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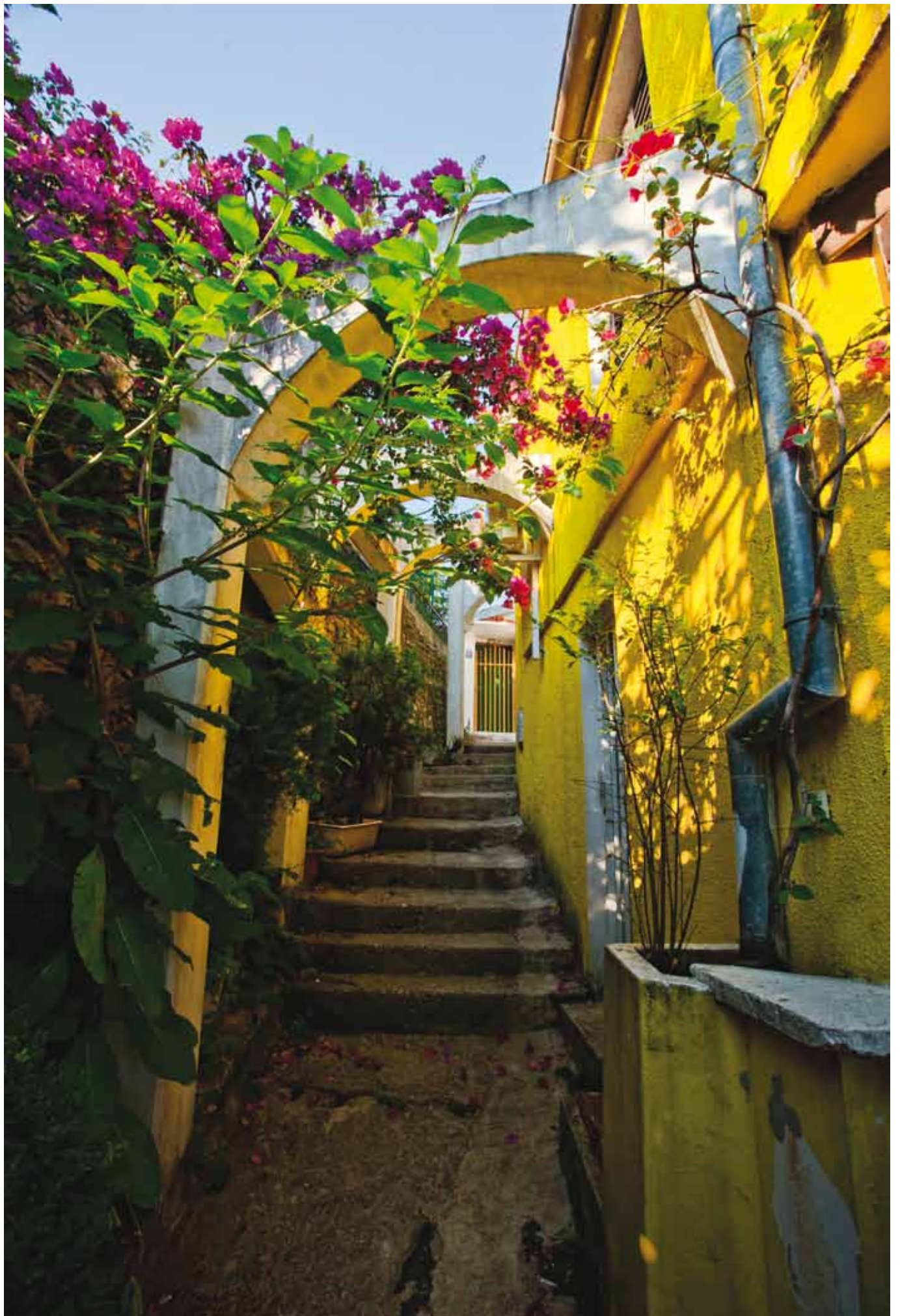
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FOREWORD

ALTHOUGH MONTENEGRO'S TRAVEL & TOURISM IS STILL AT A RELATIVELY EARLY STAGE OF DEVELOPMENT, THERE IS NO DOUBT AS TO ITS POTENTIAL, WHETHER IN TERMS OF ITS ECONOMIC OR SOCIAL IMPACTS. NEVERTHELESS, THE MONTENEGRIN GOVERNMENT FACES A NUMBER OF CHALLENGES TO ENSURE THAT IT ACHIEVES THE RIGHT KIND OF GROWTH – FOR THE BENEFIT OF ALL STAKEHOLDERS.

