

**OVERVIEW OF THE ECONOMIC
DIVERSIFICATION POLICIES
WITH THE FOCUS ON RURAL TOURISM
IN MONTENEGRO**

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INTRODUCTION

Definition of rural areas in Montenegro

In accordance with Census 2011 total number of rural settlements in Montenegro is 1,216. Of the total population of Montenegro, 63.23% live in urban settlements, while 36.77% live in rural settlements. An average age of population in urban areas is 37, while in rural areas is 38 years.

There is no widely accepted definition of rural tourism in Montenegro. Differences in definitions are due to various factors, such as those related to differences in the definition of rural areas, country specificities and similar specific factors.

Based on the characteristics of tourism in Montenegro, as well as the potential of rural areas in terms of development of authentic tourism products, in 2018, Ministry of Sustainable Development and Tourism in Montenegro decides to develop a Program for the development of rural tourism with an action plan until 2021 (PDRT).

In accordance with the stated program, which represents one for the major strategic documents for future rural tourism development in Montenegro, rural tourism comprises a wide range of different tourism products, of which the following are crucial in Montenegro:

- Agritourism;
- Tourism based on activities in nature;
- Other products related to rural cultural heritage.

Rural tourism in Montenegro

Socio-economic development perspective

Tourism is an extremely important component of the national economy of Montenegro.

Montenegro's economy relies heavily on tourism.

It is a sector whose importance cannot be quantified precisely due to the lack of statistical data in the field of tourism, especially in the part of rural tourism and tourism in the north of Montenegro, as well as the fact that this sector is related to almost all aspects of society.

One of the basic functions of tourism is that it directly and indirectly affects the growth of gross domestic product.

Based on available official statistical data, directly the tourism sector's share of GDP is estimated at 11% in 2016, while indirect participation is estimated at 22.15%. The majority of tourism revenue is generated on the coast of Montenegro. However, continental areas have great potential for tourism development, especially for eco and rural tourism.

Along with strengthening its economic aspect, it stimulates employment, influences job creation, which is reflected in the improvement of the general standard of living. It uniquely encourages the development of some of the complementary activities and contributes to overall GDP.

Rural tourism in Montenegro

Socio-economic development perspective

In accordance with strategic framework for tourism development in Montenegro, Ministry of Sustainable Development and Tourism as a major national institution, following, among others, the guidelines set out in Program for the development of rural tourism with an action plan until 2021 (PDRT), is determined to create the chance for sustainable development of rural tourism in Montenegro.

The tourism development in Montenegro so far has shown its undoubted importance in terms of economic effects.

For these reasons, tourism is in Montenegro considered a priority and strategic industry.

However, rural tourism is still underdeveloped in Montenegro, or to be more precise, not all of the available resources for rural tourism development are valorised in sustainable way.

Estimation of the level of rural tourism development achieved in respect of available resources

What is evident is that the potential for rural tourism is not fully exploited, and that the construction of infrastructure, the formation of products and activities and their marketing may be more intense in the future.

A key challenge in the development of rural tourism is the unresolved problem of basic infrastructure in most villages, such as security of electricity and water supply, waste disposal, but also inadequate access roads and signalling.

The results of a survey of the attitudes of tourists visiting rural areas in Montenegro (PDRT) showed that tourists who visited Montenegro for several days most often attributed negative ratings to infrastructure (29.4%). The highest average rating for infrastructure development was given by tourists in the central region (3.25).

In relation to the total sample, tourists staying in the north gave the highest rating for the clean environment (4.12), while this characteristic was rated as the lowest rating in the southern region (3.39).

Progress has been made in the northern region regarding infrastructure, although it is still on unadequate level.

Main legal, institutional and policy gaps and obstacles for development of rural tourism

Providing support for rural tourism development and laws enforcement seems to have certain level of issues to be solved, while gaps within legal frameworks are not major problems in rural tourism development.

Rural economy in Montenegro is so fragile and important for achieving sustainable development and for overcoming the gaps between southern/central region development and northern region underdevelopment.

However, changing the legislation in terms of more pleasant and more favorable business environment with significant incentives for rural tourism development especially in northern Montenegro would have major influence to business improvement of existing service providers, but also to establishment of new ones.

