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Rural Revival Financing in Serbia: Kikinda Municipality Case Study

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1 ABSTRACT

In Serbia, similar to other European countries, towns grow, while villages lose population and fertile land disappears. Identification of potential resources for rural revival financing represents a research challenge. The aim of this paper is to evaluate Kikinda municipal budget increase as potential financial resource for revival of villages around Kikinda. New communal company in Kikinda, formed recently by five old communal companies merging, not only provides good services, but also enlarges municipal budget.

In this paper, following Serbia rural features review, Kikinda Town and surrounding villages are briefly described. Prosperous village of Mokrin, once train station for the Orient Express, is presented in more detail. Then Kikinda Municipality budget is analyzed. Conclusion is that if the municipal budget surplus exists, small farming holdings can be financially supported to start modern food production. In Kikinda Municipality case, however, existing budget surplus is not sufficient for generous financial support yet.

Keywords: communal, revival, countryside, Kikinda, budget

2 INTRODUCTION

It is generally known that rural areas are losing population in Europe these days. People move from countryside into towns looking for better jobs, higher salaries, more infrastructure, comfortable housing, easier supply, developed social life. Many migrants try to retain links with their home villages in case they have to return. But empty villages around towns and abandoned houses in rural areas appear as evident proofs of excessive migration.

In all countries, villages produce goods for markets and agricultural industry. Since rural habitation frequent disadvantages are lack of infrastructure, chaotic building and poor sanitation, spatial and urban planning of the countryside becomes an imperative. Rural areas revival, very important both nationally and internationally, is difficult in recent days due to economic slowdown and resulting budget constraints.

3 SERBIA

3.1 Basic data

The Republic of Serbia (area 88,407. km², population 7.12 millions) is a landlocked country situated at the crossroads of Central and Southeast Europe, covering the southern Pannonian Plain and the central Balkans (MRR, 2017). In relative proximity to the Mediterranean, Serbia is bordering eight countries (Hungary, Romania, Bulgaria, Macedonia, Albania, Montenegro, Bosnia, Croatia), four of them inside the EU.

Serbia is the United Nations (UN) member and military neutral state. Thanks to motorways (Corridors X and XI) and the Danube River (Corridor VII), Serbia is well connected with other countries (Deloitte, 2015). Belgrade, the capital of Serbia, ranks among the oldest and largest cities in Southeastern Europe.

Major sectors of Serbian economy are: agriculture, food, textile, automotive, construction, information and communication technology (ICT), tourism (Furundžić et al., 2017). Agricultural products (livestock, crop, and fruit) have good quality. The food industry is adequately developed. The textile industry has highly qualified workers and cooperates with the leading foreign garment brands. The Serbian automotive industry, with experienced workers, is in progress. Construction is focused on transport infrastructure and buildings in cities. Serbia is attractive spot for information and communication technology (ICT) industry. International tourism has important role in Serbia (SIEPA, 2017).

According to the World Bank (WB) and the International Monetary Fund (IMF), Serbia is an upper-middle income economy, with the service sector dominating, followed by the industrial sector and agriculture. The

Serbian state provides encouraging investment ambience offering Greenfield and Brownfield projects in all industries and favorable tax policy (MRR, 2017).

3.2 Rural Serbia

Serbia abounds in plains, hills and mountains. Each region of Serbia has specific geographical characteristics that determine favorable farming activity (Gulan, 2017). Serbia has diverse agricultural production due to its favorable land and climate. In agricultural production 70% is from the crop field production, and 30% is from the cattle production (VRS, 2010).

Modern Serbia is one of the largest providers of frozen fruit to the EU, especially to the French and German market (RAS, 2017). Serbia is world's second largest producer of plums (after China), second largest producer of raspberries (after Poland), and also significant producer of maize (ranked 32nd in the world), and wheat (ranked 35th in the world) (FAO, 2018). Agricultural production is exceptionally developed in Vojvodina, Northern part of Serbia, on the fertile Pannonian Plain.

In recent times, big hypermarkets control the price of food. Hypermarkets organize export and import of food, raw materials, machinery and equipment. Small farmers cannot compete with big hypermarkets. The goal is to find a way for sustainable development and to make active small farmers to operate locally.