Despite a slowdown in the past couple of years due to the global economic crisis, Montenegro's Travel & Tourism performance has been impressive. It already contributes an estimated 17% share of gross domestic product (GDP) and supports more than 15% of total employment in the country. And its impact is about to become even more significant.

Over the next ten years, Montenegro is expected to be the fastest growing Travel & Tourism economy in the world, outranking even the BRIC countries – Brazil, Russia, India and China – according to research undertaken by WTTC and Oxford Economics. Current forecasts point to more than a 12% annual increase in Travel & Tourism's total contribution to Montenegro's GDP (including its direct, indirect and induced impacts), as well as an annual growth of 9% in employment – either directly in the industry or in related sectors.

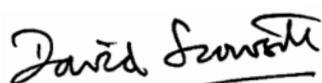
This should mean that, by 2021, Travel & Tourism will account for more than one third of total GDP and will support one in three jobs throughout the country. Over the same period, visitor exports are set to increase by 9.4% per annum to reach a staggering 46% of total exports by 2021.

Moreover, Travel & Tourism's impact could be even greater than forecast if the underlying policy framework is conducive to growth, ie if the Montenegrin Government continues to work towards creating the underlying conditions necessary for market confidence, dynamism and sustainability. Most importantly, the basic infrastructure must be assured to stimulate and facilitate investment and support new development such as hotels, resorts and attractions.

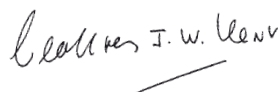
There is strong evidence that things are moving along the right track. The new government, led by Prime Minister Igor Luksić, seems committed to continuing, and building on, the efforts of the past ten years, supported by the private sector and international partners, with the aim of preserving and protecting Montenegro's natural and cultural resources for future generations.

Inevitably, there are a number of weaknesses that will need to be resolved to avoid some of the pitfalls that have affected competing destinations – so as to maximise Travel & Tourism's potential. But WTTC believes that Montenegro can certainly achieve, and even exceed, the baseline forecasts – at the same time developing a diversified tourism product catering to a wide range of markets and segments.

WTTC would like to express its gratitude to the many individuals and organisations that have contributed their knowledge, insight and data/ information to the policy review effort. A complete list of the contributors can be found on the inside back cover of the report.



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KEY RECOMMENDATIONS

OVER THE PAST DECADE THE GOVERNMENT OF MONTENEGRO HAS PUT IN PLACE A SOLID POLICY FRAMEWORK TO HELP ENSURE THAT FUTURE TRAVEL & TOURISM DEVELOPMENT IS SUSTAINABLE – GENERATING BENEFITS FOR ALL MONTENEGRINS ACROSS THE COUNTRY OVER THE LONGER TERM – AS WELL AS PROVIDING THE RIGHT BUSINESS/OPERATING ENVIRONMENT CONDUCIVE TO ATTRACTING FOREIGN INVESTMENT.

Clearly, there is still a lot to be done, but there is strong evidence that the new government of Prime Minister Igor Luksić is committed to continuing, and building on, the efforts of the past ten years, supported by the private sector and international partners.

The government has set itself a number of objectives to improve the country's economic situation, to enhance its competitive position, and to achieve 'smart growth' in line with the longer-term goal of being a 'green economy'. These include reducing state administration, increasing economic freedoms, simplifying procedures, further cutting taxation, increasing transparency, improving legislation – not least with regard to the flexibility of the labour market – and continuing to build trust with foreign and domestic investors. Most of these measures will of course have a direct impact on Travel & Tourism.

But critical to the sustainable growth of the industry will be the integration of social and economic strategy, which should ensure that development takes place where it will maximise long-term social and economic benefits while minimising negative environmental impacts.

Additional measures recommended in this report are intended to set the stage to help ensure the larger rewards that Travel & Tourism can bring to Montenegro over the medium to longer term. The following highlights the main areas for attention:

- Ensure that the basic Travel & Tourism infrastructure is adequate and appropriate to support the forecast growth in demand, as well as the planned development of hotels, resorts and other tourism facilities and attractions;
- Improve accessibility, especially with regard to air links into the country;
- Invest more heavily in human resource development and training;
- Extend the tourism season and spread the benefits of tourism more equitably across the country, to all local communities;
- Improve the quality of tourism products and facilities;
- Encourage market and product diversification; and
- Increase investment in marketing and promotion.

INFRASTRUCTURE

Planning for the forecast investment

Montenegro's Tourism Master Plan envisages a very high level of capital investment over the next ten years, as discussed in more detail in the fourth of this series of reports, on *Montenegro's Travel & Tourism: Investment Potential*. This is clearly reflected in the WTTC/Oxford Economics forecasts. Yet returns on this investment could be severely reduced if the necessary infrastructure improvements – including environmental protection measures,

legal controls and staff resources – are not put in place in time to support planned developments.

