OVERVIEW OF THE ECONOMIC DIVERSIFICATION POLICIES (FOCUS ON RURAL TOURISM) IN MONTENEGRO

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Rural areas in Montenegro

By the OECD methodology, the entire territory of Montenegro could be considered as rural.

Analysing the three regions (Northern, Central and Coastal) of Montenegro according to the OECD methodology:

- **Northern region**, covering 13 municipalities, belongs to **predominantly rural region** (59.7% of the population lives in rural local communities);
- **Coastal** (41.7%) to **intermediate region**;
- **Central** (20.4%) to **intermediate region**.
Main economic sectors in Montenegro:
- Tourism;
- Energy;
- Agriculture.

Agriculture sector participation in overall Gross Domestic Product (GDP) is > 8%.

In agriculture sector (source MONSTAT):
- 2,800 employees (enterprises, co-operatives, etc.);
- 48,824 family agricultural holdings;
- 98,341 working persons in family agricultural holdings;
- utilized agricultural land per holding - 4,6 ha;
- 72% of agricultural holdings possess up to 2 ha of land.
Rural tourism is according to OECD definition:

“a complex activity taking place in rural areas, which is functionally rural, constructed on special characteristics of the rural world (small businesses, open space, contact with nature, traditional character), most oftenly controlled locally in terms of development and which considers sustainability, i.e. controlled use of resources and preservation of nature, culture and overall rural character of the area.

Rural tourism includes not only relaxation in a rural household (a farm), but also a range of other products, such as relaxation in nature, eco-tourism, hiking, mountaineering, horseback riding, adventure tourism, hunting and fishing.
Montenegro has a rich natural and cultural heritage providing an important potential for development of tourism in rural areas. Rural tourism and increased production of high-quality organic products will be the economic drivers in the creation of new economic activities and job opportunities in rural areas.

However, the main tourist flows are directed towards the coastal towns and the largest part of the turnover achieved in the summer months.

The total number of tourists, according to the official statistics MONSTAT for 2014, who visited the mountain region represents 3.7% of the total number of tourists who visited Montenegro, while overnights make up 1.2% of the total number of nights.

These data show that the participation of tourism turnover in a mountainous region in the total turnover is still low, although constantly increased.
Legal framework for rural tourism

Tourism:
The Law on tourism and hospitality comprehends the overall conditions and manners of tourism activity in the country. It defines who, how and where can design and market tourism products. The Law on tourism and hospitality also defines the types of tourism products/services as well as the system of responsible institutions and their available tools for sector monitoring and sanctions. Activity of tourism services in rural tourism can be performed by companies, legal entities and entrepreneurs, as well as natural persons - farmers, who are engaged in agriculture alone or as members of the family farm.

Agriculture and rural development:
Law on agriculture and rural development (LARD) regulates the planning and development of the agriculture, objectives of the national agricultural policy, planning, monitoring and evaluation of the national agricultural policy direct payments (subsidies), the overall rural development and sectors’ state aid.
Spatial plan of Montenegro:
The Spatial Plan of Montenegro is the general strategic framework for sustainable spatial development and represents the basis for harmonizing different sector and non-sector policies which also have spatial consequences. The task of the Spatial Plan is to verify sector requirements referring to long-term spatial development using integrative i.e. inter-sector approach which is in accordance with an optimum use of the space as a limited and undoubtedly non-renewable resource. Three regions are defined in the Plan, which are distinguished because of the natural characteristics, way of the spatial use and development, economic activities and different comparative advantages for development:
1) Coastal region 2) Central region 3) Northern region. However, there are no special and separate plans for those regions.

According to the Spatial plan, tourist offer if not sufficiently diversified, measured by existing potentials and tourist motives. Tourism is obviously lagging behind in the Northern region, although there are marvelous natural conditions for development of conventional forms of winter and mountain tourism as well as for numerous types of alternative tourism. To summarize, alternative i.e. newer types of tourism, are not sufficiently developed, especially cultural, religious, nautical, ecological etc. Also, in the current plan there are no relations between spatial plan and rural tourism areas in Montenegro.
Cross-cutting issues
Relevance for rural tourism

Environment, natural and cultural heritage conservation:

The diversity of geological base, regions, climate and soil, as well as the very good position of Montenegro in the Balkans and the Mediterranean has created ideal conditions for the emergence of biodiversity with very high values, which puts Montenegro in the so-called diversity "Hot-spot" areas of European and World importance.

