

SPA TOURISM IN SERBIA

GUIDELINE FOR LOCAL AUTHORITIES

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The views and opinions expressed herein reflect those of the authors solely and do not necessarily represent the views of the French Embassy or the French government.

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ABBREVIATIONS

CDT	Departmental Committee for Tourism
CNETh	National Council of Thermal Establishments (Conseil National des Etablissements Thermaux)
DGE	Directorate General for Enterprises
EBI	European Bank of Investment
EBRD	European Bank for Reconstruction and Development
EFWSA	European Fitness Wellness and Spa Association
EHTTA	European Historic Thermal Towns Association
EPCI	Public Inter-Municipal Cooperation Establishments
ERDF	European Regional Development Fund
ESPA	European Spa Association
EU	European Union
EUR	Euro
GDP	Gross Domestic Product
INSEE	(French) National Institute of Statistics and Economic Studies
MWA	Medical Wellness Association
NTOS	National Tourism Organisation of Serbia
PPP	Public-Private Partnership
RSD	Serbian Dinar
RTSE	The Roman Thermal Spas of Europe
SKGO (SCTM)	Stalna konferencija gradova i opština (Standing Conference of Towns and Municipalities)
SRDTL	Regional Plan for the Development of Tourism and Leisure
TRAN	Committee of Transport and Tourism of the European Union
UBAS / SSA	Udruženje Banja Srbije / Serbian Spas Association
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNWTO	United Nations World Tourism Organisation
USAID	United States Agency for International Development
USD	United States Dollar
WTTC	World Travel and Tourism Council



EXECUTIVE SUMMARY

This guideline presents the results of a desk and field research conducted in 2020 on thermal tourism in Serbia and its development potential, and it suggests proposals for its improvement.

With 50 spas and around 500 cold and hot mineral water sources, Serbia has promising potential for developing the spa sector. However, the capacities to fully utilise them for medical and recreational purposes are not yet developed. Spa tourism is at the interface between wellness and medical treatment and, therefore, lacks a precise definition making it hard to compute its weight and importance. While there is significant growth in the sector, concrete policies remain absent.

This paper provides local self-governments with concrete proposals for strengthening the spa tourism sector in Serbia. It discusses good and bad practices, advantages of **public-private partnerships**, opportunities and trends in health and spa tourism, and funding opportunities. The guideline concludes with recommendations for Serbian officials in local self-governments in developing spa tourism in their territories.

Health tourism is a traditional form of tourism with a long history in Europe, with new trends emerging all over the continent, such as wellness, self-care, and the demand for sustainable and rural tourism. Located predominantly in small towns and municipalities, spa centres respond to these trends. That makes spa tourism a powerful source for **socio-economic development** in Serbia. Although a niche, spa tourism has potential in Serbia if a more ambitious and explicit policy targets it. It is a tool to counter seasonality. Targeting a demographic that does not follow the usual tourism cycle, i.e. seniors or digital nomads while offering products and services that are not dependent on the weather can lead to promising results.

Secondly, spa tourism is labour-intensive, both in the low-skilled and high-skilled sectors where medical knowledge is required. That makes spa tourism leverage economic development and job creation in rural areas.

Spa tourism gives incentives to protect, promote and manage the environment and natural resources because clients expect healthy and relaxing surroundings. Bolstering spa tourism aligns with the **EU Green Agenda** with sustainable and green development, one **UN Sustainable Development Goal**.

BACKGROUND

Tourism development is subject to the national **Tourism Development Strategy** defined by Serbian authorities for ten years, with the current strategy being ongoing (2016 to 2025).¹ It highlights eight key products for Serbia as a tourist destination, one of which is spa and wellness as part of spa and health tourism.²

Spa tourism faces numerous difficulties. After the collapse of Yugoslavia, many hotels and youth hostels were sold and are abandoned now. In addition, there has been little investment in improving the quality of tourism products, particularly for health and wellness tourism in spas. There is a lack of market research on the needs of the Serbian tourism sector. Natural spa resources represent one of the most **profitable development potentials** of local self-governments in Serbia. However, the lack of strategic plans and relevant laws approaching this resource prevents local self-governments from commercialising this potential.

One approach could be the combination of public and private investments, so-called public-private partnerships (PPP).

One of the recommendations formulated in the National Strategy is to strengthen the PPP model to increase investment in tourism. However, there is not much experience in forming PPPs in tourism in Serbia so this guideline will include a practical example from its neighbour country Hungary.

In Serbia, municipalities implement investments in tourism development, while local tourism organisations are responsible for their promotion. At a joint session, the Committee on Economic Development and the Committee on Health and Social Policy, both part of the Standing Conference of Towns and Municipalities (SCTM), decided to establish a working group for Spa Tourism tackling topics like:

- the promotion and marketing of existing tourist destinations,
- increasing state funds for investments in tourism and tourist facilities,
- regional connection of Serbia's potential,
- and opportunities for joining European associations, such as the European Spa Association.

The following guideline will assist the working group in addressing these issues.

1 Ministry of Trade, Tourism and Telecommunication of the Republic of Serbia, The Tourism Development Strategy of the Republic of Serbia for the period from 2016 to 2025 (hereinafter: The Strategy), 2016.

2 The other sectors are city tourism, events, mountain tourism, spa/wellness as part of spa/health tourism, thematic routes, rural tourism, MICE (meetings, incentives, conferences & events), and cultural heritage.

SERBIA'S TOURISM STRATEGY

The National Tourism Development Strategy was drafted according to Article 7 of the Law on Tourism. Its main goal is to ensure a systematic approach to tourism considering economic aspects and social, environmental, and local developments. Therefore, tourism is seen as complementary to culture, education, trade, construction, transport, etc. Since tourism affects many intersectional topics, it should play an essential role on the government agenda. The main objectives³ stated in the Tourism Development Strategy of the Republic of Serbia are:

- Supporting sustainable economic, environmental, and social development of tourism
- Improving the competitiveness of the tourism industry and related activities
- Increasing the contribution of the tourism sector to the GDP
- Increasing the employment in and by the tourism sector
- Enhancing the image of Serbia in the region, Europe and worldwide

Assessing the first period of the Strategy, the Ministry of Trade, Tourism and Telecommunications noted that some progress had been made in developing several existing tourism products.

Despite this, the report underlines that "no progress was made and no significant investments were generated to improve the quality of other tourism products, especially in health and wellness tourism, in spas and nautical tourism"⁴. At the same time, wellness vacations (including an extensive range of activities, like spa, yoga, detox, fitness) observe a growth tendency around the world and especially in Europe.⁵

The category "health tourism (spa & wellness)" appears as a "high priority" within the Serbian portfolio of tourism products. In fact, Serbian spas generate mainly an influx of domestic patients and tourists, but they attract only 10% of foreign tourists. At the same time, Serbia has many mineral water springs (about 500 are sources of cold and hot mineral water) compared to other European countries. Still, only around 10% of them are exploited (approximately 50 spas and climatic centres). Consequently, spa tourism represents one of the **most considerable potentials** for Serbian tourism and regional economic development (youth employment, construction of smaller accommodation facilities, development of the services sector and agriculture, etc.).⁸ Natural spa resources represent one of the most tangible development potentials for local self-government.

3 The Strategy 2016, p. 7

4 Ibid, p. 14.

5 Ibid, p. 29.

6 Ibid. p. 58.

7 Ibid. p. 33.

8 Ibid.

WHAT IS SPA TOURISM?

The EU defines Spa tourism as “tourism focused on the relaxation, healing or beautifying of the body in spas using preventative wellness and/or curative medical techniques”.⁹

Spa tourism is a topic not easy to define. Aside from the lack of consensus, the following approach will provide clarity and cross-comprehension throughout this guide. While some organisations, such as the Global Wellness Institute (GWI), regard spa tourism as a part of wellness, the European Union (EU) distinguishes between spa and wellness as part of health tourism, considering that spa encompasses both medical and non-medical elements.¹⁰

It is up to the institutions and local authorities to choose one of these orientations. However, the EU's definition of spa tourism is the one that appears to be relevant for the case of Serbia as the country needs to preserve the medical aspect of spa tourism excellency but also improve its capacities and the services offered for the non-medical elements of wellness.



Wellness tourism involves “people travelling to a different place to proactively pursue activities that maintain or enhance their personal health and well-being, and who are seeking unique, authentic or location-based experiences or therapies that are not available at home”.¹¹

9 Smith, Melanie; Puczkó, László (2014): Health, Tourism and Hospitality. Spas, Wellness and Medical Travel. Routledge; p. 10

10 Papadopoulou, Georgia (2020): Spa Tourism in Europe: An Economic Approach, In: Athens Journal of Tourism, Vol. 7, No. 3, pp. 133-144.

