

SAPARD SUPPORT EFFICIENCY TO RURAL TOURISM BUSINESS

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ANNOTATION

Analyzed in the article: SAPARD financial support measure III „Development of economic activities and promotion of alternative incomes“ fund usage to rural tourism service development and condition improvement; extent of SAPARD support and measure III share to rural tourism sector; application approval percentage; expediency of investment in rural tourism. Main factors of SAPARD support insufficient usage to rural tourism business are revealed in the article.

1. INTRODUCTION

Majority of Central and Eastern European states, Lithuania among them, had chosen integration into the European Union, as the EU had made a political decision to expand and welcome new member states. However agricultural policy and its development level in these countries did not satisfy the EU trends and requirements. The European Union, willing that candidate states be ready to implement legal technical requirements, had initiated Special Accession Program for Agriculture and Rural Development (SAPARD) in 1999. The main objective of this program is to support the agricultural modernisation, to increase competitiveness, transpose environmental, veterinary and hygiene standards applied in the EU, rural development and promotion of alternative income in rural areas of the EU candidate states.

SAPARD support was implemented in Lithuania following the National Agriculture and Rural Development Program (NARDP) 2000-2006, which officially was approved by the Commission Decision C (2000) 3329 final on 27 November 2000. NARDP had opened opportunities to our country to use the EU financial support for agriculture and rural development. One of the measures of NARDP was „Development and diversification of economic activities providing for multiple activities and alternative incomes“, covering rural tourism and recreation services.

Rural tourism is organized developed in European countries more than forty years. Society and state machineries started to pay special attention to this business over the last twenty years. European countries funds prompted and supported various initiatives in these countries, society and state structures, organizing and coordinating this business, were establishing. Much was made in rural tourism businessmen education sphere.

Active development of rural tourism in Lithuania, due to political situation, started only in the last decade of the twentieth century. Despite rapid development of this business, it confronted with many difficulties, SAPARD financial support efficient use among them.

Object of the article – to evaluate efficiency of SAPARD support to rural tourism business.

Subject of research – rural tourism.

Tasks set to implement the object:

1. to review tendencies of Lithuanian rural tourism development;
2. to make an analysis of SAPARD support to rural tourism business;
3. to reveal main obstacles for efficient SAPARD support to rural tourism business.

Methods of research. Article is produced using systemic scientific literature analysis; common, logical and comparative analysis; generalization methods.

2. DEVELOPMENT OF RURAL TOURISM AFTER RESTORATION OF INDEPENDENCE

As independence was restored in Lithuania, land property was restored to farmers. Many farmers started farming proprietary. Passing from planned economy to market economy, big economic crisis, which affected each economy sector, especially agriculture, emerged. These reasons encouraged country folk to look for alternative incomes, they became interested in rural tourism.

About one hundred homesteads received tourists in 1997. Holidaymakers from former Soviet Union were back, Lithuanians and Western countries tourists became interested in Lithuanian villages. A

number of people willing to rest in rural homesteads grew annually. According to Lithuanian rural tourism association data: 2 000 guests rested in rural homesteads in year 1998, already 25 000 guests in summer of year 1999 and 35 000 per year 1999 [3]. A number of people willing to go into this business grew at the same time.

Rural tourism as business is officially developed in Lithuania only since 1998 as Tourism act [5], minimum requirements to rural tourism accommodation services [7] and patent issue order for this kind of activity came into force. Statistical record was started in 2001.

Number of homesteads providing services to tourists increased 2,6 times, number of rooms in these homesteads increased 5,1 times, and beds in them - even 5,7 times during 2001-2006 year period (Table 1). Much rapider number of places growth rate comparing with number of homesteads growth rate (2,2 times) shows homestead enlargement process. If in one homestead were approximately 8 beds in 2001, then there were 17,5 beds in 2006. Also, 7,6 times more guests visited rural tourism homesteads. 763,2 thousand tourists, who stayed for 455,4 thousand nights, rested in Lithuanian country in 2006 [6].