A great number of natural assets in Montenegro have been placed under protection. The National network of the protected areas currently covers 124,964.24 ha, or around 9% of the territory of Montenegro of which the largest share (101,900 ha or 7.37%) is comprised of five national parks: Durmitor, Skadarsko jezero, Lovćen, Biogradska gora and the last established one, Prokletije. The remaining part includes 40 protected areas within the following categories: monument of nature, region of special natural character, and (general and special) reservations.
Cross-cutting issues
Relevance for rural tourism

Environment, natural and cultural heritage conservation:

Tourism and recreation are the dominant land uses at 81% of sites and thus, unsurprisingly, development threatens 78%, with over half of the sites threatened specifically by tourist development. This is a particular problem on the coast. Forestry and mixed agriculture take place on almost half of Montenegrin Important Plant Areas (IPA) and low-level wild plant harvesting on one third. One third of sites are also threatened by deforestation and burning of vegetation.

Tourism and construction are determined as main contributors to decrease of the biodiversity in Montenegro. It is stated that the agriculture is not the main polluter, but further actions are needed in order to prevent negative impacts. Also, the pressure of agriculture on land degradation has been identified with proposed measures to be implemented within the Action plan for fighting land degradation and mitigation of the consequences of drought in Montenegro.
Infrastructure:

There are a lot of rural areas with poorly developed transport, and social and economic infrastructure. For example, the distance to food shops and elementary schools is, on average, 3-4 km, and to secondary schools and banks 10 km. Distance to a bus station is 2.5 km, a post office, on average, about 7.5 km. In addition, the bad and the physical condition of the water network, and electricity is prevalent in many of the villages, and there is no developed telecommunications network including the possibility of using the Internet. Consequently, it is expected that there will be further economic decline and depopulation of remote rural areas, where these areas and national policies do not provide favourable conditions for life and economic environment.
Finance:
Montenegrin farmers can through various support programs to provide significant incentives for the improvement and modernization of agricultural production:

- MIDAS;
- IPARD like;
- IPARD II;
- Agribudget;
- IDF;
- Commercial banks.

General opinion is that there are a lot of different programmes that stimulates rural tourism, especially IPARD by Ministry of Agriculture and Rural Development, and special Programme for farmers for tourism development by Ministry of Sustainable Development and Tourism. The amount of financial support is often seen as quite big, but with remark that it requires a lot of paper work and different documents that slows down the processes of efficient development.
Cross-cutting issues
Relevance for rural tourism

Education:

Legal educational setting is not an obstacle for the rural development per se. The structure of total working persons (98,341) on family agricultural holdings by educational attainment is the following:

• No education 3.89%,
• Unfinished primary education 5.81%,
• Primary education 27.93%,
• Any secondary school finished 53.26%,
• Post-secondary or higher education is 9.09 %.

Relatively good structure for rural areas, but needs fostering in terms of service and tourism development.
Food safety & quality standards:

Code of Good Agricultural Practice (GAP) was adopted in 2013 by Ministry of Agriculture and Rural Development.

It gives advice on how to produce food in a way that takes into account the preservation of the environment. Its recommendations will enable the Montenegrin agricultural producers to protect agricultural land in Montenegro, keep rivers, lakes and shallow water clean and healthy, avoiding pollution by nitrates, to protect the health and well-being of animals, protecting thus Montenegro from serious diseases that could threaten the livelihoods of farmers, safe use of pesticides, to protect themselves, consumers, animals and the environment.

The GAP code is addressing all the issues listed as pressures in the Action plan for fighting land degradation and mitigation of the consequences of drought in Montenegro.
Major stakeholders supporting rural tourism

- Ministry of Sustainable Development and Tourism;
- National Tourism Organization of Montenegro;
- Ministry of Agriculture and Rural Development;
- Environmental Protection Agency;
- Montenegrin Tourism Association;
- Network for Rural Development of Montenegro;
- Local self-government units - municipalities (LSGU).
Status of rural tourism in Montenegro

Main factors of rural tourism development:

• Exceptional natural heritage in Montenegrin rural areas, concentrated in small territory;
• Highly developed tourism in Montenegro, that can generate huge benefits for rural tourism as well;
• Intensive development of agriculture and higher support from Agro budget, that stimulates further diversification and rural economy;
• Young and educated Montenegrin as well as newcomers in rural areas that develop rural tourism in a new and creative way;
• General positive perception of rural lifestyle and rurality in Montenegro;
Main attractors of rural tourism:

- Well-preserved rural cultural heritage;
- Gastronomy – very rich, diversified and creative!!!
- Landscape and natural heritage in all rural areas;
- National parks as special attractions;
- United Nations Educational, Scientific and Cultural Organization (UNESCO), UNESCO’s Man and the Biosphere Programme (MAB) and other protected areas in Montenegro;
- Possibilities to visit other non-rural attractions in Montenegro (e.g. Kotor, Ada, Plantaže, Tara, Skadar Lake etc.);
Status of services:

• Rural tourism development is highly stimulated by non-rural operators. Most of destination management companies (DMC)s and tour-operator in Montenegro, offer rural tourism services in combination with certain mass-tourism destination or more cultural experiences (e.g. Cetinje).

• Due to high level of tourism development, as well as long tourism tradition in Montenegro, supply value chain in rural tourism only lacks the part where more diversified and creative offer could be developed (e.g. rural meetings, incentives, conferences, and exhibitions (MICE) events, alternative medicine etc).

• Sectors such as food production, tour guides, travel agencies, transport, gastronomy, tourism info centre is relatively good developed. Also, rescue system in urgent situations, such as lost hiker in Durmitor area, shows high efficiency during tourism season.
Strategic framework

Rural development:
• Strategy for the Development of Agriculture and Rural Areas 2015-2020 – Ministry of Agriculture and Rural Development;

Rural tourism development:
• Montenegro Tourism Development Strategy to 2020 – Ministry of Sustainable Development and Tourism;
• Study of rural tourism development (2019-2024) - Ministry of Sustainable Development and Tourism;
• Strategic marketing plan for tourism in Montenegro 2018-2022;
• Program of incentive measures in the field of tourism for 2019/2020;
• Strategy for the Development of Agriculture and Rural Areas 2015-2020;
• Montenegro Tourism Development Strategy to 2020 (2008);
• National Strategy for Sustainable Development of Montenegro by 2030;
Rural tourism development status

• Tourism in rural areas of Montenegro and the importance of its development is reflected in the fact that it contributes to the reduction of unemployment, the revival of the villages and a more balanced regional development. It also creates conditions for meeting the needs of the growing number of tourists who find peace and contentment in nature, healthy lifestyle, traditional cuisine, hospitality rural households as well as preserved customs and traditions;

• Insufficient demand is attributed to incomplete tourist offer and inadequate infrastructure;

• The main tourist flows are directed towards the coastal towns and the largest part of the turnover achieved in the summer months;

• The total number of tourists, according to the official statistics MONSTAT for 2014, who visited the rural mountain region represents 3.7% of the total number of tourists who visited Montenegro, while overnights make up 1.2% of the total number of nights;

• These data show that the participation of tourism turnover in a mountainous region in the total turnover is still low, although constantly increasing.
Rural tourism development obstacles

- Law of Tourism and Hospitality from 2017., has made certain changes in sense of lowering legal obstacles. Rural tourism operators are allowed to be involved in following activities: accommodation, degustation of mostly home-made products, and other food offer. Key changes were made in the area of accommodation, where katuns are allowed to be registered as traditional way of accommodation;
- There are still gaps in areas of renting equipment for biking, camping of snowshoeing, organization of tours and visit in the rural areas;
- Key support policies framework could be identified in activities done by Ministry of Sustainable Development and Tourism, as well as Ministry of Agriculture and Rural Development;
- Other public bodies haven’t done much of activities in area of rural tourism promotion and/or development, except from Ministry of Science and Tehnopolis that are currently working on rural tourism research, promotion and policy improvement;
Rural tourism development obstacles

- Support from Universities in area of training and competence improvement is necessary, as well as more intensified global promotion of the rural heritage of Montenegro, especially by the National Tourism Organization and Local tourism organizations;
- Further improvement in areas of institutional framework that has to be done are: 1. Inter and intra institutional cooperation in the area of rural tourism; 2. Better cooperation between private and public sector; 3. More intensive involvement of NGOs in product planning and development etc.
Rural tourism development opportunities