There are a number of lessons to be learned from the rapid increase in real-estate values in the years preceding the global economic crisis. This created huge demand for inappropriate, speculative, tourism-linked development. The Montenegrin Government should not lose sight of the fact that unconstrained capitalism can lead to haphazard development and the potential destruction of the ‘goose that laid the golden egg’ – the very resources on which Montenegro’s tourism appeal is based.

Need for a formal Tourism and Environmental Monitoring Plan

As a means of ensuring that infrastructure is appropriate and that tourism development is sustainable, WTTC endorses the recommendation of the Strategic Environmental Assessment of the Tourism Master Plan – to establish a formal Tourism and Environment Monitoring Plan which can be applied at national and at municipal levels.

This should set targets and indicators for the delivery of infrastructure improvements and environmental protection measures relating to major tourism projects. If adequate progress has not been made in addressing known deficits and shortfalls within a specific time-frame (to be decided by government in consultation with experts from the public and private sectors), a moratorium should be imposed on all new tourism development in those areas or municipalities that have failed to deliver the required improvements.

A wide range of infrastructure concerns

Infrastructure concerns cover a wide range of issues, including such things as energy, water supply, wastewater and solid waste disposal. By way of example, there are many illicit rubbish dumps and, in the absence of proper management or disposal control, these sites have caused seriously negative effects on air, soil and groundwater quality with impacts on human health. Energy consumption levels are increasingly high and there are often power failures along the coast and in Podgorica. Resolution of these problems cannot be left to chance.

AIR ACCESS

Decreasing tourism’s dependence on the national flag carrier ...

The precarious financial situation of Montenegro Airlines – the country’s national flag carrier, and the dominant airline on routes into and out of the country – does not augur well for the short-term growth of tourism. Routes have been suspended and frequencies reduced, with the result that latent demand from some markets may be difficult to satisfy.

The sooner Montenegro Airlines is privatised, the more chance there is of avoiding longer-term negative impacts, which in turn could dampen international Travel & Tourism demand. In order to sweeten the deal, consideration could also be given to the part-privatisation of Airports of Montenegro, which appears to be of greater potential interest to investors.

... and attract low-cost carriers

In addition, given the growth in low-cost services to competing destinations, attracting at least one of the leading low-cost carriers should now also be a priority to boost capacity from key source markets. If air capacity fails to keep up with growing demand for Montenegro, the destination will become increasingly expensive to visit, and will steadily lose its appeal.

HUMAN RESOURCES

Travel & Tourism can help reduce Montenegro’s high unemployment ...

Despite the launch of new educational programmes at universities and tourism schools – as well as privately led courses – there is still an acute shortage of skilled/qualified personnel for Montenegro’s Travel & Tourism. Since overall unemployment in the country is so high, much more could be done to tap this potential source of labour.

Evidence from different parts of the world over a long period shows that Travel & Tourism takes up unemployment at a much faster rate than other sectors of the economy. Moreover, the development of new year-round tourism facilities and activities means that there will be a growing need for permanent, year-round employment, which can offer better compensation packages and so attract more highly skilled and qualified staff.

If efforts are not made by government to support the private sector, there is a risk that more and more staff will be recruited from other countries, thereby reducing the potential to ease unemployment in Montenegro – not to mention, to lose a golden opportunity to raise the level of human resources in Travel & Tourism.

... and government can do a lot to promote the sector as an employer

In order to attract the right kind of human capital, the government – in partnership with the leading private sector companies investing in Montenegro's future tourism – should help to promote a positive image of the industry. And this is not only relevant with regard to young people finishing secondary school education, or graduates, but also for older Montenegrins such as women going back to work after maternity leave, semi-retired people, and those looking for greater flexibility in terms of hours worked.

SEASONALITY

Ensuring that tourism becomes a year-round business

Over the past few years, concerted efforts have been made by the Government of Montenegro and the private sector – strongly supported by non-governmental organisations (NGOs) and international aid agencies – to extend Montenegro's tourism season beyond the peak summer months, so as to reduce seasonal peaks and troughs.

Admittedly, there are some concerns over proposals to extend the season, especially with regard to providing alternatives to the beach, since bathing capacity figures at the majority of resorts are already exhausted. However, it is becoming increasingly clear to foreign tour operators as well as the inbound industry that Montenegro has a lot more to offer than just sun & beach. And many of the new activities and products being developed – such as hiking and biking and the conference and convention business – are just as, or even more, attractive during the shoulder and winter seasons.

Most importantly, stretching the season will provide more secure jobs for locals, as well as generating new revenues from tourism.