Table 1. Dynamics of rural tourism service providing homesteads in 2001-2006

Year	Number of homesteads	Number of rooms	Number of beds	Number of guests, thou.	In that number foreigners, thou
2001	202	651	1624	32,3	3,9 (12,07%)
2002	288	1418	3600	63,1	7,4 (11,7 %)
2003	355	1657	4468	76,9	8,8 (11,5%)
2004	361	1905	5442	102,7	12,7 (12,4 %)
2005	398	2303	6735	155,0	17,9 (12,0%)
2006	531	3318	9273	246,5	25,8 (10,5%)
2001-2006, %	262,9	509,7	571,0	763,2	661,54 (-1,6%)

Source: Lietuvos turizmo statistika 2001, 2002, 2004, 2005, 2006 m. - Lietuvos turizmo departamentas // <http://www.tourism.lt>

Main consumers of rural tourism service are residents of the state, foreign tourists make only 10,5 %. Foreign tourists mostly come from Germany, Latvia, Russia, Belarus and other countries [6]. Organization of recreation in countryside is typical to particular regions of Lithuania – Žemaitija, Aukštaitija and Dzūkija – where poor soil, but attractive, in relaxation aspect, vicinities and old traditions of organizing recreation. Most of rural tourism homesteads are situated in Utena, Alytus, Vilnius, Kaunas and Klaipėda counties (Figure 1). Exclusive role, because of rich recreational infrastructure, belongs to Ingalina, Molėtai and Zarasai districts.

Despite rapid development, potential supply of rural tourism is not nearly enough used in Lithuania. According to Lithuanian State Department of Tourism (SDT), about 7000 country people can go into rural tourism business in Lithuania [6].

The reason of that is a number of difficulties this business bristles with: psychological ill-preparation, barrier of language, lack of enterprise, insufficient development of public physical infrastructure (attainability of tourism objects: road net, bicycle tracks, informational references and road signs) and especially lack of financial resources for investment.

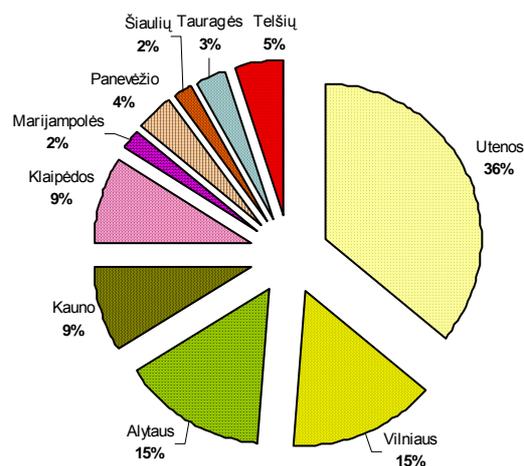


Figure 1. Territorial distribution of rural tourism homesteads (%)

Source: Lietuvos kaimo turizmo asociacija //http://www.atostogoskaime.lt

3. ANALYSIS OF SAPARD SUPPORT TO RURAL TOURISM BUSINESS

During Lithuania integration to common European Union economic space one of the measures (measure III) of The European Union Special Accession Programme for Agriculture and Rural Development (SAPARD) was devoted to development and diversification of economic activities in rural areas providing for multiple activities and alternative incomes. This measure promotes the increase of income level of rural inhabitants and farmers, maintaining present employment and creating new or alternative jobs, encouraging diversification of rural activities and services, co-operation of activities and development of small and medium businesses, **increase the volume of services for rural inhabitants and improvement the quality of the services provided** [10]. Priority sectors:

- 1 sector – production of not traditional agricultural products;
- 2 sector – **rural tourism and recreation services**;
- 3 sector – aquaculture and fishing in inland waters;
- 4 sector – main services and other activities promoting growth of rural inhabitants income;
- 5 sector – traditional crafts;

It was expected to distribute to 14 % of public funds, that is EU support + national support, to this activity and to ensure grant support to 1 500 projects. Direct public funds distributed: production of not traditional agricultural products (9 %), rural tourism and recreation services (15 %), aquaculture and fishing in inland waters (1 %), main services and other activities (70 %), traditional crafts (5 %) [9]. While organizing SAPARD measure III (development and diversification of economic activities providing for multiple activities and alternative incomes) priority sectors, it was expected that the program will promote development of new businesses in rural regions and rural tourism would be the main element. It was expected that in rural areas, where farming meets with a loss, because of unfavorable soil, economic and other conditions, rural tourism and other economic activities would eliminate loss and pattern of life in the country would become source of revenue.

Unfortunately, implementation of this SAPARD measure hadn't solved problems of rural inhabitants employment and income. Though biggest number of projects (46,9 %) was delivered in rural tourism sector, however biggest number of working places, because of SAPARD support, was established in other sectors.