3.3 Urbanization of Serbia

More than 80% of Serbian population lived in villages before the Second World War. After this war people moved towards towns, Serbia urbanizes rapidly and number of inhabitants living in urban settlements continually increases (Table 1).

Year	1953	1961	1971	1981	1991	2002	2011
Urban inhabitants [%]	22.5	29.8	40.6	46.6	51.2	56.4	59.4

Table 1: Percentage of inhabitants living in urban settlements in Serbia (Compiled by the authors, source: SORS, 2014)

According to the "2011 Census of Population" (SORS), in urban settlements – being 3.6% of all settlements in Serbia – live 59.4% of total population (Table 1). During period 2002-2011, countryside population decreased, from 43.6% to 40.6% of total population of Serbia (Table 1). These days, for the first time in the history of Serbia, countryside population has fallen to below 3 million (RSAPG, 2012).

Year	1961	1971	1981	1991	2002
Number of settlements	80	140	280	487	713

Table 2: Settlements in Serbia with less than 100 inhabitants (Compiled by the authors, source: SORS, 2014)

Population decline in Serbian villages is obvious (Table 2), particularly in small villages near the border. Only villages close to industrial towns, which enable employment, succeed to retain young people.

4 KIKINDA

4.1 Municipality of Kikinda

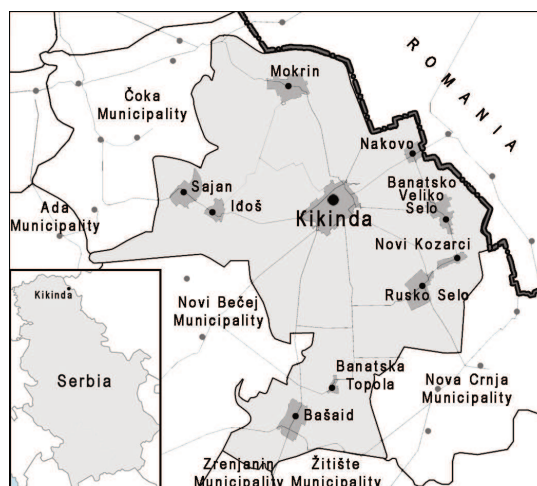


Figure 1: Kikinda Municipality map (Redrawn, source: JPKZS, 2015)

Kikinda is a town and a municipality (Figure 1) located in the Banat district, in Vojvodina - autonomous province of Serbia. Kikinda Town and 9 villages in its surrounding constitute Kikinda Municipality. The town of Kikinda, with circa 38000 population, is economic and social centre of North Banat (Table 3).

Total area	783 [km ²]
Agricultural area (2013)	70 538 [ha]
Population (2011)	59 453
Number of population per 1 km ² (2011)	76
Population average age (2011)	42.4
Natural increase per 1.000 inhabitants (2014)	- 6.8
Number of employees (2014)	13 679
Number of employees in agriculture (2011)	9 181

Table 3: Kikinda Municipality data (Compiled by the authors, source: SORS, 2014)

Kikinda is very close to Romanian border (only 10 km), Hungarian border (65 km), and located 130 km from Belgrade, the capital of Serbia. The town is connected by rail with the Romanian border, with Subotica, and with Belgrade via Zrenjanin. Also, a dock for waterway industrial transport by Danube – Tisa – Danube Canal is passing through Kikinda Municipality. Similarly to other Serbia regions these days, number of inhabitants declines in Kikinda Municipality (Table 4).

Year	1991	2002	2011
Number of inhabitants	69 709	67 002	59 453

Table 4: Number of inhabitants in Kikinda Municipality (Compiled by the authors, source: SORS, 2014)

4.2 Town of Kikinda

Kikinda, established as a modern settlement in the 18th century, is a well planned town (Ilijašev, 2002) with wide streets orthogonally laid, a central square, city hall, churches, public edifices, and market. Town urban infrastructure is adequately developed and allows flow of people, goods, water, energy, and information.

Banat's fertile farmland ensured successful agriculture and existence of natural raw materials provided the development of industry in the 1980s, before Yugoslavia broke down. Both agriculture and industry were devastated almost completely during the transition process which was long lasting (Furundžić et al., 2017).