11 Johnston, Katherine; Puczkó, László; Smith, Melanie; Ellis, Susie (2011): Wellness Tourism and Medical Tourism: Where Do Spas Fit? p. iv

METHODOLOGY

To better understand how spa tourism works in Serbia and how to improve it, the guideline and recommendations presented here are based on field research conducted in six spas in Serbia, three of which were visited. The analysed spas differ in size, type (simple or double sites), wellness/spa orientations, and medical care specialisations. Different representatives of the spa management and other staff members were interviewed:

INSTITUTION	VISIT	INTERVIEW
Institute of Niška Banja	×	×
Ribarska Banja	×	×
Vrnjačka Banja	×	×
Prolom Banja		×
Sokobanja		×
Bukovička Banja		×
Serbian Association of Rehabilitation Special Hospitals		×

PERSPECTIVES OF SPA TOURISM: SITUATION, STRATEGY AND TRENDS

The lack of consensus on definitions of terms and the limited availability of evidence-based data on health tourism hamper the assessment and monitoring of its market and economy share. However, there is a change towards the creation and development of tools, measurements and surveys to understand the market of spa tourism better and prepare forecasts.¹²

In 2017, the Global Wellness Institute portrayed the health tourism market as a booming segment, growing faster than regular tourism (Table 1). Although spa tourism accounts for less than 3 per cent of the wellness tourism market, with a market share of USD 118 billion, it is growing at almost twice the annual rate (9,8 % against 6,4%). Europe enjoys an even more significant yearly growth and thus, represents a striving prospect for spa tourism.

¹² European Parliament Policy Department for Structural and Cohesion Policies Research, TRAN Committee - Health tourism in the EU: a general investigation, op.cit., p. 23.

Table 1: Market Size of the Spa tourism sector in Europe and worldwide

Spa Economy	Market Size (in billion USD)		Average Annual Growth Rate
	2015	2017	2015-2017
Europe	30,25	33,3	+10,1%
Global	98,6	118,8	+9,8%

Source: Global Wellness Tourism (2018)

Records on the size of health tourism are kept mainly by organisations with a commercial interest in these markets and are frequently accused of 'industry boosterism'.¹³ However, it is evident that spa tourism in Europe thrives without any explicit EU Policy supporting it. That makes it a significantly resilient form of tourism in Europe.¹⁴

Experts interviewed in the Research for the Committee of Transport and Tourism (TRAN) of the European Parliament stated that spa tourism is growing at all destinations but at a linear rhythm and not exponentially. Moreover, two countries have lost market shares: Switzerland due to its prohibitive costs and Austria because of the change of orientation from medical to wellness.

Several growth factors have been underlined, among others: demographic shift¹⁵ and change in lifestyle.¹⁶ Wellness breaks incorporate a wide range of activities: spa, yoga, detox, fitness and stress relief.

They are especially popular with business people seeking to recharge on holiday. Wellness programmes are also popular with single travellers.


Serbia counts a growing number of tourist arrivals and overnights and welcomes tourists from all over the world every year. On the other hand, the spas are mainly visited by domestic tourists. The following section discusses perspectives of spa tourism in Serbia by presenting key products and their characteristics. Because Serbia is an EU candidate country, the analysis of Serbian spa tourism in particular and tourism, in general will be put into a European perspective.

13 Hanefeld, Johanna; Horsfall, Daniel; Lunt, Neil (2015): Handbook on Medical Tourism and Patient Mobility, p.27

14 Papadopoulou, Georgia (2020): Spa Tourism in Europe: An Economic Approach', In: Athens Journal of Tourism, Vol. 7, No. 3, pp. 133-144.

15 Increased number of elderly, which represents a market's target for spa tourism

16 Greater awareness of health boosts the interest in spa tourism.



Thermal water is rich in trace elements and has the benefits of exceptional mineralisation, which the Romans were the first to exploit for its healing virtues. It contributes to muscle relaxation, relieves skin conditions etc.

Thermal water is mainly used in hydrotherapy, an ancient therapeutic method that aims at preventing, treating and curing by using water. Therefore, different techniques are applied with various benefits, like hydro massages in thermal baths.

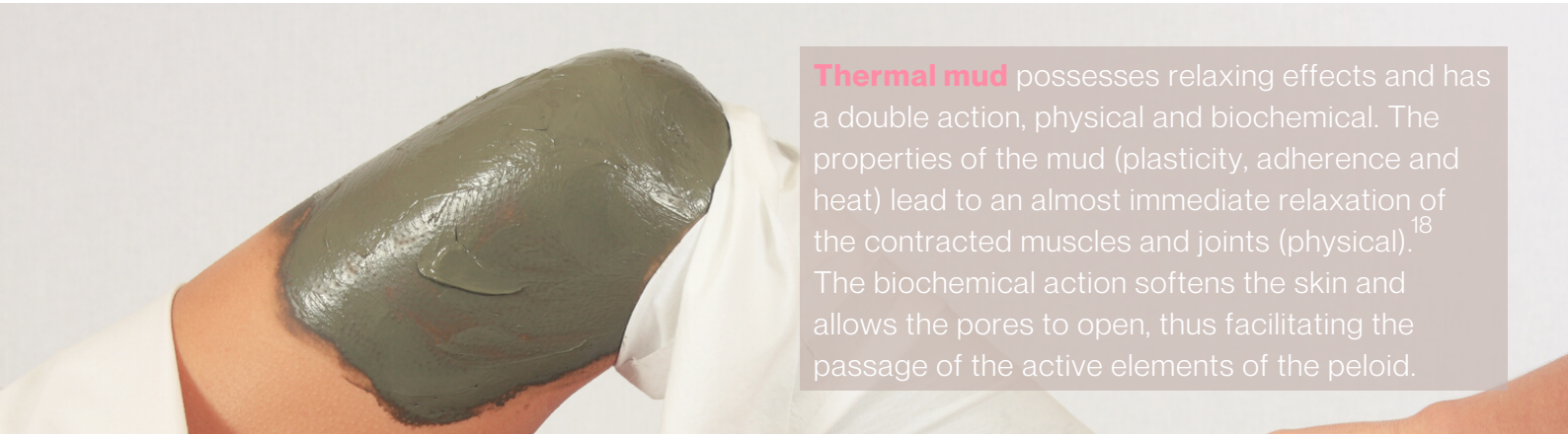
With over 1000 springs, 500 of which are cold and hot mineral water sources, mineral gases, and healing mud, Serbia is rich in thermal mineral springs, which have huge potential in spa tourism. With its 50 spa resorts, Serbia was dubbed "Spa Land", which speaks of its importance for tourism.¹⁷

In Serbia, spa tourism is mainly linked to traditional health tourism, including prevention, curative treatment or rehabilitation, using natural healing factors combined with modern medicine.

Traditional spa treatments are carried out in health facilities or "sanatoriums" in all areas of medicine. These institutions are part of the Serbian public health system.

Serbia's natural healing factors are based on primarily thermal water from natural springs and thermal mud, which have unique benefits and virtues.

It is used for therapeutic purposes in many thermal centres for external application on patients, mainly in the rheumatology therapeutic orientation.



Thermal mud possesses relaxing effects and has a double action, physical and biochemical. The properties of the mud (plasticity, adherence and heat) lead to an almost immediate relaxation of the contracted muscles and joints (physical).¹⁸ The biochemical action softens the skin and allows the pores to open, thus facilitating the passage of the active elements of the peloid.

17 Perić, Goran; Stojiljković, Marija; Gašić, Marko; Ivanović, Vladan (2017): Perspective of development of Spa tourism in Serbia. In: Journal of Awareness, p. 598.

18 Office Intercommunal de Tourisme et du Thermalisme du Grand Dax, Le guide de votre cure thermale, (The guide to your spa cure), Grand Dax Tourisme et thermalisme, Dax, 2019, p. 9

Summary: Key Data on Wellness Tourism as of 2020¹⁹

- Wellness tourism accounts for roughly two-thirds to three-quarters of all health tourism.
- The quest for improved health and immunity will be a powerful motivation for tourists globally seeking out places that boost their wellbeing.
- According to the Global Wellness Institute, wellness tourism will be worth USD 919 billion by 2022, representing 18% of all tourism globally.
- The total volume of health tourism in the EU28 is estimated at 56.0 million domestic arrivals and 5.1 million international arrivals (from all over the world), totalling 61.1 million health-tourism arrivals in the EU28 for 2014.
- The health tourism share of all EU28 arrivals is 4.3% (international plus domestic).
- Germany, France and Sweden are key players in EU28 health tourism, with 56% of all health tourism arrivals and 58% of all departures.
- With two-thirds to three-quarters of the total market, wellness tourism dominates EU health tourism.
- Health-tourism revenues total EUR 46.9 billion in the EU28, representing 4.6% of all tourism revenues and 0.33% of the EU28 GDP. Just five countries contribute more than three-quarters of the EU health-tourism revenues: Germany, France, Poland, Italy and Sweden.
- The health-tourism market share in the EU is stable, with market reports indicating an increase.
- Health tourism may have beneficial effects on the labour market and the environment, and it may help reduce tourism seasonality.
- Most medical tourism clinics also serve local patients and exploit medical tourism as an addition to their 'market'.