Analysis shows, that the proportion of the measure III beneficiaries among all SAPARD beneficiaries doesn't even make six percent (5,88 %), and amount of support granted to this measure – 5,54 % of all SAPARD support amount [1;10].

Comparing measure III (development and diversification of economic activities providing for multiple activities and alternative incomes) real indicators (52 projects implemented) with goals set in National Agriculture and Rural Development Program (NARDP) 2000-2006 (1 500 projects implemented), we can see that real situation is disappointing – goals implemented only 3,5 % [10].

According to NPA data, during whole SAPARD program functioning period, only 3,85 % (6 213 000 Lt) of all planned measure III amount (161 611 000 Lt) and 18,19 % of actually budgeted to this measure amount was paid to rural tourism and recreation services development (Table 2).

Table 2. Proportion of SAPARD measure III (Development of economic activities and promotion of alternative incomes) amount budgeted to rural tourism development according to counties

County	Measure III		Rural tourism in that measure		Proportion of amount budgeted to rural tourism, %
	Number of contracts	Total, thou.Lt	Number of contracts	Total, thou.Lt	
Alytus	8	5 708	0	0	0
Kaunas	14	11 079	5	2 671	24,11
Klaipėda	3	2 565	1	789	30,76
Marijampolė	1	1 176	0	0	0
Panevėžys	1	216	0	0	0
Šiauliai	4	2 803	0	0	0
Tauragė	1	347	1	347	100,00
Telšiai	2	923	1	70	7,58
Utena	7	2 467	5	1 775	71,95
Vilnius	11	6 873	4	561	8,16
TOTAL	52	34 157	17	6 213	18,19
1 beneficiary an average	***	656,87	***	365,47	***

Šource: SAPARD/ Statistika./ Ekonominės veiklos plėtra ir alternatyvių pajamų skatinimas, www.nma.lt

Despite that most applications for SAPARD support measure III were submitted in rural tourism sector [45 applications (for 20 mln. Lt) from 8 counties], only 37,78 % of them were approved (Table 3). Even 28 applications were rejected. This is the least percentage of applications approved comparing with all other SAPARD program measures.

Table 3. Applications for SAPARD support confirmation-rejection analysis

SAPARD support measures	Number of applications submitted	Number of rejected applications	Number of approved applications	Percentage of approval
TOTAL of all measures	1222	338	884	72,34
Investment in agricultural holdings	578	126	452	78,2
Improving the processing and marketing of agricultural and fishery products	69	23	46	66,67
Development and diversification of economic activities providing for multiple activities and alternative income	96	44	52	54,17
From measure above:	11	3	8	72,73
- production of not traditional				
- rural tourism and recreation	45	28	17	37,78
- main services and other activities promoting growth of rural inhabitants income	40	13	27	67,5
Improvement of rural infrastructure	321	136		57,63
Vocational training	109	103		94,5

Šource: „SAPARD paramos įgyvendinimo Lietuvoje ataskaita“, www.nma.lt

During all SAPARD functioning period only 17 applications (for 6,2 mln Lt) for support to rural tourism were approved (Table 3). This makes 32.7 % and 18.19 % in all measure III scope.

Aukštaitija and Žemaitija regions, where big part of holidaymakers is fascinated by the plenty of lakes and the beach, are the most attractive to tourists. This is why most applications for support to rural tourism were submitted from Utena, Kaunas and Vilnius counties. The biggest number of approved applications is also in these counties (Table 4). The biggest part of SAPARD support to rural tourism had come to Utena (28,56 %) and Kaunas (42,98 %) counties.

Table 4. Structure of SAPARD support to rural tourism objects by counties

Number	Counties	Number of support recipients	Amount of support, thou.Lt	Proportion of recipients, %	Proportion of support, %
1.	Kaunas	5	2671	29,41	42,98
2.	Klaipėda	1	789	5,88	12,70
3.	Tauragė	1	347	5,88	5,58
4.	Telšiai	1	70	5,88	1,13
5.	Utena	5	1775	29,41	28,56
6.	Vilnius	4	561	23,53	9,03
TOTAL		17	6213	100	100,00
1 beneficiary an average			365,5	X	5,88

Source: „SAPARD paramos įgyvendinimo Lietuvoje ataskaita“, www.nma.lt

Small projects were mostly submitted and approved in rural tourism sector: 365,5 thou Lt support was assigned 1 beneficiary an average (Table 4), and more than 5 mln. Lt support was assigned to one project in measure „Improving the processing and marketing of agricultural and fishery products“. Taking into account that the least support, counting to one object, was assigned to rural tourism sector, it seems that it was too complicated to small rural tourism businessmen to participate in SAPARD program.