4.3 Villages around Kikinda

Kikinda Town is surrounded by 9 villages (Figure 1). Among them, Mokrin is the largest village (Figure 2).

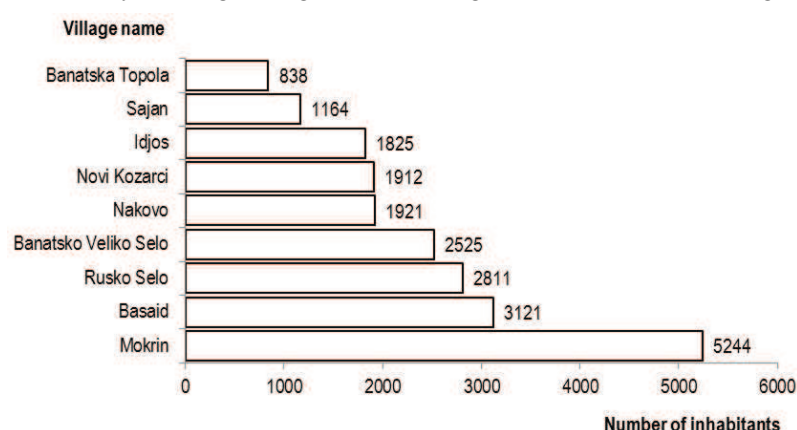


Figure 2: Number of inhabitants in villages of Kikinda Municipality (Compiled by the authors, source: KO, 2011)

Kikinda Municipality area has capacity for farming of wheat, sunflower seeds, soybean, fruit and vegetables. But villages of Kikinda Municipality are close to the border and faraway from large towns with developed industries and markets. Therefore countryside inhabitants, especially young people, leave villages and migrate towards towns.

Years	1953-1960	1961-1970	1971-1980	1981-1990	1991-2001	2002-2011
VILLAGE	[%]					
Banatsko Veliko Selo	+0.10	-1.78	-0.78	-0.61	-0.29	-2.08
Banatska Topola	+0.86	+5.31	-2.24	-1.36	-1.11	-3.01
Basaid	-0.11	-1.06	-1.08	-0.32	-0.60	-1.27
Idjoš	-0.87	-1.17	-0.83	-0.33	-0.36	-1.94
Mokrin	-0.06	-0.78	-1.09	-0.41	-0.57	-1.28
Nakovo	-0.53	-1.74	-0.84	-0.31	-0.39	-2.55
Novi Kozarci	+0.12	-1.77	-1.39	-0.70	-0.80	-2.03
Rusko Selo	-0.58	-0.78	-0.46	-0.41	-0.48	-1.85
Šajan	-0.51	-1.62	-1.79	-0.62	-1.29	-1.56

Table 5: Villages of Kikinda Municipality - Change of population in percent [%] during time (Compiled by the authors, source: BS, 2011)



Figure 3: Abandoned houses in villages (Fig.3a: Šajan / Fig.3a: Idjoš / Fig.3a: Nakovo) (Source: ASRCC, 2017)

Number of inhabitants decreases in villages (Table 5), and subsequently in Kikinda Municipality (Table 4). Abandoned houses in villages (Figure 3) are visible result of contemporary village-to-town migration process. On the other side, village of Mokrin is flourishing and represents instructive example.

5 MOKRIN

5.1 Village of Mokrin



Figure 4: Mokrin village map (Redrawn, source: JPKZS, 2015)

Village of Mokrin (Figure 4) is connected by roads with Kikinda and neighboring villages. Old railway from Szeged to Timisoara passes Mokrin and Kikinda (Figure 4). Three airports (Belgrade, Timisoara, and Budapest) are not far from Mokrin.

Mokrin is the largest village in Kikinda Municipality (Figure 2), in the North Banat region of Serbia. Today Mokrin has over 5000 inhabitants and, because of that, it belongs to larger villages in Serbia (RIS, 2008).

In this paper, Mokrin is described in more detail as the most prosperous village in the municipality of Kikinda. Farming, rural life and everyday activities in Mokrin can be example for other villages in Serbia.