- Exceptional potential for the development of “nature-based tourism” including adventure tourism;
- Improving job opportunities in the rural areas of Montenegro including new employment, elimination of poverty and negative social impacts;
- Promotion of rural heritage and cultural identity etc;
- Additional income, new employment, better quality of life, new opportunities for youngsters, females and children in rural areas etc;
- New market for locally produced and processed products, traditional handicrafts, and souvenirs in the rural area;
- Regional initiatives in rural tourism development, especially IPA programmes, and programme organized by foreign agencies.
Rural tourism offers several benefits for rural economy diversification, but most important are: rural tourism as distribution channel and rural tourism as means of effective valorization of natural/cultural heritage in the rural areas.

Still, key problems in rural areas and rural tourism are following:

• Low competitiveness of key economy sectors in rural areas (agriculture, forestry, fishery, food sector, rural tourism, services);
• Underdeveloped elementary infrastructure in rural areas, making access of the population and business entities to public institutions (telecommunications, transport, education and health institutions, etc.) difficult;
• Depopulation of rural areas and unfavourable age and gender structure of the rural population;
• Low level of education of rural population;
• Inactivity or absence of regional and local institutions in charge of rural development;
• Inadequate coordination between public institutions and local communities in rural areas, resulting in inadequate involvement of local self-governance and local communities in initiation, adoption and implementation of rural development policy.
Rural tourism perspectives and recommendations

More efficient policy and framework is necessary for the area of competitiveness, in order to increase the competitiveness of agriculture and agri-processing on the national, regional and global markets; increase the average size and reduce the fragmentation of holdings through a comprehensive land consolidation effort, adequate land policy and producers’ groups; improve the transfer of technology and innovation system through an enhanced extension service and technology transfer system, including supporting competences and qualification of the farmers with professionalism, experience and trust in the modern economy and improve the organization of the value chains from farmer to consumer, making the farmer meet the market.

Key legal recommendations are is to create framework that improves living standards in rural areas:
• Through improvements of basic services (road, water and energy supply infrastructure; health, social, cultural facilities and others);
• Through the diversification of income generating activities and possibilities ensuring the economic and social cohesion between rural and urban areas;
• Through the provision of possibilities for employment and a lasting source of income for a significant part of the population, and contribute to fighting poverty and depopulation;
• Through the increasingly important integration of tourism development and agricultural development, taking advantage of the wide range of domestic products through promotion of national cuisine;
• Through the preservation of nature, the traditions and cultural heritage of the countryside.
Rural tourism perspectives and recommendations

1. An agricultural sector set on a stable path to become a competitive sector producing high quality products, providing a stable source of income for agricultural producers. It is a driving force in the creation of new job opportunities in rural areas based on knowledge, utilisation of best practices, innovation and preservation of natural resources and

2. Viable rural areas providing economic activities and employment opportunities, social inclusion and quality of life to rural residents.

In order to achieve the above-mentioned, improvements are necessary in the following sectors:

- Further improvement of education for operators in rural tourism business at Universities;
- More efficient and effective cooperation between ministries and agencies in area of rural tourism;
- Enhancement of the institutional development and ensure regulatory development and enforcement;
- Improvement of inter-ministerial cooperation in addressing identified challenges and enhance collaboration with local self-governments;
- As main institutional player for rural issues, local government and officials have to invest more effort in providing better infrastructure in rural areas, in cooperation with government.
Key recommendations in public awareness and participations are:

- Further promotion of rural heritage and cultural identity of our villages and lifestyle among locals and urban residents;
- More intensive promotion of rural holiday or daily excursions opportunities in the country, in order to stimulate new visits and income for rural areas;
- Better coordination and involvement of NGOs in area of activities that support rural life and production;
- Efficient cooperation with media in sense of rural tourism and product promotion;
- Development of creative plans of communication that will involve influencers and social media.
Rural tourism perspectives and recommendations

Key recommendations in regional initiatives are:

- Development of products that could be competitive on the key global target markets;
- Diversification and specialization based on regional tourism resources;
- More efficient usage of regional outcoming tourism demand/market for fostering rural tourism in the region;
- Fostering creation, diversification and development of rural activities and programmes on regional level (e.g. cross-border ideas), through support for investments in farm diversification and development of non-agricultural activities such as rural tourism;
Thank you for your attention

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