19 European Parliament Policy Department for Structural and Cohesion Policies Research, TRAN Committee - [Health tourism in the EU: A General Investigation](#)



LEGAL AND STRATEGIC FRAMEWORK IN THE EUROPEAN UNION AND SERBIA

EUROPEAN UNION

EUROPEAN TOURISM LEGISLATION

The specific EU competence on tourism is set out in article 195 of the Treaty on the Functioning of the European Union. Tourism is principally seen as a competence of the EU member states. The EU's competence in the tourism sector is limited to supporting and coordinating the actions of member countries. For instance, the EU has the means to assist with cooperation between its member states by financing joint projects and promoting the exchange of best practices. EU policy aims at maintaining Europe's standing as a leading tourist destination while maximising the industry's contribution to growth and employment.

EUROPEAN FRAMEWORK FOR HEALTH TOURISM

EU policies do not explicitly support wellness and spa tourism, but health tourism benefits from [EU funding](#). For instance, it is eligible for funding from the European Regional Development Fund (ERDF) because health tourism helps develop quality value-added products and services

in niche markets by mobilising specific local resources and contributing to smart regional specialisation. Furthermore, there are EU policies addressing patient mobility. On the European level,²⁰ part of the legal framework for health tourism has been laid out in Directive 2011/24/EU on applying patients' rights in cross-border healthcare. The Directive aims to establish rules for facilitating access to safe and high-quality cross-border healthcare in the EU to ensure patient mobility under the European Court of Justice's principles and promote the member states' cooperation in healthcare. The main points of attention in Directive 2011/24/EU are patient mobility (prior authorisation and reimbursement for patients), national contact points, and cross-border cooperation (e-health and European reference networks).

Aside from Directive 2011/24/EU, there is little to no explicit reference to health tourism and its three components (medical, wellness, and spa tourism) in EU tourism policies. However, the European Commission supports regularly tourism-related projects, some of which are directly related to health tourism.

20 European Parliament Policy Department for Structural and Cohesion Policies Research, TRAN Committee (2017:) Health tourism in the EU: a general investigation, European Parliament, Brussels, p. 57.



A digital handbook has been developed that offers a self-assessment tool, a development tool and a course with educator instructions. A blog has also been set up where industry, academia and citizens can share their knowledge (Period 2012-2014).

Three of them are 'WelDest', 'SOWELL' (Social tourism Opportunities in Wellness and Leisure activities) and 'OFF TO SPAS', designed to strengthen cooperation between the actors who facilitate health tourism. These projects focus on developing health and well-being destinations, the possibilities for opening up access to wellness activities for seniors and young people, and the creation of new, thermal water-related international health tourism products in spa towns within Central Europe.

The 'WelDest' project was funded with support from the EC (EUR 299,966) and in conjunction with five higher education institutes from Austria, the Czech Republic, Finland, Germany and the UK. The aim was to create a framework and a toolkit for the destination of management organisations, public bodies and private companies looking to develop or strengthen themselves as health and well-being destinations.

Even though health tourism is a member state competence, national and regional health tourism policies are pretty standard in the member states. They are either included as part of general tourism or part of health policies, but they are rarely integrated. These policies aim to improve the quality of health tourism through supporting collaborations, promotional campaigns, regional specialisation, legislation, and reducing tourism seasonality.²¹ Despite the EU Directive 2011/24/EU, there are still considerable taxation, financial and legal differences between the member states.

21 European Parliament Policy Department for Structural and Cohesion Policies Research, TRAN Committee (2017:) Health tourism in the EU: a general investigation, European Parliament, Brussels, p. 57.

SERBIA

Local and provincial autonomy is enshrined in the Constitution (Arts 12 and 176). The local self-government units are not vested with any legislative power; they exercise their functions using regulations. Local communities and autonomous provinces are generally competent in matters of local/provincial interest, respectively, according to the principle of subsidiarity (Art. 177). The Constitution lists the competencies of the autonomous Provinces (Art. 183) and those of the local units of self-government (Art. 190). The competencies assigned are shared. In addition, the Central Government may delegate specific competencies.

RESPONSIBILITIES OF THE PROVINCES

Regarding tourism, the autonomous provincial authorities are responsible for:

- Adopting programs and strategies of the State
- Promotional activities

The Vojvodina Provincial Secretariat for Economy and Tourism is responsible for tourism programs and industry development. Per the Constitution (Art. 183), the Autonomous Provinces may regulate matters of local interest in tourism and health care.²² The allocated competencies are shared.

The autonomous province is responsible for the following:

- Adoption of the annual program and plans of promotional activities following the Strategic Marketing Plan, plans and programs of TOS;
- Coordination of the activities of economic and other entities related to the promotion of tourism in the territory of the autonomous province and programs of education and training of skills of employees in tourism;
- Collection of all types of tourist information to inform the public;
- Provision of information and propaganda material that promotes the tourist values of the Autonomous Province (printed publications, audio and video promotional material, online means of promotion - internet presentation, social networks and accompanying digital activities, souvenirs, etc.);
- The realisation of activities fostering the development, participation and implementation of domestic and international projects in the field of tourism.

²² Ibid, p. 59.

RESPONSIBILITIES OF THE MUNICIPALITIES AND CITIES

Local authorities have a central role in providing sustainable development of local areas and better management. This role requires the local authorities to have a more energetic and integrated approach to establishing local policies by harmonising economic, social, environmental and other development goals. The Local Self-Government Act²³ regulates local self-government. The task of the local government is to encourage the citizens, social and non-governmental organisations, companies and associations to take an active role in integrated local development planning.²⁴ According to art. 190 of the Constitution, local municipalities are responsible for creating and managing institutions and organisations relating to tourism and health care.²⁵ In terms of tourism, the municipal authorities are responsible for²⁶

- adopting programs and strategies of the state
- managing and developing a tourist area
- the application for categorisation of a tourist resort
- promotional activities
- displaying tourist signalisation
- tourist taxes

The **Law on Tourism** in Serbia regulates the conditions and manner of planning the development of tourism, tourist organisations for tourism promotion, travel agencies, tourism services, the Tourism Register and other issues essential for the development and improvement of tourism. The **Law on Hospitality** regulates conditions and ways of catering activities in nautical and hunting tourism facilities, sojourn tax and penalties. One innovation in the Law on Hospitality is the introduction of the Central Information System for tourism and catering (E-tourists). It is a centralised information system containing all relevant data on accommodation and tourism services providers.

Concerning thermal tourism, the Government of the Republic of Serbia, on the suggestion of the municipality, determines the area that is to be considered a spa (Art. 3 "Official Gazette of RS", No. 80/92, 67/93 - dr. Law and 95/2018). The municipality in whose territory the spa is located ensures its maintenance, use, improvement, and management according to the law (art. 4). The manner of marking the area of the spa is prescribed by the minister in charge of urban affairs and carried out by the municipality in whose territory the spa is located (Art. 6). The right to use the natural healing factor in the spa (thermal and mineral water, gas and healing mud) is given to a domestic legal or natural person by the municipality in whose territory the spa is located, with the consent of the Government of the Republic of Serbia (art.10). The municipality monitors the amount and composition of the natural healing factor in the spa. At least once in three years, it provides a check of its healing properties in an authorised health institution (art. 12).

23 Zakon o lokalnoj samoupravi (Sl. glasnik RS", br. 129/2007, 83/2014 - dr. zakon, 101/2016 - dr. zakon i 47/2018)

24 Ibid.

25 European Committee of the Regions

26 Ibid.

TRENDS IN HEALTH AND WELLNESS TOURISM

Spa and thermal tourism is evolving along with society and according to the needs of people and the environment. Traditionally, the elderly clientele with low spending capacity uses spa treatments, often covered by their health insurance plan. In developing the sector, this market structure is neither financially nor economically viable.

Stakeholders in spa tourism have understood this, and new trends show a will to modernise the image of thermal tourism with a more extensive and greener offer and activities. These trends in- tend to attract a more diverse clientele, especially younger people, while maintaining a solid link to the growing older demographic.

○ Cultural Heritage and Activities



○ Ageing Well



○ Wellness Tourism



○ Slow and Sustainable Tourism



○ Rural Tourism



CULTURAL HERITAGE AND ACTIVITIES

The purpose of this type of offer is to add value to the town where the thermal station is located and its cultural heritage and offer additional thermal treatments activities. An example is the **Massif Central Water Towns Route** (*Route des Villes d'Eaux du Massif Central*) in France. This initiative emerged to promote water towns with a collective marketing strategy. Created in 1998 in the form of an association, the Massif Central Water Towns Route aims to change the water towns' image and reinforce their attraction as a tourist destination.