5.2 Past Mokrin



Figure 5: Old Mokrin (Fig.5a: Serbian church, 1898 / Fig.5b: Fiacre, 1927 / Fig.5c: Salash, 1930) (Source: Mokrin Museum, 2017)

Good location of Mokrin enables village increase and development in the 19th century. The Orient Express – luxury passenger train created in 1883 with terminals in Paris and Constantinople (Istanbul) – stopped in Mokrin to tank soft water (Lazić, 2002).

Old Mokrin is in Figure 5 presented by 3 photographs: Serbian church, fiacre, and salash. Serbian Orthodox Church (Fig.5a) in Mokrin is built in 1898.

Image of fiacre (Fig.5b) is taken at Mokrin's street in 1927. Fiacre is four-wheeled horse-drawn carriage. (Word "fiacre" is created in French after Hôtel de St. Fiacre, inn in Paris where such carriages were first for hire in 17th century. This French word is unchanged transferred into English.)

Image of salash (Fig.5c) of Grastića & Badrljica is taken about 1930. Salash (in Serbian: salaš, originated from Hungarian: szallas) is solitary farm with economic buildings, livestock and tools.

5.3 Modern Mokrin



Figure 6: Modern Mokrin (Fig.6a: Mokrin House (Terra Panonica) / Fig.6b: Shadoof - Ethno House Djeram / Fig.6c: Geese Fight) (Sources: NOVOSTI, 2017; EKD, 2017; MH, 2017)

Modern Mokrin is in Figure 6 presented by 3 photos: Mokrin House (Terra Panonica), Ethno House - Garden, and Geese Fight.

Mokrin House (Fig.6a) is a part of cultural and tourist complex named Terra Panonica (Land Pannonian). This complex in Mokrin is a space for work and living, planned for designers, freelancers, entrepreneurs, and digital nomads. Mokrin House is a modern and urban spot in the rural environment (MH, 2017). Terra Panonica complex supports tourism and helps local community to sale genuine Mokrin's products (rolled leaf cheese, quince brandy, goat milk soap). It also helps local farmers to educate themselves on different subjects, such as organic food production, cooperation developing, state funds allocation, or EU funds applying (ALJ, 2013).

Ethno House Djeram with shadoof (Fig.6b) in garden is a country house built in rural style in 1925 (EKDj, 2017). The shadoof (in Serbian: djeram) is a device used for raising water, consisting of a long suspended rod with a bucket at one end and a weight at the other. Today Ethno House Djeram has tourist facilities (restaurants, accommodation rooms, and playground) established comprehensively for recreation and various cultural activities (art colonies, concerts, folk dances).

Mokrin today has two tournaments, active over 25 years (MH, 2017). The first tournament Geese Fight (Fig.6c) (in Serbian: gusanijada) is registered by UNESCO as the world competition of geese.

The second tournament Striking Easter Eggs (in Serbian: tucanijada) is annual tournament on Easter Sunday by the Julian Calendar. One rival holds an Easter egg in his hand, while another rival hits it with his own Easter egg. The egg which remains whole wins and the cracked egg belongs to the winner.

5.4 Living standard in Mokrin

INCOME IN MOKRIN			
AGRICULTURAL	[%]	NON-AGRICULTURAL	[%]
Sale of fodder products	50	Pension for employment work	45
Sale of milk	30	Pension for agriculture work	15
Sale of fattened cattle	10	Salary for current work	30
Sale of fattened pigs	10	Social assistance	10
TOTAL	100	TOTAL	100

Table 6: Population income - expressed as percent [%] of the total [100%] (Compiled by the authors, source: RIS, 2008)

Income of population in Mokrin, expressed as percent [%] of total income [100%], is presented in Table 6. The income can be: agricultural, or non-agricultural. Mokrin agricultural income comes from production of fodder, milk, cattle, and pigs. On the other side, Mokrin non-agricultural income comes from pension, salary, and social assistance (i.e. government provision for unemployed, injured, or aged people).