PRODUCT & MARKET DIVERSIFICATION

Spreading the benefits across the country and the population

At the same time, the development of alternative tourism products for the off-peak and shoulder seasons can help to spread the benefits of tourism across the country to local communities in remote, less easily accessible regions.

Much progress has been made in terms of product diversification – again, thanks in no small part to NGOs and foreign aid – but demand for Montenegro's tourism is still heavily concentrated on coastal bathing tourism and the short season. So efforts need to be stepped up to address the challenges.

In the coastal resorts there are many issues of concern related to overcrowding, overloaded infrastructure and overstretched staff during peak times. Inaccessibility and a shrinking population have restrained development in the north, and although there are plans to promote the expansion of winter sports, there are concerns over the availability of snow and the level of investment required.

Tapping new, higher-yield markets

Product diversification will also contribute to generating demand from a wider range of markets and, especially, higher-yield business. Montenegro has enormous potential for nature-based tourism – tourists in search of 'authentic' destinations. Montenegro is blessed with a 'wild beauty', comprising stunning natural attractions and an abundance of wildlife, flora and fauna.

“... We, Members of the Parliament of the Republic of Montenegro, are aware that, in view of the threat to nature, protection of the identity of the land in which we live and work has become our most immediate and pressing task. Bearing in mind our debt to nature, a source of health and our inspiration for freedom and culture, we are devoting ourselves to its protection for the sake of our survival and our future prosperity ...”

Extract from the Declaration on the Ecological State of Montenegro, 20 September 1991

Although the country missed out on tourism during the 1990s, its absence at a time of rapid global growth means that it avoided some of the pitfalls suffered by competitive destinations – due to illegal and excessive construction, and a lack of protection of natural assets.

Care must now be taken to ensure that it heeds the lessons learned from other destinations’ experiences.

PRODUCT QUALITY

Addressing the imbalance between capacity and demand ...

Among the key priorities, it is critical for the Government of Montenegro to implement appropriate legislation to ensure the country develops quality products. For the time being, there is a marked imbalance between capacity and demand. The government’s declared strategy is for more upmarket, high-yield tourism, yet the country does not have enough of the right products to meet such market demand. As an example, five-star hotels currently only account for 1.5% of room supply, and four-star properties for 22%.

... and the consequences of the grey market

Moreover, available tourist bed capacity is greater than official statistics suggest. While the grey market provides incomes for individual households, it does not contribute positively to national economic growth. There are issues of tax evasion, avoidance of financial supervision, concerns over legal provisions in terms of safety, hygiene and insurance, and illegal or unregulated building of second homes – particularly in sensitive coastal and protected areas. Tax evasion is pervasive in the tourism private sector, but the absence of adequate computer controls on billing also leads to abuse in the formal hospitality sector.

Moving from low-grade to sustainable, high-yield tourism ...

The fundamental principles enshrined in the Master Plan are to protect wild beauty and to raise the quality of the tourism product by reducing budget tourism, converting existing low-grade accommodation to at least three-star accommodation, ensuring that all new large hotels are in the four- and five-star categories, with their own swimming pools and alternative facilities to the beach.

The goal is also to eliminate illegal private and second-home developments which operate as part of the grey economy. Unless the construction of new hotels is accompanied by an equivalent fall in the number of beds in the private sector the Master Plan strategy is bound to fail because the capacity of the majority of beaches is already exceeded in the summer months.

The government and municipal authorities therefore need to introduce and enforce the necessary regulations over illegal construction and use of second homes. At the same time, a fundamental change in public attitudes will also be required – only possible through public information campaigns – since so many groups and individuals currently take advantage of lax controls for their own personal gain.

... while still recognising the needs of the domestic and regional markets

While the focus of development along the coast is for three- to five-star hotels and associated amenities, it must be recognised that there will still be a demand for one- and two-star accommodation, particularly from domestic tourists and less affluent regional markets.