Figure 1: Massif Central Water Towns Route in France



Source: The Route of Spa Towns in the Central Massif, 17 well-being stages in the Massif Central





Mosaic at Saint-Honoré-les-Bains

The initiative includes 18 water towns connecting a total of four French regions.²⁷ To better respond to the evolution of the leisure market, this tourism initiative bases its offer on the assets of water cities (well-being and architectural heritage) and the particular lifestyle (art de vivre) of these destinations. The main themes of touristic stays are well-being, sport, thermal heritage and discovery.²⁸

A similar initiative emerged in 2009 at the European level: the [European Historical Thermal Town Association \(EHTTA\)](#). It aims to create a tourism development policy based on cultural enhancement and promotion strategy. In May 2010, the Council of Europe had awarded the EHTTA the European Cultural Route Label. The association intends to have the specificity of European thermal towns recognised by the European Union to obtain financial means for restoring the thermal facilities and safeguarding the cultural and architectural heritage.

The association's main objective is to develop a new strategy for the promising thermal sector. Therefore, it has developed experience exchange formats at the European level while defining creative and innovative promotion and enhancement policies.

27 Auvergne, Burgundy, Limousin and Rhône Alpes

28 Conseil National du Tourisme, Section des politiques territoriales et du développement durable (2011): *La diversification des activités des stations thermales* (Diversification of thermal station activities), p. 49.

AGEING WELL AND ANTI-AGEING

Europeans enjoy longer lives and, for the most part in good health. Life expectancy at birth has increased by about ten years for both men and women over the last five decades. In 2070, life expectancy at birth is projected to reach 86.1 years for men, up from 78.2 in 2018. For women, it is estimated at 90.3 – up from 83.7.²⁹ In combination with a declining birth rate, the proportion of older people in society is increasing steadily and thus becoming a larger target group for thermal tourism. That makes ageing well and anti-ageing interesting topics for the sector.

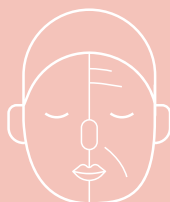
AGEING WELL



- Europeans born in 2018 can expect an average of 64 healthy life years.
- In France, thermal centres have the approach to addressing ageing problems through care, prevention and education of the elderly based on three pillars: physical activity, nutrition and therapeutic education.



ANTI-AGEING



- With this ageing-well movement, an anti-ageing trend emerged.
- Anti-ageing medicine aims to maintain the body's youthfulness, both in its appearance and its vital functions.
- Well-known examples of centres using their thermal spa to offer services combining thermal treatments with cosmetics are La Roche-Posay, Vichy and Valvital in France.



29 [European Commission Report on the Impact of Demographic Change](#), p.7

WELLNESS TOURISM

Societal trends like individualisation, demographic change, spiritualisation and the appreciation of healthy lifestyles go hand in hand with the increasing demand for wellness services and products.³⁰

In the coming decades, ageing and active age groups aspiring for a higher quality of life, particularly in North America, Scandinavia and Western Europe, may represent considerable potential for wellness tourism.

Moreover, the global context of the international pandemic also represents a potential for wellness tourism to develop. The Global Wellness Institute stated, "Covid-19 is a wake-up call to focus on wellness". Indeed, "post corona care" treatments emerge in thermal and spa centres, promoting a recovery concept and boosting the immune system. Covid-19 prioritises balneology, as Spa medicine offers the natural possibility of reducing severe infections in the immune system and promoting a healthy human system.

Table 2: Different dimensions of wellness³¹

Physical	Nourishing a healthy body through exercise, nutrition, sleep, etc.
Mental	Engaging the world with the intellectual mind
Emotional	Accepting, expressing our feelings, and understanding the feelings of others
Spiritual	Searching for meaning and higher purpose in human existence
Social	Connecting & engaging with others and communities in meaningful ways
Environmental	Fostering positive relation between the planet's health & human actions and wellbeing

30 Éva Csirmaz, Károly Pető (2015): International Trends in Recreational and Wellness Tourism. In: *Procedia Economics and Finance*, Vol. 32, pp. 755-762.

31 Katherine Johnston, László Puczkó, Melanie Smith, Susie Ellis, 'Wellness Tourism and Medical Tourism: where do Spas fit?', in: Research report: Global Spa Summit 2011, 2011 as cited in European Parliament Policy Department for Structural and Cohesion Policies Research, TRAN Committee - Health tourism in the EU: a general investigation, op.cit., p 15.

SLOW AND SUSTAINABLE TOURISM AS A RESPONSE TO THE COVID-19 PANDEMIC?

In 2020, the Covid-19 pandemic brought an immediate "stop" to mass tourism, contributing to an overall change in consumer behaviour: travelling, yes, but less far, for less time and cheaper.

The pandemic has challenged the way we consume, which is no longer compatible with the future of a healthy planet. Tourism is one of the activities that contribute to the pollution of our planet. That is why the development of sustainable tourism is more relevant than ever.

The Covid-19 pandemic gives the travel industry a chance to rebuild itself in a more ethical, considerate and regenerative way for the planet and its people. The restriction of international travel could enhance sustainable tourism, a form of tourism that takes full account of its economic, social and environmental impacts while meeting the needs of visitors, professionals, the environment and host communities.



"Sustainable tourism takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment, and host communities"³²

The crisis could accelerate specific trends in tourist consumption, like the renewal of the country hotel offers, or the reinforcement of the practice of slow tourism, in opposition to mass tourism and a taste for eco-designed and widespread accommodation.³³

32 World Tourism Organization (UNWTO): [EU Guidebook on sustainable tourism for development](#)

33 Ibid.

RURAL TOURISM

In line with these sustainability trends, rural tourism development can be an interesting trend to follow for Serbia. In Western Europe, rural tourism was a growing phenomenon in the 1980s and 90s; eastern and central Europe followed a similar path through the 1990s until today. Rural tourism aims to include and benefit rural communities while preserving their environmental and cultural assets. It brings economic development to rural areas by creating additional income and employment. Tourism development can also improve the social well-being in rural areas, for example, by stimulating improvements in infrastructure, sanitation and electricity networks. Rural tourism provides a complete tourism experience, offering both accommodation and attractions. It creates place attachment, encourages visitor loyalty and, therefore, repeated visits.³⁴ In the 1990s, the European association of rural tourism, called EuroGites,³⁵ was created.

The analysis of rural tourism³⁶ in Serbia shows that it already contributes to the rural economy and has great potential for further development. Vojvodina, Western Serbia and Central Serbia have good examples and significant experience in rural tourism.

It is estimated that RSD 10 billion of income is derived from rural tourism representing 16% of the RSD 62 billion of total direct tourism GDP, which was calculated for Serbia in 2010 by the World Tourism Organization.

Rural tourism³⁷ is significantly correlated with other types of tourism such as mountaineering, spas and wellness, touring, and nautical attractions. Serbia has recognised this potential and the scope for more intensive development and therefore included it in the Serbian tourism strategy.

34 European Parliament Policy Department B: Structural and Cohesion Policies, Industrial heritage and agri/rural tourism in Europe, European Parliament, Brussels, 2013.

35 Ibid.

36 Strategy, op.cit, p. 89.

37 Ministry of Agriculture and Environmental Protection Republic of Serbia, Republic of Serbia IPARD Programme for 2014-2020, 2019, p. 63.



SPA TOURISM AND ITS SOCIO-ECONOMIC IMPACT ON LOCAL SELF-GOVERNMENT

Spa tourism represents a particular segment of the medical tourism niche. Spa resorts offer various services and goods for medical and recreational activities. Most of these resorts are located in villages or small cities. This fundamental feature is crucial to understanding the socio-economic impact of spa tourism on municipalities. Within the framework of national law, municipalities have a specific scope of action and therefore have partly unknown means of leverage to revitalise tourism, including spas. One of the instruments available to municipalities is public-private partnerships, which have been little used in Serbia.

SPA TOURISM: A MEANS TO COUNTER SEASONALITY?

Seasonality is a burden on the economic competitiveness of tourism since it causes fluctuation in tourists and visitor numbers to a destination. Some destinations at certain times have more tourists and visitors than they can accommodate, while at other times, there are too few tourists and visitors to the region. Wellness tourism can mitigate seasonality due to its wide range of services and its complementarity with traditional tourism offers. However, spa tourism also follows a seasonal pattern: From June until the end of September is high season on the Baltic and the North Sea, and from the end of October in Southern Europe. Despite this seasonality, the leading target group of spa tourism, seniors, is increasingly choosing to avoid summer and travelling in spring and autumn.

All surveyed Serbian spa resorts ("banje") are so-called "special hospitals" (specijalna bolnica), which means that they dedicate at least 50% of their beds to patients in rehabilitation or for medical reasons.