LIVING STANDARD IN MOKRIN			
ABOVE AVERAGE HOUSEHOLD 20 %	- Salary or pension	AVERAGE HOUSEHOLD 40 %	- Salary or pension
	- Tractor (2 pieces)		- Tractor
OLD-AGE HOUSEHOLD 30 %	- Most of farm machinery	SINGLE HOUSEHOLD 10 %	- Some of farm machinery
	- Cattle <i>over</i> 20 head		- Cattle <i>up to</i> 20 head
	- Arable land <i>over</i> 10 ha		- Arable land <i>up to</i> 10 ha
	- Seasonal workers		- Seasonal workers
	- Pension		- Pension
	- Cattle up to 5 head		- Cattle 1 or 2 head
	- Arable land renting		- Arable land renting
	- Workers shortage		- Workers shortage

Table 7: Households living standard - expressed as percent [%] of the total [100%] (Compiled by the authors, source: RIS, 2008)

Living standard of households in Mokrin, expressed as percent [%] of the total [100%], is categorized in Table 7. Household denotes a house and its occupants regarded as one unit. Living standard of household can be: above average (20 %), average (40 %), old-age (30 %), and single (10 %). Division is made on the base of salary, pension, tractor, machinery, cattle, arable land (RIS, 2008). Here arable land is land capable of being ploughed and used to grow crops.

According to the categorization compiled (Table 7), living standard of 60 % of inhabitants in Mokrin is average or above. Countryside life and work tradition is preserved in Mokrin. Population mainly sells fodder products, fruit, milk and dairy products, fattened cattle and pigs. In contrast to other villages around Kikinda, young people do not leave Mokrin.

5.5 Opportunities in Mokrin

Village of Mokrin is the biggest and the most developed in the Kikinda Municipality. Agriculture has tradition, which young farmers continue. Mokrin's genuine products are easy to sell.

Rolled leafy cheese is distinguished as famous Mokrin brand and finds the buyers in Serbia and abroad. The art of making this cheese, using an old recipe, is kept by many women in Mokrin (ASN, 2016).

Non-farm activities in Mokrin include transport, construction, repairs, trade, household manufacturing, handicrafts, community and personal services in the village.

Dead and alive nature is wealthy in Mokrin. There are oil fields in village region (RTS, 2017). According to that fact, route of gas pipeline connecting Serbia and Romania is adopted not long ago.

Great Bustard (in Latin: *Otis Tarda*, in Serbian: *velika droplja*) is rare bird specie threatened with extinction. The remaining bastard population in Serbia is located in northern Banat, in open steppe named Pastures of Great Bustard (UZVD, 2017). Part of these pastures is in the vicinity of Mokrin.

Coming of visitors encourage the development of tourism. Many rural households are transformed into accommodation capacities, which favorably influence the development of ethno tourism.

Many spectators visit Mokrin during two annual tournaments – Geese Fight Striking and Striking Easter Eggs. Mokrin also has a polygon for competition of horses. Mokrin House is suitable for conferences and seminars. Ethno House Djeram offer accommodation to tourists, children, and bird-watchers (EKD, 2017).

Mokrin residents recognize importance of investing in agriculture, machinery modernization, farmers education, traditional skills maintenance, genuine products promotion, local identity affirmation, and strengthening of local community.

Communal infrastructure improvement and development in Mokrin, however, requires Kikinda Municipality financing. Lack of sewage is the biggest problem in Mokrin. Public Company "Kikinda" (Furundžić et al., 2016a), recently established, comprehends Mokrin demands and provides better water chlorination process.

6 RURAL REVIVAL MUNICIPAL FINANCING

6.1 Communal merging in Kikinda

On the base of Kikinda utilities substantial analysis, the first author of this paper designed novel organizational structure of single public company for communal services (Furundžić et al., 2016a). Activities of 5 Public Companies (5PC) are merged into the activity of compound Public Company Kikinda (PCK). Communal services, being split into 5 companies, merging into 1 company join together real estates, resources, equipment, staff, knowledge, management (Furundžić et al., 2016).

In addition to finances, the new PC Kikinda establishment through the merging process, managed with a systems approach, enables the layout of a modern company with a matrix structural organization (Furundžić et al., 2016a) and corporative management of utility services and other business.