The adoption of Programme for the Development of Rural Tourism in Montenegro with action plan until 2021 will in current period shape the development of rural tourism in Montenegro and upgrade the current policy and legislation framework.

Main legal, institutional and policy gaps and obstacles for development of rural tourism

A particular problem in the development of institutional framework for management of rural tourism is its complexity.

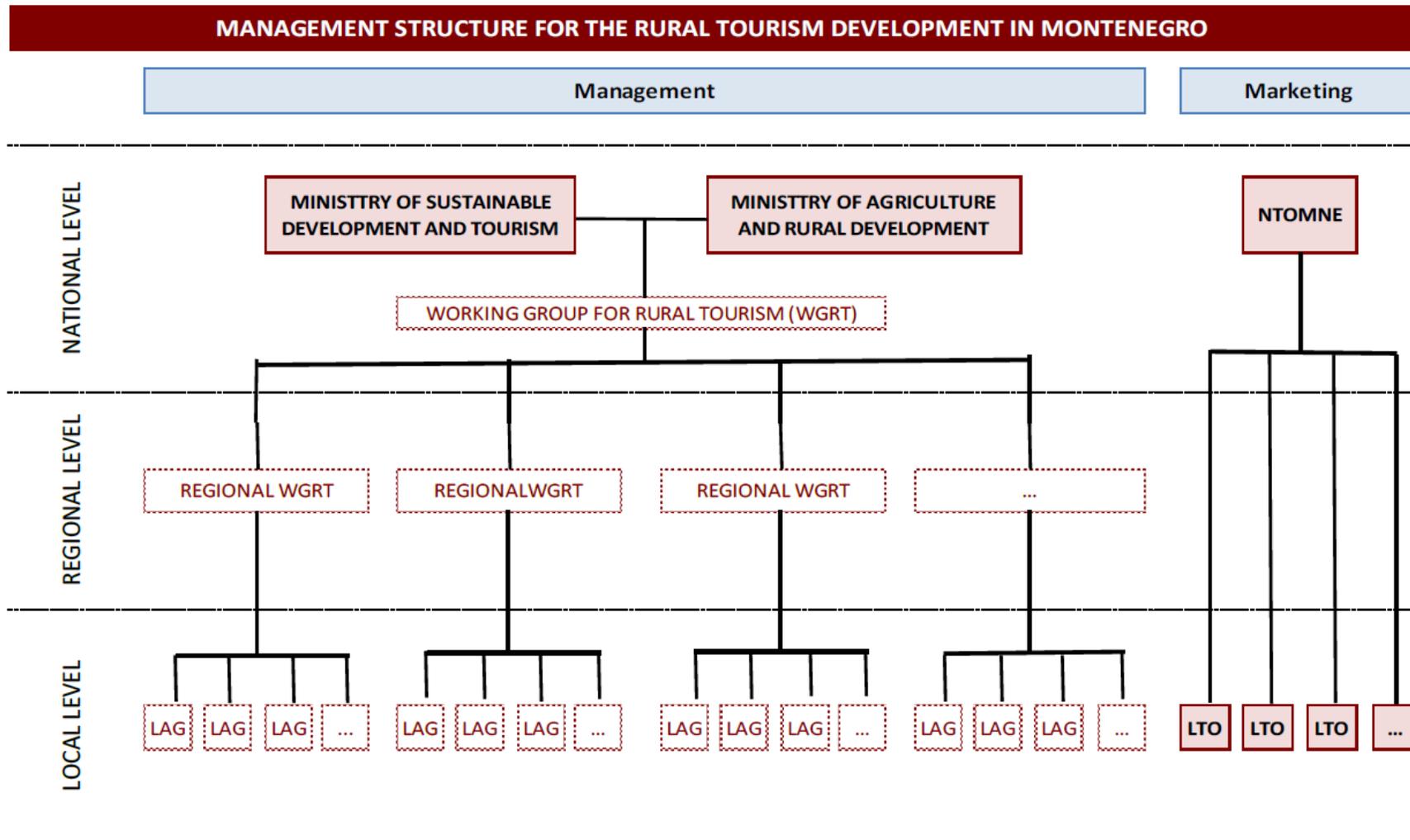
This complexity stems primarily from the complexity inherent in tourism in general (a large number of actors in the provision of services to tourists, i.e. creating a unique experience, inconsistency of administrative boundaries with how tourists see the destination), but also from the characteristics related to rural tourism (sharing of space by agriculture, forestry, protected areas and tourism, dependence of rural product authenticity on the existence of adequate supply of local agricultural products, rural tourism as a form of diversification of the rural economy).