They were also referred to as "centar za rehabilitaciju" or "rehabilitation centre". Their public legal status allows them to treat patients redirected to their spa by the Ministry of Health. Thus, this medical aspect balances the seasonality out. Spa resorts welcoming patients all year long can then count on a steady flow of income.

LABOUR-INTENSITY OF SPA TOURISM

Spa tourism is labour-intense and requires highly skilled workers. In health tourism, staff needs to cover a broad range of skills: from hospitality to highly-educated doctors, physiotherapists, and nurses.

The main advantage of the tourism sector is its ability to create direct, indirect, and induced employment. In France, as of 2019, Spa tourism, directly and indirectly, provides for ca. 100.000 jobs and generates an annual turnover of EUR 1,3 billion (directly and indirectly).

The spa sector generates about 520 million GDP, of which about 44% flow back to the public budget through tax and social contributions.³⁸ Spa resorts are a source of wealth for local communities: 100 spa patients generate six new jobs. 71% of spa resorts are located in municipalities with less than 5.000 inhabitants. For them, spas represent the primary source of wealth.³⁹

The analysis of Serbian spas shows that the medical aspect of spa tourism is very present here. The availability of both high and low-skilled staff plays a crucial role in the successful operation of spas. Lessons learned in Austria and Slovenia demonstrate this: Both countries have opted for a different strategy for their spa sector and have switched from a medical-oriented to a more wellness-oriented concept. As a result, medical centres have been dismantled. Staff, know-how, and beds in those facilities have decreased. At the same time, patients needing such centres increased, and both countries are now facing a shortage of such medical services. Consequently, more and more patients travel to Serbia, where both services are available.

These lessons learned lead to three conclusions:

1. Medical-oriented spas are relevant.
2. Once dismantled, it is nearly impossible to rebuild the medical capacities of spas.
3. Partnerships with foreign insurance companies offer good prospects for successfully maintaining and modernising spa facilities.

However, the fact that health tourism relies on highly qualified staff can become a problem for Serbia, which suffers from a brain drain if not enough qualified workers are available. The spas studied emphasise that Serbia educates enough well-trained medical professionals but that it is challenging to keep them in the country if they are not offered attractive salaries.

PROMOTING THE PROTECTION OF THE ENVIRONMENT THROUGH SPA TOURISM

Spa tourism is bound to the image of a nice and clean environmental surrounding in the collective sub-consciousness. After all, it is its *raison d'être*, as the spas have been built upon natural water springs. Hence, spa tourism depends on a high-quality environment, including clean water, clean air, and an attractive ecosystem.

38 Conseil National des Établissements Thermaux (2021, 5 février), Communiqué de presse, Le thermalisme français à l'agonie

39 Conseil National des Établissements Thermaux (CNET), founded in 2002, represents the interests of spa resorts and develop solutions to improve and promote spa in France

According to the interviews conducted with experts,⁴⁰ spa tourism needs a green and not depleted or polluted environment even if it does not have solid medical relevancy. Moreover, among the reasons for travelling to destinations dedicated to health and wellness, a clean environment is the second crucial factor.

Health tourism needs to prioritise this aspect in its development. More than just a sales argument, it aligns with the UN Sustainable Development Goals (SDGs). The environmental factor could incentivise the health-tourism sector to develop more sustainably than general tourism does. Though the environment is under pressure from other essential sectors such as industry, agriculture, transport and other tourist flows due to air pollution from traffic, health and spa tourism have a role in sustainable development. This sector can add its weight, locally and nationally, to other stakeholders which carry this agenda at heart.

40 European Parliament Policy Department for Structural and Cohesion Policies Research, TRAN Committee - Health tourism in the EU: a general investigation, European Parliament, Brussels, 2017, p. 39.



PUBLIC-PRIVATE PARTNERSHIP MODELS IN SPA TOURISM

WHAT IS A PUBLIC-PRIVATE PARTNERSHIP?

A Public-Private Partnership is a contractual agreement between a public agency (national, regional, local) and a private or semi-private operator based on a global agreement. The operator undertakes to invest in and/or manage a public service or a public asset. Investment and/or management is made for a specific period and with a determined distribution of risks between the public and the private operator based on legally binding contracts between the actors. For the latter to be interested in such a project, it needs a financial return on investment. There are two types of ex-post financing allowed to private operators:

Concession

The public agency delegates the risk of the demand to the operator meaning that the operator will be paid according to the future demand.

Private Finance Initiative (PFI)

The public agency pays the operator provided that it meets some performance indicators.

The private entity receives performance-oriented payments according to pre-determined standards, which the public entity or its representative assesses.

That makes PPPs a favourable tool to gather the force of both the public and the private sector. The cooperative arrangement between public and private sector actors, i.e. the combination of political will, control, and enforcement of the state with private operators' expertise and innovation capacity, generates beneficial synergies. However, PPPs are not a panacea to solve financial issues of infrastructure or rehabilitation projects.



Of the three terms, "Partnership" is probably the most important. PPP contacts are designed to last, and all actors involved should invest a significant amount of time and effort to ensure a sustainable partnership. Although Serbia introduced laws and concessions on public-private partnerships in November 2011, some consider that the commission in charge of PPPs lacks sufficient staff to deal with all the proposed projects⁴¹ (nine public servants for the time being).⁴² PPPs as a concept are relatively new in the Balkans and Serbia. Current information about the dynamic in Serbia shows that the different stakeholders widely know the phenomenon in both the private and public sectors.⁴³ However, it seems that the lack of trained staff across the board in the administration and the limited amount of resources of the Serbian Commission for PPP does not allow dealing with the importance of applications for PPPs. Hence the prioritization of the commission suggests a clear preference for large to very large projects.

The high amount of project proposals illustrates the strong demand for such a legal and economic instrument. Based on data from the PPP Knowledge Lab of the World Bank, 15 projects have reached financial closure since 1990 for more than USD 6 billion committed to such PPPs.⁴⁴ In the past ten years, ten projects have been completed in Serbia for a total of USD 2,9 billion, mainly in telecommunication, energy, and infrastructure (transport and water). PPPs could be a considerable asset if they were to reach both lower levels of the administration, like local and regional levels, and different sectors of the Serbian economy. In the case of spa and health tourism, four types of PPP can be proposed:

1. Modernisation or construction of hospitality facilities
2. Modernisation or construction of hospitals and health facilities
3. Provision of services to clients in treatment and recreation
4. Provision of services in excursion and tourist services

41 Đorđe Popović, 'Izazovi koncepta javno-privatnog partnerstva u Srbiji', *Danas*, 31 July 2018

42 Komisija za javno-privatno partnerstvo

43 Ibid.

44 PPP Knowledge Lab

CONCEPTS OF PUBLIC-PRIVATE PARTNERSHIPS

The typical characteristic of a PPP contract is that it bundles multiple project phases or functions. The functions the private party is responsible for can vary and depend on the type of asset and service involved. Typical functions are:

Design or Engineering	Development of the project from its initial concept and output requirements to construction-ready design specifications; the private party may be responsible for rehabilitating or extending the asset.
Build or Rehabilitation	When PPPs are used for new infrastructure assets, they typically require the private party to construct the asset and install all equipment. If an asset already exists, it is rehabilitated through modernisation.
Finance	If the PPP includes building or rehabilitating the asset, the private party is typically required to finance all or part of the necessary capital expenditure.
Maintenance	PPP assign responsibility to the private party for maintaining an infrastructure asset to a specified standard over the contract's life. That is a fundamental aspect of the PPP.
Operation	<p>The operational responsibility of the private party can vary widely depending on the nature of the underlying facility and associated service. For example, the private operator could be responsible for:</p> <ul style="list-style-type: none">• The technical operation of a facility that provides services to a government customer (i.e. bulk water treatment)• The technical operation of an asset providing services directly to users (i.e. water distribution services)• Providing support services while the government agency remains responsible for delivering the public services to users (i.e. school buildings with janitorial service)

PPP projects can involve all or part of these functions. The most common models of PPP are so-called **Build-Operate-Transfer (BOT)** and **Design-Build-Operate (DBO)**. These more output-oriented PPP models typically involve extensive design and construction and long-term operation for a few new buildings (greenfield) or projects that involve refurbishment and expansion (brownfield).

ADVANTAGES OF PPP AND GOLDEN RULES

PPPs are increasingly used to finance or support the financing of complex projects. This resurgence in popularity is due to certain benefits that reflect the limits of public action in certain areas, particularly in project finance:

- Expertise, innovation capacities and economies of scale enable private operators to be more efficient than public authorities to run projects.
- They allow public authorities to focus and specialise in controlling and monitoring the quality of the service rather than producing it.
- In the context of public budget tightening and limited borrowing capacities, private partnerships are especially appealing to invest in and develop new infrastructures or services.
- Deadlines are more often met due to financial incentives.