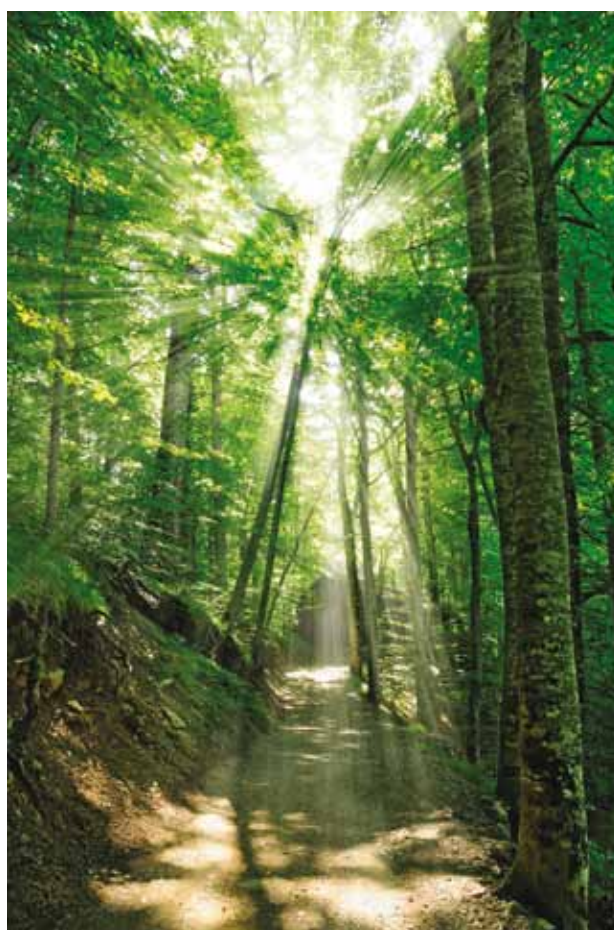
MARKETING & PROMOTION

Need to increase government support and funding

The Montenegrin Government should be commended for setting up the National Tourism Organisation (NTO) in 1995, and for taking the initiative seven years ago to turn it into a public-private partnership. The NTO was also reinforced, in April 2008, with the establishment of the Montenegro Convention Bureau.

Nevertheless, funding remains extremely modest, with the NTO's annual budget hovering around the €1.5 million mark for some years now, including financing for marketing and promotion and the NTO's overseas offices.

WTTC maintains that investment in marketing and promotion will need to be stepped up significantly over the next few years if the country is to achieve its investment potential, as well as generating sustained demand from existing markets and attracting new sources of tourism. Although there is considerable interest in Montenegro from foreign investors, public awareness of the destination and its rich variety of attractions is still relatively low.





INTRODUCTION

THE LAST FEW YEARS HAVE BEEN EXTREMELY CHALLENGING ONES FOR MONTENEGRO, IN TERMS OF TRAVEL & TOURISM AS WELL AS ECONOMIC GROWTH GENERALLY. THANKFULLY, THE GOVERNMENT'S FORESIGHT AND CAREFUL PLANNING OVER THE PAST DECADE – SINCE THE COUNTRY RE-EMERGED ONTO THE WORLD TOURISM STAGE AFTER THE BALKAN WAR – HAVE PAID OFF HANDSOMELY.

The latest economic impact research from WTTC and Oxford Economics suggests that Montenegro will be the fastest growing Travel & Tourism economy in the world over the next ten years with regard to Travel & Tourism's contribution to GDP and employment. And the WTTC/Oxford Economics forecasts also rank Montenegro in number one position worldwide for Travel & Tourism investment growth, as well as in second place (behind Brazil) for visitor exports.

The forecasts are indeed impressive, reflecting the huge achievements made by the government of former Prime Minister Milo Đukanović and, in large part, the efforts of the Ministry of Tourism (and formerly Ministry of Tourism and Environmental Protection) led by Predrag Nenezić. Although there is no room for complacency, the government has made significant progress at putting in place a solid policy framework to help ensure that tourism development is sustainable – generating benefits for all Montenegrins across the country over the longer term – as well as the right business/operating environment conducive to attracting foreign investment.

Focus on becoming a 'green economy'

Montenegro's goal is to remain at the forefront of tourism change and its Travel & Tourism strategy is firmly based on sustainability – economic, social, environmental and climatic. The new government of Prime Minister Igor Luksić seems committed to continuing, and building on, the efforts of the past ten years, supported by the private sector and international partners, with the aim of preserving and protecting Montenegro's natural and cultural resources for future generations.

The Montenegrin Parliament's commitment to sustainable development, initially enshrined in the Constitution in 1991, was reconfirmed in 2001, when the government adopted a strategy document entitled *The Developmental Directions of Montenegro as an Ecological State*, and more firmly in 2002 when it relaunched the concept of Montenegro as an ecological state at the World Summit for Sustainable Development in Johannesburg.

Signing the Barcelona Convention – the basis for international co-operation in the protection of the marine environment and coastal regions of the Mediterranean – as well the Mediterranean Action Plan (MAP), in 2008, gave the government a real impetus to develop the country, especially the coastal region, in a sustainable way.

Although industrial pollution has still not been eradicated, no polluting industrial complexes have been constructed since 1991 and several polluting industries have been shut down with toxic waste sites removed as the government's economic policies have shifted towards the development of sustainable tourism.

As the country moves towards its goal of becoming a 'green economy', sustainable technology options for the three remaining industrial complexes in the country, energy efficiency, and new waste management technology, are stated government priorities.