Analyzing percentage of submitted and rejected applications it is noted that rural tourism and recreation sector services were rated the most critical (Table 3). The most part of this sector applications were rejected because of project inadequacy to program requirements, some part – because of insufficient rate of economic vitality indicators, 4 % – because of fraud. Qualifying this situation from different side, rejected applications reflect the fact that consulting services were not able to meet the requirements of potential support recipients, to give them professional consultations. This is why bad quality applications were submitted [1;12].

Growing demand of rural tourism services motivated rural tourism homestead owners to make investment projects more active. But analysis of approved and rejected projects, given above, showed that from all support measures and sectors to stand for rural tourism and recreation services support sector was most complicated. Analyzing and comparing data of support to various sectors recipients, it is under the impression that rural tourism sector support projects were not very attractive. Despite that, analysis shows that, thanks to support, big homesteads designed for big groups of holidaymakers were established. There were usually 12 beds in one recipients homestead before renovation. Number of beds in one homestead approximately grew to 26, as SAPARD program projects were implemented. However, customers desiderate small homesteads with good infrastructure, designed to individual recreation. Unfortunately, this kind of homesteads couldn't participate in SAPARD program, because of too high economic vitality indicators and complicated procedure of preparation and submission of application and documents required.

48 new work places were created in tourism sector because of SAPARD support. Though, it was planned to create 96. It is interesting that 2/3 of new work places were occupied by women, 1/5 – by youth [1].

Summarizing tendencies of SAPARD support influence to rural tourism business development, a conclusion can be made that SAPARD support hadn't reached the impact, planned in strategic agriculture and rural development documents. This influenced insufficient rate of rural economic activities development, employment and income.

4. CAUSES OF INEFFICIENT USAGE OF SAPARD PROGRAM FUND IN RURAL TOURISM

Lithuanian country can be an attractive area to tourism and recreation only with developed social and industrial infrastructure, community of cultivated and enterprising people, healthy environment and

beautiful landscape. All this, definitely, requires great financial resources. SAPARD program is one of sources.

Many factors determined insufficient usage of SAPARD program to financing rural tourism activities. Some of these factors are related to SAPARD program requirements and provisions, others restricted rural tourism development and, at the same time, greater usage of the EU fund.

Difficulties of SAPARD program are – too strict SAPARD program requirements and provisions. Possibility to participate in **SAPARD program was restricted by these causes:**

- only countrymen, who had registered farm in determinate order, could participate in SAPARD program. Rural tourism business is usually developed in regions which are not favorable to agriculture. Therefore, it is beside the purpose for the owner of homestead to register farm;
- applicants had to make all investments by making labor contracts, no homestead owners labor was compensated. This artificially increased extent of investments and it was too expensive to many small homestead owners to participate in support program. However, SAPARD programs strict requirement to deliver documental reports, proving purchase of materials for used resources, prevented from using traditional building materials, local masters skills and work of homestead owners themselves;
- complicated procedure of preparation and submission of application and documents required;
- long investment expediency verification procedure and overdue financial support transactions. Overdue national payment accounts impeded loan repayment procedure and caused lack of circulating asset;
- requirement to have business ground education. This made rural tourism homesteads owners to participate in vocational training programs, before preparing and making requisitions to get SAPARD support. Meanwhile, growing flow of tourists made rural tourism homesteads owners devote more time and energy to their main activity and to stay in their homestead.

Barriers, that restricted rural tourism development and, at the same time, greater usage of EU fund. Negative influence to greater usage of SAPARD support to rural tourism was also made by factors that restricted rural tourism development. Primarily – imperfect legal basis.

Juridical factors. Rural tourism, as business, development is unavoidably connected with natural environment – waters and forests recreational possibilities – usage to human recreation, providing appropriate service and entertainment. It is possible to provide this service and entertainment only when appropriate infrastructure is created (buildings, mechanisms and means). Meanwhile, economic activities and infrastructure equipment in natural environment and protected territories are strictly determined by Water, Forests and Protected territories acts [14, 8, 12].

