conditional on the new job openings especially in the services sector.

Direct investments in spa tourism in devastated rural regions

The analysis of economic conditions in devastated areas of the Republic of Serbia has shown that their development is in an urgent need for new investments. Those devastated areas which are the seats of spa resorts should attract direct investments in the health and wellness tourism.

The issues concerning direct investments that would accelerate the country's economic development and reduce regional inequalities are regulated by the "Law on Investments" (*Official Gazette of the Republic of Serbia*, no. 89/2015, 95/2018). Article 2 of the Law on Investments stipulates that one of the main goals of encouraging direct investments has been to increase employment. The task of encouraging direct investments in order to increase employment is the responsibility of the State. According to Article 13 of the said Law, the policy instrument for accomplishing this macroeconomic policy goal is regional state aid to be granted to investors through various investment incentives. The system of regional state aid in the Republic of Serbia has been created in accordance with the European practices (Gnjatović & Stanišić, 2019).

The Law on Investments has introduced the institute of "investments of particular importance" for the Republic of Serbia. It has been explained that an investment of particular importance is "an investment whose implementation would significantly improve the competitiveness of an industry or sector in the Republic of Serbia or its balanced regional development". This explanation suits well the needs of investing in spa tourism in devastated areas of the Republic of Serbia.

In order to understand the specific needs for regional state aid of the spa resorts in devastated rural regions it is necessary to note that these resorts are still in the privatization process. The unfinished ownership transformation could be considered as an important obstacle for their successful functioning.

Namely, in the Municipality of Kuršumlija, the Spa Resorts of Lukovska banja and Prolom banja are operating while the Spa Resort of Kuršumlijska banja has been out of operation since 2006. The facilities of Lukovska banja and Prolom banja had been privatized in 1999 by implementing the privatization model of workers shareholding (Planinka, A.D., 2020). In 2019 only, the facilities of Kuršumlijska banja were privatized through the privatization model of capital selling (Property Directorate of the Republic of Serbia, 2020). The new owner has accepted the task of investing in the revitalization of this spa resort.

The Spa Resort of Sijarinska banja is operating (Banje u Srbiji, 2020), but its facilities are still in the property of the Republic of Serbia. The facilities of Sijarinska banja have been meant for privatization since 2008, but could not be privatized due to property claims of the Pension and Disability Insurance Fund of the Republic of Serbia (Gnjatović, 2018).

The Spa Resort of Bujanovačka banja, also in the property of the Republic of Serbia, is in financial trouble. Local authorities are trying to solve financial problems by privatization, advocating for the implementation of the model of private-public strategic partnership (Manić Stoilković, 2019).

By opting for a proactive approach to the development of health and wellness tourism in spa resorts, the authorities of the Republic of Serbia decided to offer investors the opportunity to invest in the development of spa tourism not only through the privatization of state-owned existing accommodation facilities, but also through the modernization and expansion of privately-owned ones and through the construction of new

hotels. In that respect, the "Regulation Establishing Criteria for the Allocation of Incentives to Attract Direct Investments" (*Official Gazette of the Republic of Serbia*, no. 18/2018) and the "Regulation Establishing Criteria for the Allocation of Incentives to Attract Direct Investments in the Sector of Services of Hotel Accommodation" (*Official Gazette of the Republic of Serbia*, no. 33/2019) have been adopted. These Regulations are aimed for direct investments in the construction of four-star and five-star hotels in these spa resorts. Old accommodation facilities could be modernized and extended with brownfield investments and new hotels could be built with greenfield investments.