Strong growth forecasts justify government's focus

Travel & Tourism was earmarked by the Montenegrin Government more than ten years ago as a key potential driver of economic growth and diversification, and it has indeed gone a long way to realising this potential, becoming a significant vehicle for income generation. In 2010, Travel & Tourism's total contribution to GDP, including its indirect and induced impacts, was 15.7%. This share is projected to rise to 17.2% in 2011 and to 36.3% by 2021 – an increase of 12.4% per annum over the next ten years.

If the forecasts are proved accurate, this will take Travel & Tourism's total contribution to GDP to €1.9 billion a year by 2021 (a forecast based on constant 2011 prices and exchange rates) – up from an estimated €593.8 million in 2011 – justifying the government's focus on sustainable tourism development.

Travel & Tourism's contribution to Montenegro's GDP, 2005-21
(€mn at 2011 constant prices)

	2005	2006	2007	2008	2009	2010	2011 ^a	2021 ^b
Direct contribution	121.0	188.2	303.6	349.4	236.5	234.8	278.3	1,020.5
% growth ^c	22.9	42.6	36.7	4.2	-34.6	-1.3	16.2	10.9
Total contribution ^d	260.2	442.5	607.4	788.0	524.1	519.2	593.8	1,951.1
% growth ^c	20.6	56.0	16.3	17.5	-35.7	-1.5	12.1	12.4

Note: All values are in constant 2011 prices and exchange rates.

^a Estimated ^b Forecast ^c 2005-2011 real % annual growth adjusted for inflation; 2011-21 annualised real growth adjusted for inflation

^d Includes Travel & Tourism's indirect and induced impacts

Source: World Travel & Tourism Council (WTTC)/Oxford Economics

The direct industry alone is projected to grow its share of GDP from 8.1% in 2011 to 14.8% in 2021 – an annual growth of 10.9% – with the actual contribution rising to €782.1 million over the ten-year period from €278.3 million in 2011.





The trend is also expected to be similar for Travel & Tourism's total contribution to employment, estimated at 13.9% in 2010, and which is set to increase to 15.1% this year – accounting for some 26,000 jobs across the Montenegrin economy. By 2021, Travel & Tourism is expected to be supporting as many as 62,000 jobs, or one third of total employment – one in every three jobs – representing a growth of 9.4% a year over the coming decade (see table on page 12). Of the total job count in 2021, 25,000 jobs – or a share of 40% – are expected to be directly with the Travel & Tourism industry.

Ensuring the right kind of tourism

To date, Travel & Tourism growth in Montenegro has been primarily for sun & beach holidays, the staple tourism product in Montenegro before the onset of the Balkan War, as well as in neighbouring countries that were part of the former Yugoslavia.

However, the government rapidly recognised that this kind of tourism would not be sustainable, and that it was important to diversify the country's tourism product. This would not only help avoid excessive construction in the coastal regions that would damage the natural resources on which tourism demand is based, but also stretch the tourist season beyond the peak summer holiday months and ensure that the benefits would be more equitably spread across the country, filtering down to all levels of the population.

As a result, the revised *Tourism Development Master Plan to 2020*, released in 2008 and followed by the *Strategic Environmental Assessment (SEA)* of the Plan, refocused Montenegro's whole tourism strategy, placing much more emphasis on the development of rural and mountain tourism. The country's natural attractions and high biodiversity offer huge potential for all kinds of nature-based tourism – a large part of the destination's 'unique selling proposition' (USP) – with significant opportunities for the development of experiential or geo-tourism encompassing nature, heritage, culture, soft-adventure and related sub-sectors such as organic food production, local arts & crafts, etc.

POLICY FRAMEWORK

Long-term competitiveness of the economy

In his first keynote address after taking over the reins of government in late December 2010, Prime Minister Igor Luksić outlined an action plan to build on the successes of his predecessor, Milo Đukanović, while pursuing new initiatives aimed at enhancing the rule of law and moving Montenegro into a new era of prosperity and long-term competitiveness. He pledged, in particular, to undertake significant economic and structural reforms, to ensure fiscal and financial stability, and to overhaul business regulations.

The new prime minister shares many of the priorities of the previous government, such as membership of the European Union and the North Atlantic Treaty Organization (NATO) – prime goals since before Montenegro became a sovereign state in September 2006 on its independence from Serbia. It joined NATO's Partnership for Peace programme that same year and was accepted as an official candidate for EU membership in December 2010.

As key, interlinked priorities to attain the above goals, foreign affairs and European integration have been merged into one ministry. And a new ministry now combines tourism and sustainable development in line with the stated objective of developing Montenegro into – and enhancing its image as – a high-quality tourism destination.