6.2 Merging economic echo

Five communal public companies merging feasibility can be estimated by comparison costs of these five companies (5PC) and PC Kikinda (PCK). As a matter of fact, cost is one of the key economical factors for each company. The cost has a crucial impact on business success and company development.

Unfortunately, cost comparison of relevant companies (5PC and PCK) is not possible in reliable and trustful manner. This costs non comparability is because relevant company's financial statements are not done in a single way and meaningful comparison of costs is impossible.

OUTFLOW	BEFORE MERGING Five companies (5PC) 2014 (state)		AFTER MERGING PC Kikinda (PCK) 2016 (state)		DIFFERENCE (5PC-PCK)
	Cash [million €]	Share [%]	Cash [million €]	Share [%]	Cash [million €]
Operating activities	5.410	73	2.745	83	2.665
Investing activities	1.838	25	396	12	1.442
Financial activities	0.162	2	0.180	5	-0.018
TOTAL	7.410	100	3.321	100	4.089

Table 8: Cash outflow of Five companies (5PC) & PC Kikinda (PCK) (Compiled by the authors, sources: BSP, 2014; ITG, 2016)

In order to evaluate feasibility of communal companies merging, cash outflow before and after merging is scrutinized. In Table 8, the cash outflow of the Five companies (5PC) – in the time before merging and with available data for 2014 (BSP, 2014), is compared with the cash outflow of the compound company (PCK) – in the time after merging and with available data for 2016 (ITG, 2016).

The compound company (PCK) planned cash outflow (€2477×106 total) (Furundžić et al., 2016, p.168, Table 4) is smaller than PCK real cash outflow (€3321×106 total) (Table 8). Consequently, between the Five companies (5PC) and the compound company (PCK) planned difference (5PC–PCK) (€4.933×106 total) is bigger than real difference (€4.089×106 total).

As it can be seen (Table 8), Five companies (5PC) realized total outflow (€7.410×106) is higher, for respectable difference (€4.089×106), than PC Kikinda (PCK) total outflow (€3.321×106). In other words, outflow difference (5PC–PCK = €4.089×106) presents remarkable 55% of outflow (5PC = €7.410×106) before merging. Operating activities outflow reduction produces that difference.

Five communal public companies (5PC) merging into one compound communal public company (PCK) is economically approved in Kikinda case. After merging, lower operating activities outflow provides fund for investing activities, such as revival of villages.

6.3 Municipal financing of rural revival

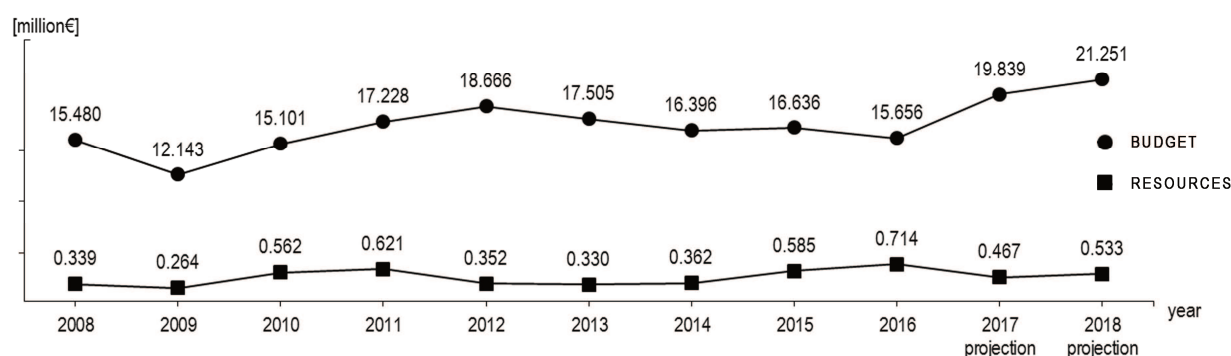


Figure 7: Kikinda Municipality budget expenses and resources from the budget (Compiled by the authors, sources: OZRBOOK, 2008-2015; OZRBGK, 2016; OIDOBGK, 2017; OBGK, 2018)

Year		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018*
Share in budget	[%]	2	2	4	4	2	2	2	4	5	2	3

Table 9: Participation in the city budget (* denotes: projection) (Compiled by the authors, sources: OZRBOOK, 2008-2015; OZRBGK, 2016; OIDOBGK, 2017; OBGK, 2017)

Current and investment costs of rural local community, such as Mokrin village, are provided both from local self-funding funds and from the Municipality Budget.