According to the "Regulation Establishing Criteria for the Allocation of Incentives to Attract Direct Investments in the Sector of Services of Hotel Accommodation" (*Official Gazette of the Republic of Serbia*, no. 33/2019), to obtain the incentives, those interested in investing in spa resorts in the Republic of Serbia are obliged to create at least 70 new jobs and to keep new employees at least three to five years, depending on the enterprise size. The magnitude of the incentives the investors could obtain depends on the level of development of the LAU in which the investment project is to be realized. In accordance with the "Regulation on Establishing the Single List of the Level of Development of Regions and the Local Territorial Units" (*Official Gazette of the Republic of Serbia*, no. 104/2014), the level of development of each LAU is determined on the basis of the group to which it belongs. The largest sum of money from the incentives could be obtained in the case of investing in spa resorts in devastated regions. Namely, if the investment project is to be realized in the LAU classified in the first or the second group, the incentives would cover 20% or 25% of gross salaries of new employees, to the maximum of 3,000 euros or 4,000 euros per new worker, respectively. If the investment project is to be realized in the LAU classified in the third or fourth group, the incentives would cover 30% or 35% of gross salaries of new employees, to the maximum of 5,000 euros to 6,000 euros per new worker, respectively. And when it comes to the investments in devastated regions, the incentives would cover 40% of gross salaries of new employees, to the maximum of 7,000 euros per new worker.

Considering the experience with granting the investment incentives since this form of the state aid has been introduced in economic system of the Republic of Serbia in 2006, the question arises as to what extent the investors would be motivated to invest in spa tourism in devastated regions. According to Filipović and Nikolić (2017), the investors who have used the incentives were more attracted by the level of development of certain

region than by the magnitude of the incentives. They were mostly attracted to invest in those areas in which the business environment has already been developed, primarily in those areas in which the necessary infrastructure has been already built.

In this respect, it is encouraging that after the adoption of "Regulation Establishing Criteria for the Allocation of Incentives to Attract Direct Investments in the Sector of Services of Hotel Accommodation" (*Official Gazette of the Republic of Serbia*, no. 33/2019), an investor signed an agreement to use incentives for "an investment of particular importance", to build a hotel in a spa resort located in the devastated municipality. By the agreement signed on September 3rd, 2019 with the Ministry of Economy, the investor, who decided to build the Bela Jela Hotel in the Spa Resort of Lukovska banja in Kuršumljija, was obliged to employ at least 70 new workers until the end of 2020 (Ministry of Economy, 2020).

Who will be the visitors of all these newly built facilities? As with other spas in Serbia, it will be mostly domestic tourists. On June 18, 2015, the Government of the Republic of Serbia adopted the "Regulation on the Conditions and Methods of Allocation and Use of Funds for Encouraging the Development of Domestic Tourism by Intensifying the Use of the Tourism Offer in the Republic of Serbia" (*Official Gazette of the Republic of Serbia*, no. 53/2015), which provides for the distribution of vouchers for subsidized use of tourist services in catering facilities in Serbia. In this way, economic policy makers have initiated additional tourism demand, which has largely focused on spas in Serbia. Although the standard of living and economic situation in the country would continue to be key to creating domestic tourism demand, as observed in Radović-Stojanović and Vasović (2016), this measure could significantly contribute to the growth of tourist visit. A part of the tourist demand would certainly be directed to the spa resorts in the Southern Serbia. According to the Ministry of Trade, Tourism and Telecommunications (2016), the most sought-after voucher vacation destinations are spa resorts, and there is a particular interest in the Spa Resorts of Prolom banja, Sijarinska banja and Lukovska banja.

Conclusion

The analysis of economic situation in the Municipalities of Kuršumljija, Medveđa and Bujanovac has pointed to the seriousness of the problems of depopulation and unemployment. Since the territory of these devastated municipalities is rich with natural healing factors and since in all of them

there are already spa resorts, it is possible to believe that health and wellness tourism could become the engines of their economic growth. Furthermore, it is important to point out that these three municipalities are situated in three districts: the ones of Toplica, Jablanica and Pčinja which are among the least developed ones in the Republic of Serbia. Thus, the development of health and wellness tourism in spa resorts located in three devastated municipalities could contribute to the overall revitalization of the Southern Serbia. With generous incentives for attracting direct investments in hotel construction in spa resorts, problems of depopulation and unemployment in the Municipalities of Kuršmlija, Medveđa and Bujanovac could be significantly alleviated. Moreover, the development of spa tourism in analyzed devastated municipalities could help the Districts of Toplica, Jablanica and Pčinja, which are today among the least developed ones, to gradually overcome economic backwardness.

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