Golden Rules

- Cooperation is not a rescue team
- Involved partners should define common goals
- Every unit needs its business plan and strategy
- Mature leader and strong leadership

Success Factors

- competence of the government
- selection of an appropriate private partner
- appropriate risk allocation between partners



RISKS OF PUBLIC-PRIVATE PARTNERSHIPS

The contractual dimension of PPPs and the high investments mean that the projects must be designed with a long-term perspective. Contractual processes can be long and complex because they engage both parties in the long run. To ensure the success of the PPPs, it is crucial to pay attention to the following points:

The partner selection is usually in the form of a competitive tendering process that ensures the selection of the best offer. However, this mechanism can be risky for several reasons:

- **Cartel agreements:** Private operators coordinate their bids to raise prices (Especially in niche sectors).
- **Corruption:** Secret agreements between private operators and representatives of the public sector, which mean that the latter does not select the optimal candidate.
- **Strategic behaviour:** Some private operators can make attractive offers hoping to renegotiate contracts in the future. Research shows that more than 50% of contracts were renegotiated after only two years.⁴⁵
- **Winner's Curse:** A private operator who over-optimised their costs or overestimated future demand for the service to win the tender might not be able to keep the budget, derailing the project.

Public-Private Partnerships are not silver bullets against the lack of financing for public infrastructure and it is of utmost importance to invest extensively in the contractual relationship itself. Risk factors due to which many PPP projects are terminated prematurely are:⁴⁶

- wide gaps between public and private sector expectations
- lack of clear government objectives and commitment
- complex decision making
- poorly defined sector policies;
- inadequate legal/regulatory frameworks
- poor risk management
- low credibility of government policies
- inadequate domestic capital markets
- lack of mechanisms to attract long-term finance from private sources at affordable
- poor transparency
- lack of competition

45 Guasch, Jose Luis; Benitez, Daniel; Portabales, Irene; Flor, Lincoln (2014): The Renegotiation of PPP Contracts: An Overview of its Recent Evolution in Latin America. In: International Transport Forum Discussion Papers, Vol. 18

46 Kosycarz, E.A., Nowakowska, B.A. & Mikołajczyk, M.M. (2019): Evaluating opportunities for successful public-private partnership in the healthcare sector in Poland. In Journal of Public Health, 27, pp. 1-9

CASE STUDY: HUNGARY'S SPA AND WELLNESS TOURISM DEVELOPMENT PROGRAM⁴⁷

Hungary has had a long history in spa and wellness tourism. The use of Hungary's thermal baths and medicinal waters dates back to ancient times peaking during the Roman, Turkish and Austro-Hungarian eras. After the 1940s and 1950s, the spa culture declined, and the bath and spa assets were neglected.

In 2001, Hungary introduced a comprehensive revitalisation strategy ("Szechenyi Plan") to stimulate economic development through targeted public investment.

With its 800 thermal wells, the majority of which qualified as medicinal, 1,200 non-medicinal pools in approximately 350 public baths, wellness and therapeutic spa tourism was identified as one of Hungary's potential competitive advantages within the tourism sector.

Spa and wellness tourism had some strategic advantages for Hungary:

1. Spa tourists tend to spend more money and stay longer. Spa and wellness tourism would then shift Hungary's tourist profile from a high number of visitors with low spending to higher-value tourists that may be smaller in number but would spend more money.
2. Spas and pools are scattered throughout Hungary, and their development would help achieve the government's aim of spreading economic activity in several geographic areas.



47 The following section consists largely of the case study on the national spa tourism strategy in Hungary prepared by KPMG Canada for the Canadian Tourism Commission, the World Tourism Organization and the World Tourism Organization Business Council. KPMG (2003): Co-operation and Partnerships in Tourism: A Global Perspective. pp. 25-30

Much of the initial investment was needed to invest in the available spas and public baths. These spas and public baths were mostly owned by the local government. But the large central spa assets were not typically the profit maker of the region – although these public pools were the attractor. The income and profit generators of the economy were the other businesses surrounding the spa complex (restaurants, hotels, family-run hotels, retail, car rental, etc.).

FINANCING

The government did not want to own and operate the large spa assets. Still, they understood that any development would require a **mix of financing** involving the municipality, the private sector and the government.

In the types of projects directed at the wellness or medicinal hotels, the **private sector** had to invest at least 33 per cent of the total project cost before qualifying for **government support**. In 2001, the government provided 15 per cent (later 20 per cent) of the total project cost. The maximum grant to any one project was USD 2-2.5 million.

A higher proportion of the overall government investment was concentrated in those towns with an existing large spa bath complex because the government wanted to focus investment in areas that could develop a critical mass of products. Another part of government investment was targeted at the unexploited hot springs. Most of this funding was directed at **feasibility studies** and planning initiatives.

INCLUDED PARTNERS

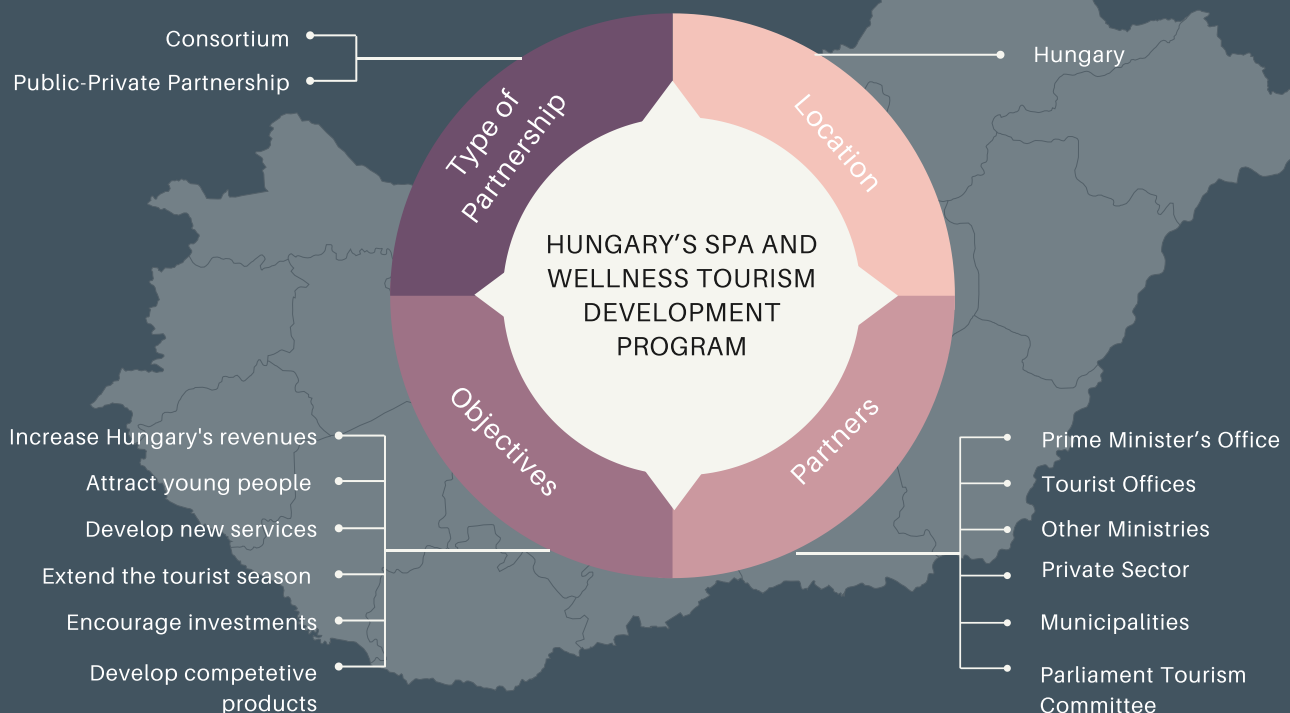
The government also invested in education to support the initiative. The state provided 50 per cent of the cost of education for individuals taking programs related to a spa treatment, massage, sports healthcare, language, marketing, and hospitality and protocol training. That led to spillover effects into other areas: Colleges and other educational institutes initiated new programs and schools to meet the new demand for tourism and healthcare education.

The strategic plan also grappled with the problem of how to cluster and brand the spa product. Under European Union requirements, Hungary had to form seven regions out of its 19 historic counties. In many cases, the resulting new regions lacked the structural and organisational mechanisms to manage the partnerships efficiently, but they also had to learn how to cooperate. Each region could have up to 15-25 spas and hotels plus any number of restaurants, bus companies, and consulting and educational providers.