Municipality of Kikinda budget expenses and resources from the budget are shown in Figure 7, while appropriate share of resources in [%] are given in Table 9 (where, for example, in 2016 is: $0.714/15.656=0.0456 \approx 5\%$). Resources from the budget, created after communal merging process, can be used for future rural revival in Kikinda Municipality.

#	PROJECT	PERIOD	VALUE
		[year]	[million €]
1	Roads in municipality – maintenance	2018-2020	1.288
2	Pedestrian trails in villages – maintenance	2018	0.145
3	Mokrin – technical design preparing	2017-2020	0.165
4	Mokrin and Idjoš – investment in building	2016-2019	0.037
5	Rural development – subsidies	2018	0.164
6	Agricultural policy – grants	2018	0.745
TOTAL			2.544

Table 10: Kikinda Municipality investments plan for local communities projects (Compiled by the authors, sources: OBGK, 2017)

Investment plan of Kikinda Municipality for supporting project of local communities is presented in Table 10. In this table, six projects are concisely described and appropriate period of project realization and value of the project are given.

It can be concluded (Table 9) that from the budget for the operation of local communities Kikinda Municipality allocates an average of 3% (i.e. an average of €470,000.). If we compare this average (0.470 million €) with planned local communities demands (Table 10), it is obvious that resource from the budget is insufficient for rural revival of Kikinda villages and funds have to be increased both locally and municipally.

7 CONCLUSIONS

Serbia is a country of diverse rural potential. Each region has distinctive and various geographical characteristics and, for that reason, agricultural opportunities are also large and diverse. Agriculture in Serbia is at the heart of the economy and is an engine for development of rural areas. Also, agriculture is the most important export sector in Serbia. Urban planning and regional development in Serbia task is to protect rural natural features and to preserve long-lasting agricultural tradition of the Serbian peasant.

Global trend of migration from villages to towns did not bypass Serbia. Looking for better jobs, wages, infrastructure, housing, supplying, entertainment, and other important things, people leave countryside, and abandoned houses remain as monuments of the past.

Rural areas revival is very important, both nationally and internationally. Crucial mission is to stop migration of countryside inhabitants. Villages have to become attractive again to young people. Urban planning of infrastructure, houses and spaces in villages and intensive building is an imperative task. But this is difficult task in recent days due to economic slowdown and resulting financial constraints.

Agricultural potential of Serbia deserves protection. Regional and local action changes village's depopulation and degradation. Basic task is the municipal budget strengthening. When budget surplus exists, small farming holdings can be supported financially and encouraged to start modern organic food production. Introduction of new tools, fertilizers and harvesting techniques results in increased productivity and agricultural prosperity.

The subject of this paper is rural revival financing in Serbia. Following Serbia brief description, Kikinda surrounded with nine villages is presented. Flourishing Mokrin village, where fertile farmland of Banat ensures successful agriculture is described in more detail. Then economic echo of five communal companies merging into one compound communal company is analyzed. Budget surplus relocation to rural revival financing is encouraged.

Presented Kikinda Municipality case study shows that resources from the municipal budget are insufficient to revive rural life. Villages should acquire their own resources and add them to resources granted from the budget.

Prosperous Mokrin Village represents an instructive example how own resources can be achieved. Countryside life tradition is preserved in Mokrin. Population sells fodder products, fruit, milk and dairy products, fattened cattle and pigs. Mokrin's genuine products, such as famous rolled leafy cheese, are easy to sell in Serbia and abroad.

Non-farm activities in Mokrin include household manufacturing, handicrafts, and personal services in the village. Coming of visitors to Mokrin encourages the development of ethno tourism. Many rural homes are transformed into accommodation facilities.

Mokrin residents recognize importance of investing in agriculture, machinery modernization, education, traditional skills, genuine products, local identity affirmation, and ethno tourism developing. As a result of that, young people do not leave Mokrin.

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