Delivery on the policy agenda

The government has also initiated constitutional changes that will contribute to greater independence of the judiciary and civil servants' bodies dealing with corruption, as well continuing structural reforms in health and education, reform of social systems, and the further consolidation of public finances.

In the first 100 days of the new government's term of office, it focused on delivering on the EU accession agenda, repairing the damage caused by unprecedented floods in late 2010, and devising instruments to cushion against the social impact of the global price rise.

Pursuing its European integration agenda, the government has made manifest progress in meeting all of the EU's seven requirements for the launch of EU accession talks. As an example, the Police Authority and the National Security Agency are taking decisive and firm action to curb organised crime and, in terms

of fiscal policy, the new prime minister is looking to save another €50 million this year, on top of €250 million worth of public expenditure cuts since 2009. The government's fiscal policy was in fact commended in the IMF's latest report.

In addition, Moody's has upgraded Montenegro's credit outlook from negative to stable and there has been high demand for Montenegro's second Eurobond issues worth €180 million, which attracted 67 investors from 21 countries in Europe, Asia and the USA, at an 0.5% lower interest rate than last year. This was 2011's first transaction on the European market for a country with a credit rating below A, which confirms the credibility and trustworthiness of Montenegro's public finances. Although increased by the Eurobond issue, Montenegro's public debt, in the first quarter of 2011, reached around 40% and remains below the EU threshold.

In the first quarter of 2011, industrial production volume rose 5% on the corresponding period last year. And, according to preliminary data for the first two months of 2011, net foreign direct investment (FDI) inflows to Montenegro reached €76 million, which is 21.5% up on the corresponding period in 2010.

With a view to cutting red tape for business, the government has also introduced amendments to a set of laws, setting up one-stop shops for issuing building permits and reducing the number of procedures in the application process from 14 to only two.

Good governance

The US Agency for International Development (USAID) recently signed a Memorandum of Understanding with the President of Montenegro's Podgorica Basic Court, which outlines USAID's future assistance through its Good Governance programme. The Basic Court in Podgorica is the largest court in Montenegro and the public face of the country's judiciary.

The Good Governance programme will support the Basic Court by helping it to improve the visibility of government operations in the judicial system. This will include improving the internal court management and bolstering the delivery of court services to the Basic Court's customers. The court contains 38 judges, 187

staff members and processes over half of all cases filed each year in Montenegro. Approximately 1,000 people enter the Basic Court on a daily basis. This partnership is expected to have a significant impact on the improvement of the administration of justice in Montenegro, as well as the public's confidence in its judicial system.

Donor agencies and NGOs recognise Montenegro's achievements

Montenegro has been very successful at meeting the EU's objectives so far, as well as implementing much needed reforms in many different areas. Consequently, international donor agencies and non-governmental organisations (NGOs) have committed to continuing their support (see list of Selected Donor Projects on pages 32–37).

As an example, the European Bank for Reconstruction and Development (EBRD) will provide ongoing assistance in terms of infrastructure, finance and energy, with a particular focus on environmental protection. It will also continue to support the private sector through financial assistance and creation of a good investment environment. Long-term macroeconomic stability, as well as the continuation of reforms in education, science, health and welfare schemes – wherever possible, through public-private sector partnership – are also priorities earmarked by the new government of Igor Luksić to provide more efficient services for Montenegrin citizens.

Travel & Tourism competitiveness

By way of additional endorsement, the World Economic Forum (WEF) reports that Montenegro has shown one of the most impressive performances worldwide over the last couple of years, as reflected in WEF's *Travel & Tourism Competitiveness Report 2011*. This is the third edition of the report, which measures and analyses the drivers of Travel & Tourism competitiveness in 139 countries.

In terms of its actual 2011 ranking, Montenegro has risen by 16 places to 36th position overall – largely as a result of the important reforms recently implemented. The country's Policy Rules and Regulations for the sector have shown a substantial improvement, ranking it 10th in this particular pillar. It is also prioritising the sector more strongly, according to WEF.

The report further confirms that Montenegro has a strong affinity for Travel & Tourism (ranked 7th) – not surprising, given the importance of the sector for the country's economy. Montenegro's tourism infrastructure was also commended as “already well developed (ranked 25th)”, although WEF report states that “ground transport infrastructure (109th) and air transport infrastructure (62nd) could be further improved to reinforce the country's Travel & Tourism competitiveness”.



ECONOMIC TRENDS

Montenegro emerges from recession...

In February 2011, the International Monetary Fund (IMF) confirmed that economic growth was finally resuming in Montenegro. After contracting for 22 consecutive months, industry began to grow again in the second half of 2010, boosted in part by the relatively strong rebound of Travel & Tourism during summer 2010.