To promote and communicate the development of the spa, the Szechenyi Plan encouraged mayors and municipal departments, hotel owners and other private sector entrepreneurs to join forces in spreading the regional brand based on the unique natural or cultural resources of the region. That includes:

- Family holiday based on the spa experience
- Turkish Hamams
- Roman bath
- Medicinal spas
- Wellness (massage and spa treatments, food and diet, spiritual connectivity)
- Active wellness (sport, physical activity aimed at the younger market)

As a result, regional committees have formed with representatives from the public and private sectors to define the regional cluster and the brand with varying success across the country. The Szechenyi Plan brought people together that have not worked together before, requiring a new way of thinking about their spa assets and necessitating a new way of thinking about how the public and the private sector could work together. This procedure takes time and requires stimulation.



PROJECT PHASES

The Szechenyi Plan was carried out in two planning phases.

The prime minister's Office invited 22 tourism professionals to form a spa tourism sub-committee to develop the strategic plan in the first phase. The sub-committee conducted a situation analysis and identified towns where thermal water was available and could be the focus of development. The sub-committee was then divided into six smaller working groups that fed into the overall sectoral strategy and action plan by focusing on the following areas:

1. Market research
2. Product development(hotel, spa)
3. Infrastructure development
4. Marketing strategy
5. Education strategy
6. Regulatory issues

The second phase comprised the tendering process. The tender process was rigorous, with a 12-member committee reviewing all proposals. The committee was composed of the following representatives:

- Three members from the Ministry of Economy (now part of the Prime Minister's Office)
- One member each from the Ministries of Finance, Health and Culture
- Six members from the private sector, including the Spa Association and the Hotel Association

01

Situation Analysis

Prime Minister's Office invited 22 tourism professionals to form a spa tourism sub-committee to develop the strategic plan.

1.2

Action Plan

Identification of towns where thermal water is available and could be the focus of development.

02

Tendering Process

12-member committee reviewing proposals:

- Three members from the **Prime Minister's Office)**
- One member each from the **Ministries of Finance, Health and Culture**
- Six members from the **private sector**, including the Spa Association and the Hotel Association

Priority Areas

1. Market research
2. Product development
3. Infrastructure development
4. Marketing strategy
5. Education strategy
6. Regulatory issues

1.1

The project proposals had to show how the project would improve the quality of the product. The committee was looking for spa capacity and revenue to grow by 25 per cent and hotel capacity and revenue to grow by 35 per cent. The committee reasoned that increased quality would attract more guests, and the facility could charge higher prices. The preferred maximum return on the investment was 10-12 years.

A typical spa development proposal was made by the Budapest spa "Rác Fürdő." The proposal was created by a joint venture consortium of Budapest Thermal Bath Inc. (Company of the Municipality of Budapest) and Rev Nostalgie Ltd. (private sector). The project would be managed by a joint venture company, Rác Nostalgie Ltd.

The consortium proposed to revive the original Turkish bath atmosphere by renovating the old spa section. In addition, they would build a 3-4 star, 60-room hotel with an underground parking garage. The project was estimated at USD 20-22 million, of which the private sector company provided USD 3 million, and Szechenyi funded USD 5 million. The rest of the investment was raised through debt financing.

RISK MANAGEMENT AND SUCCESS FACTORS

The Szechenyi plan for developing spa and wellness tourism faced several risks. Stakeholders in the Hungarian spa industry were not used to working in partnership. There was a fundamental lack of trust. Many involved in the private and public sectors were afraid of losing market share to competing regions, competing hotels, etc. If the Szechenyi Plan failed to mobilise investment (or projects were initiated but failed), the government would have lost credibility and momentum. Many of these risks were managed upfront through solid public relations, education and communication campaign.

The campaign initially targeted local governments because although municipalities owned at least 90 per cent of the pools, marketing and operating these pools as a for-profit enterprise was new to many.

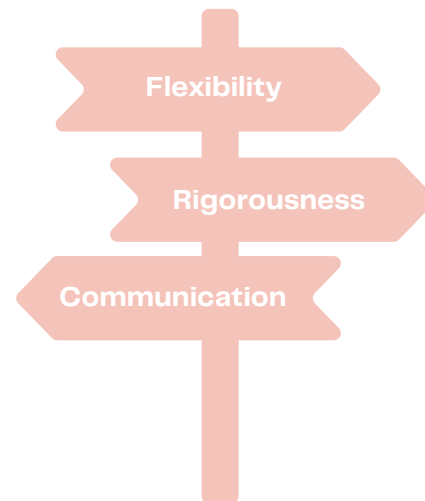


The two key success factors for the spa and wellness tourism development project were:

1. Comprehensive planning and **flexibility**:

The Szechenyi Plan was a national program and, therefore, inherently complicated. Not all problems and available solutions were apparent during the initial stages, and consequently, the Plan, while **rigorous**, also needed to be flexible to accommodate issues as they arose.

2. An identified need for the project: Most regional spas had almost no new investment in many years. It was evident to the stakeholders that if Hungary could develop the spa product, they would have a competitive advantage through the diversity of the product and the history of spa tourism in Hungary. This message was straightforward to **communicate**.



Until 2003, the Hungarian government has invested USD 360-370 million for 74 projects. Approximately 2.750 direct new jobs have been created, and the economic spin-off into other sectors of the economy has created 9.000 new jobs altogether. Around 80 per cent of Hungary's spa towns submitted good quality tenders and received support under the Szechenyi Plan.

A MODEL FOR SERBIA

Just as the spa sector distinguishes between its medical purpose and its wellness offer, public and private institutions are involved accordingly. The most prominent example of such a symbiotic relationship in Serbia is **Vrnjačka Banja**, a public institute that treats patients with endocrinological problems (diabetes). The spa centre, which offers medical services, is surrounded by hotels with access to natural water sources but offers wellness services only. The spa centre allows the private operator to rent out some of its rooms to tourists without interfering with medical operations.

On the other hand, many other spas suffer from a lack of beds and cannot accommodate more tourists, even though they would be able to receive more guests, both medically and in terms of staff. And then there are buildings or former hotels that are out of order, abandoned or even dilapidated. The unused capacity becomes problematic when the spas, banje, need accommodation for potential tourists. That is a critical issue for the development of spa tourism.

For the marketing department of the spas, the aspect of cultural and leisure activities inside and outside the resorts plays an important role. Such activities enable the diversification of the offers and packages of the spas and **stimulate the surrounding areas**, which creates a positive economic cycle. Feedback from patients and tourists has made it clear that there is a demand for more diversified cultural, architectural and gastronomic activities.



Based on the previous observations and the example from Hungary, a model of cooperation between the public and private sector to improve spa tourism in Serbia can be suggested. Why would a cooperation model led by public authorities benefit spa tourism in Serbia?

1. First, the economic benefits of tourism are unlikely if the public and private sectors are not mutually involved. For instance, hotel owners will most likely underinvest if they know that there is no **public infrastructure**, such as catering, leisure activities, transport routes, etc., in their region to attract more tourists. Hence, a touristic strategy should be based on a comprehensive approach with public and private stakeholders.
2. The second aspect concerns the **job-generating** dimension of tourism and its subsequent ability to sparkle development. With proper coordination, countries with natural, cultural and historical resources can develop profitable and sustainable tourism.⁴⁸

In the case of spa tourism in Serbia, such a coordination model could have a significant impact. The public authorities have important levers of action, such as investing in renovating or modernising medical facilities in the format of PPP and selecting a relevant actor to bring together stakeholders from a specific geographical area.

The latter could bring together hotel owners, representatives of local spas, members of tourist centres, public servants responsible for managing cultural patrimony, church representatives, owners of recreational activities, etc. Putting actors together and showing them their individual and global interest to cooperate could be a game-changer and encourage them to make investments that would otherwise be too risky.

Achieving the goal of management in the field of medical and health tourism requires solving the following tasks:

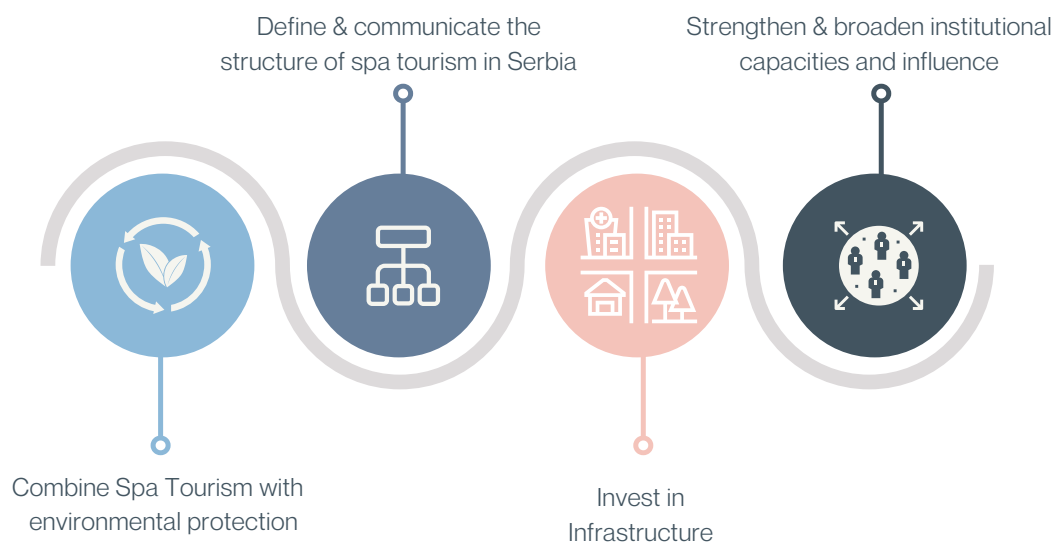
1. Defining the **terms of reference**, duties and responsibilities of heads of medical and health organisations
2. Development and **coordination** of targeted functions of the management of services of incoming tourists within the established responsibilities
3. Forming a **strategy** and drawing up development plans in the subjects of territorial health care treatment and health services
4. Ensuring performance **monitoring**, measurement and evaluation
5. Carrying out (if necessary) a possible **adjustment** of the envisaged measures for the implementation of projects

Each of these tasks can vary for the public, municipal and private health sectors to achieve a single target for all levels of government. A vital indicator of the effectiveness of treatment and health organisations is the high **quality of services** provided to clients and **profit generation**.