This is why Lithuanian legal basis generate not a few juridical conflicts without precedent and infringement of rights of private property disposal and usage. Some examples:

- according to Forest act, forest can be deforested, but it can't be used as a recreational resource in rural tourism, because this kind of activity is not covered in the act. Building is not allowed in forest territory, because it is treated as forest territory conversion to other landed property. Though, in this case, forest is an essential rural tourism activity condition [8];
- according to Protected territories act, [12] national and regional parks are declared to be state parks (articles 4, 12 and 13), this means that the state is property owner. However, even 60-70 % of this territory is private property domain. Meanwhile, it is not indicated that Protected territories act provisions are applicable only to state property territories. Therefore this concept contradicts legal reality and turns owners to hostages of state regulation;
- national and regional parks are being primarily established for environment protection purposes, though, according to European conception, regional parks are territories of active tourism promotion. „Cognitive tourism“ is indicated as one of the objectives of establishment of these parks, but Protected territories act, article 2, doesn't leave space to rural tourism and other tourism activities;
- although activities in national and regional parks are being regulated by Protected territories act, article 13, however, the same article delivers activity regulatory right to Government regulations, planning documents and Environment ministers individual regulations, which can be even more strict, then determined in the Act. This means, that organizers of the plans mentioned can determine usage of private property, define where and what to do and so on at discretion; this is what actually is happening;

- Protected territories act enables building of only one, till 25 square metres area, „bath for personal use“ in homesteads situated beyond water pool preservative zone boundaries. However, rural tourism service provider can have till 20 rooms and, in this case, such a „bath for personal use“ doesn't meet the requirements neither of service provider, nor of service consumer [5];
- rural tourism development requires specific territorial structure of rural homestead. Leisure space must be separate from household space. Building of new rural tourism objects and renovation of already existing in favorable in recreational aspect, but protected by state territories is strongly restricted by protected territory usage rules and requirements. Otherwise, rural tourism development makes conditions to rural economy landed property transformation, especially in poor soil territories. And procedures of land usage purpose change are rather longlasting and complicated. These procedures frequently become a real barrier to rural tourism object development;
- compensation for activity restrictions in protected territories prescription course is not regulated by acts;
- legal mechanisms, promoting rural tourism business development in poor soil territories, are not prepared;
- visa getting difficulties to Eastern market tourists, insufficient inducement for investment in cultural heritage preservation and adaptation to tourism, complicated building license delivery and project adjustment procedures stop tourism flow and infrastructure development;

Namely legal acts often are a serious obstacle developing rural tourism in attractive recreational locations.

Technical factors are: insufficient infrastructure of state, countryside and particular farms. Infrastructural restrictions of foreign tourists flow to Lithuania are obviously felt: low quality of railway service, insufficient condition of roads, not developed infrastructure of passenger communication by sea, inland waters and cycle-treks, cultural heritage objects are not prepared for tourist visits and not used for tourism, weak tourism objects marking and information system, uneven development of accommodation service net, insufficient leisure entertainment. Currently, only services provided by homestead owner, entertainment determined by homestead and surrounding environment, only amount of imagination and financial resources of owners, are commonly offered to tourists. Lack of specialization, oneness is obvious.

In **social** meaning, the largest **factor** restricting rural tourism development is low intelligence of rural families and general social condition of rural society. Many countrymen are insufficiently educated, feel a communication with tourists barrier because of inaptitude of foreign languages, lack of enterprise. A great part of countrymen are not psychologically ready to start giving service to tourists, about 30 % of them think that they are too old for that.

Social service condition in rural regions is not above reproach and directly influences tourism service culture.

CONCLUSIONS

1. SAPARD program was an important instrument, protecting vitality and competitiveness of Lithuanian rural areas. One of the main objectives of SAPARD support – to increase income in Lithuania rural regions by creating work places in competitive agricultural and economic activities – was partly achieved.
2. SAPARD support, in this aspect, was implemented in too narrow economic activities. Imperfect legal acts, too complicated application submission procedure and too high selection criteria; lack of initial financial resources; complicated rural business lending system; too complicated investment expediency verification system and overdue payment basically aggravated possibilities to use SAPARD program financial support and made barriers to rural tourism development.
3. Project selection criteria impeded young, starting own business, having little resources rural businessmen participation in this program.
4. Demand of rural tourism service growth implies that investment in this business in our country, like in other European countries, where rural tourism service demand has clear growth tendencies for a long time, are purposeful.
5. Presumable, that there will be more regard to Lithuania rural tourism and this activity will achieve more support from EU support new financial 2007-2013 year perspective than from SAPARD program.

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