Due to this complexity, a multitude of powers emerge as a consequence.

In the case of Montenegro, this is reflected in the strategic competence of two different ministries (MSDT and MARD), local development competencies of different municipalities, marketing competences of NTOs at the level of international marketing, and LTOs at the level of local marketing – and missing destination management.

The real existing problem of inconsistency of competences can only be overcome through the development of appropriate coordination mechanisms that would set general rules and strategic directions for development, as well as harmonize the activities of individual actors, which is one of the recommendations of PDRT.

Main legal, institutional and policy gaps and obstacles for development of rural tourism



NTOMNE - National Tourism Organisation of Montenegro; LAG - local action group; LTO - local tourism organisation

Main legal, institutional and policy gaps and obstacles for development of rural tourism

For a new management system to be effective, it must provide:

- Full financial, administrative and political support of the Government of Montenegro and local governing bodies;
 - Impact on decisions and decisions of competent institutions and bodies;
 - Authority to initiate change and receive support;
 - Full support from the private sector;
 - Capacity to foster integration of tourism and rural economy (primarily agriculture), ie. to develop an entrepreneurial and innovative aspect of the offer;
 - Competent and professional staff (mostly to be trained).
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Main legal, institutional and policy gaps and obstacles for development of rural tourism

The current funds for tourism development need to be increased, but it would be best to support integrated products (other than investments in separate investments in accommodation or equipment etc. without clear picture of the tourism product and its marketing), as well as establishment of firm linkages of tourism with local food production through short supply chains and local partnerships. To be able to achieve good results with such projects, it is crucial to provide advisory support as much as extension align with financial one through NTO and LTOs and their stakeholders and partner organizations on the local level, formal and non-formal educators; those which carry out the activities of promotion and improvement of tourism in Montenegro etc.

Serious work on education of tourist entrepreneurs as much as rising of public awareness with the potential customers should include skills for making local partnerships, create active interactive links with southern and central region and creating and making permanently active and growing practice of conducting local development of rural tourist destination through establishing and strengthening short and green value chains for rural tourism as much as cooperation with international partners promoting this kind of tourism.

Perspective for future rural tourism development in Montenegro

In the context of the existing natural and organizational conditions, as well as the interest of visitors, it can be undoubtedly established that Montenegro has the capacity to develop a complex network of rural tourism products, some of which have already advanced in market commercialization.

Many of these products have not yet been developed as separate products, but they exist in the form of activities. Most products in the field of outdoor activities are already recognized in the market.

Products currently undergoing significant commercialization should represent a development base for the development of an integrated rural tourism offer in Montenegro. For this reason, product prioritization is based on these facts. In line with the results of in-depth interviews with key stakeholders from the private, public and civilian sectors, as well as visitor surveys, PDRT recommendation is that Montenegro should focus on several key products that need special attention, such as agritourism, tourism based on activities in nature and other products related to rural cultural heritage.

Perspective for future rural tourism development in Montenegro

Agritourism and stay in rural households, from the aspect of market value, are not a priority, but from the aspect of realization of the basic goal of rural tourism development it is extremely important to support this product. This product is especially important because many tourists (a group of users of nature activities) use rural households for accommodation, food and similar.

Increasing state subsidies to stakeholders in rural tourism, as well as providing favorable loans, would significantly contribute to increasing offer and quality in rural tourism in all segments: organization, accommodation, food and beverage production and serving, etc.

Further valorisation of the authentic and unique live tourist rural attractions such as protected areas and its surrounding areas would significantly contribute to their valorization, the satisfaction of the owners of the rural tourism objects and service providers and their motivation to continue and increase their business.

Thank You for Your attention!

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