48 Castillo, Victoria; Figal Garone, Lucas; Maffioli, Alessandro; Salazar, Lina (2015): Tourism Policy, a Big Push to Employment? Evidence from a Multiple Synthetic Control Approach', in: IDB Working Paper Series, Vol. 572, pp. 6

RECOMMENDATIONS FOR STRENGTHENING AND PROMOTING SPA TOURISM IN SERBIA

The thermal tourism sector in Serbia is complex and has its characteristics. Therefore, the following recommendations cover its different aspects and the plurality of stakeholders potentially involved in implementing projects.



COMBINE SPA TOURISM WITH AN ACTIVE ROLE IN ENVIRONMENTAL PROTECTION

- 1 Environmental protection (land and air pollution, protection and conservation of natural resources, waste management, etc.) plays an increasingly important role, and more people are adapting their everyday behaviour accordingly. That also applies to travel and holiday behaviour, which can increase the attractiveness of Serbian spa and wellness offers since health tourism is part of a healthy and protected environment from the consumer's point of view.
- 2 Thus, local authorities hosting spa centres on their territory should take measures to ensure visible improvement of the quality of the environment. Polluted nature and litter lying around on the ground and in rivers damage the image of the spa towns concerned.
- 3 Considering the poor air quality in the Balkans, thermal programmes for curing respiratory diseases may be an intriguing idea for the development and specialisation of Serbian spa centres to address and prevent related health problems. Implementing a national programme for the prevention and healing of respiratory problems with Spa centres is also imaginable.

DEFINE AND COMMUNICATE THE STRUCTURE OF SPA TOURISM IN SERBIA

- 1 Maintaining a high level of medical capacity while increasing the spa offer and wellness culture is the best perspective for the development of spa tourism in Serbia. The current medical concept of spas creates a restrictive image. It limits the thermal clientele almost exclusively to the sick segment, even if the services offered are of high quality and known as such. The Covid-19 pandemic also increases people's need for wellness and relaxation beyond medical necessity.
- 2 At the same time, it is advisable to separate health services from spa and wellness services. So far, these still overlap in some spas. A good example is the organisation at Vrnjačka Banja.
- 3 Monitoring and advocating for preserving state ownership of water sources is a relevant tool to protect and manage them.
- 4 Identify and target the relevant demographic, i.e. wealthy retirees from key countries for health and spa tourism (Germany, France and Sweden) and young health and self-care-oriented professionals. While Belgrade benefits from its new and attractive image as the "Berlin/Barcelona of the Balkans", attracting more and more young people, similarly targeted communication could attract tourists from Belgrade, which already accounts for half of the tourist flow from abroad.
- 5 Make spa and wellness activities a vital part of the national tourism strategy/ tourism brand of the Republic of Serbia.
- 6 Provide legal and administrative clarity on the role and competencies of all stakeholders to clarify their strategies and capacities. A committee consisting of all stakeholders could be established to discuss, and propose a new framework.



INVEST IN INFRASTRUCTURE



- 1 Campaigns about "green" and nature-based tourism are crucial to developing spa tourism. Elsewhere in Europe, (physically mobile) clients and patients of spas usually look for "green" leisure activities around their spa centre (cycling, rafting, horse riding). For instance, Serbia still has the capacity and potential to expand its rural tourism through a national financial scheme allocated to local self-governments to develop environment-friendly rural tourism.
- 2 Offer foreign language training for the staff of the centres. In addition to Serbian and English, a spa centre that can receive its patients/clients in another foreign language could benefit from this and increase its visibility abroad and with a private foreign health insurance company. Similarly, it is beneficial for local authorities and tourism organisations to provide documentation, boards and tourist guides in foreign languages.
- 3 In addition to Serbian (in both alphabets), use foreign languages (e.g. Slovenian, Croatian, Macedonian, French, Spanish, German, Swedish, Italian, Bulgarian, Romanian, Chinese, Russian) to promote Serbian spa tourism with a focus on the current trend of involving countries in the region and China.
- 4 Improve the connection between the airport Niš and its surrounding spa centres by offering a special shuttle bus with clear directions for tourists when they arrive.
- 5 Conduct training with nurses, physiotherapists and masseurs to ensure high-quality care, responding to customer expectations (i.e. different types of massages, physiotherapy, indoor and outdoor sports, etc.).

- 6 Modernising the image of spas through attractive communication, adapted to the digital age and social media, would be beneficial for Serbia to attract an international clientele. SKGO could create a network for cooperation between the national level and municipalities hosting spa centres to develop a joint communication strategy and act as a facilitator who maintains the dynamic within the network.
- 7 Rehabilitate and, to a lesser extent, construct hotels. Many spa centres have a hotel complex in Serbia, but sometimes it is abandoned. Some of these hotels are old complexes built in an architectural style worthy of preservation, which could be restored if technologically possible and energetically feasible. With a clear legal and administrative framework for each stakeholder, hotel owners would be more inclined to invest in restoration if they were provided with information about fellow stakeholders and the need for more hotel complexes. Creating a cooperative environment can encourage more investors to invest in recreational and cultural activities. The government plays a substantial role in connecting stakeholders involved in the development and maintenance of spas centres and creating a holistic tourism concept. It needs to connect the needs of hotels, recreational offers, cultural offers, historical and architectural offers, restaurants, and transport.



STRENGTHEN AND BROADEN INSTITUTIONAL CAPACITIES AND INFLUENCE

- 1 Create a national concept to promote Serbian spa tourism abroad and its development, and design a website listing all centres and their specialities.
- 2 Allow the local self-government to partially benefit from the tax revenues generated using water sources. To initiate a change in the law, the local self-government and the SKGO could offer, in dialogue with the state, that they will use this new source of income for specific public policies related to spa centres (environmental protection, tourism, etc.).
- 3 Clarify the legal situation of spa tourism and make it more accessible. The legal status and the regulatory provisions of spa tourism in Serbia seem unclear to customers/patients (Who has access to treatment? What types of treatment exist? How much of it does the public health insurance cover?).
- 4 Define a destination strategy together with all tourism actors and the local authorities. The weakness of the tourism industry in Serbia is mainly due to internal barriers, such as the lack of action, coordination, and an active role of local authorities. The latter is essential for strengthening the competitiveness of the Republic of Serbia in the foreign and regional market because it can react quickly to modern trends in the global tourism market and opportunities created by the EU integration process. In Serbia, there is a lack of efficient cooperation between the departments of the ministries in the planning and implementation of development programs in the tourism industry, especially concerning the coordination of the development of road and supply infrastructure and rural and cultural tourism. In addition, local self-governments are insufficiently involved in the planning and development of tourism. There are insufficient coordination mechanisms at all levels of government in the development of tourism.



- 5 Create a monitoring organization for the spa economy with the following tasks:
 - Promotion of the resort tourism sector by presenting its characteristics and by showing the positive effects on local development and the economy
 - Supporting the economic development of the spa industry by providing information to assist decision-makers (especially government agencies and investors)
- 6 Participating in an Interreg project, including projects that have no direct impact on spa tourism, is crucial for local self-government. The gradual acquisition of know-how in European project management is a good way for the local authorities to co-finance their projects and achieve relative autonomy vis-à-vis the state for local and regional development. Ministries could provide support and assistance with the application process.
- 7 Create a national convention between health insurers and thermal centres. Serbia would be able to convey its quality of medical service and its competitiveness. Ultimately, it could attract patients from neighbouring countries where spa prices are three to four times higher, e.g. Austria or Slovenia.
- 8 Follow the example of the European Historical Thermal Town Association (EHTTA) and promote the development of spa tourism based on a strategy of cultural enhancement considering the significant historical, architectural and natural assets of Serbia.