Going forward, the recovery is projected to gain momentum, supported by high world prices and demand for Montenegro's industrial exports, new tourism projects, and increased confidence in the financial system. At the beginning of this year, the IMF lowered its estimate for 2010 and its forecast for 2011. Last year saw only a 1.1% rise and real GDP is projected to grow by only 2% in 2011. However, it is currently thought that the IMF forecast may be revised upwards for 2011.

Key economic indicators for Montenegro, 2006-10

	2006	2007	2008	2009	2010 ^a	2011 ^a
GDP at current prices (€mn)	1,890	2,092	2,236	2,109	2,071	2,164
Real GDP growth (% pa)	8.6	10.7	6.9	-5.7	1.1	2.0
Inflation (%)	3.0	4.2	8.5	3.4	0.6	1.0
Exchange rate (US\$ per €)	1.25	1.37	1.47	1.39	1.33	na
GDP per capita (€)	2,818	3,109	3,317	3,110	3,025	na
Population ('000)	670.7	672.8	674.1	678.2	684.7	na
Unemployment (%)	14.7	11.9	10.7	11.2	12.2	11.5

^a Forecasts

Sources: International Monetary Fund (IMF); Oxford Economics

... but is not yet out of the woods...

Nevertheless, substantial risks still linger, according to the IMF, and the lessons from the boom-bust period must be taken on board. GDP's still depressed level – 2011 is expected to fall short of 2008's €2,164 million – is due to the fact that the economy landed hard from overheating, which occurred when the still transitioning economy failed to absorb large capital inflows. This experience, the IMF says, demonstrates the crucial importance of persevering with reform, strengthening resilience and building policy buffers.

The short-term risks, the IMF maintains, are testament to an unfinished reform agenda. Moreover, poor labour relations and persistent financial problems could yet prevent industry from profiting from the global demand boom. The repair of the banking system, though advanced, is not yet complete and, notwithstanding recent welcome budget consolidation, fiscal financing risks remain elevated.

Above all, policies must aim to advance external adjustment in order to make future growth sustainable. Luckily, Montenegro's large potential, eg in the energy and tourism sectors, can be tapped, such that external rebalancing need not sacrifice growth. With the global crisis having passed, the IMF says that Montenegro must return to the path of earlier reforms, which have gone some way in introducing flexibility, strengthening banking supervision, and consolidating the budget.

... although the outlook is better than for its competitive set

The good news is that Montenegro performed better than most of its neighbouring states in 2010, and is not expected to lag much behind EU emerging economies overall in 2011, at least in terms of real GDP growth. Indeed, some observers also expect the country to exceed the IMF projections.

With regard to consumer price inflation, Montenegro looks like doing better than all its competitors and trading partners, with only a modest 1% inflation forecast by the IMF as against 3.1% for EU emerging economies and 2.8% for the EU overall.

Comparison of selected economic indicators for Montenegro and neighbouring tourism competitors, 2007-11

Country	2007	2008	2009	2010	2011
Real GDP growth (%)					
Montenegro ^a	10.7	6.9	-5.7	1.1	2.0
Bosnia Herzegovina	6.1	5.7	-3.1	0.5	3.0
Croatia	5.5	2.4	-5.8	-1.5	1.6
Serbia	6.9	5.5	-3.0	1.5	3.0
Slovenia	6.8	3.5	-7.8	0.8	2.4
EU emerging economies	6.0	4.4	-3.0	1.6	2.9
Europe overall	4.0	1.4	-4.6	2.3	2.2
Consumer price inflation (%)					
Montenegro	4.2	8.5	3.4	0.6	1.0
Bosnia Herzegovina	1.5	7.4	-0.4	2.4	2.5
Croatia	2.9	6.1	2.4	1.9	2.8
Serbia	6.5	12.4	8.1	4.6	4.4
Slovenia	3.6	5.7	0.9	1.5	2.3
EU emerging economies	4.6	6.5	3.9	3.2	3.1
Europe overall	3.6	5.7	2.7	2.9	2.8

Note: Estimates for 2010 and forecasts for 2011

^a Updated in Feb 2011

Source: IMF's World Economic Outlook, Oct 2010

After contracting for 22 consecutive months, industry began to grow again in the second half of 2010, boosted in part by the relatively strong rebound of Travel & Tourism during summer 2010.



BUSINESS & OPERATING ENVIRONMENT

Social indicators remain favourable ...

During the three-year period before the global economic crisis, Montenegro recorded the fastest GDP growth in the region, with the average annual growth rate reaching 9%. This led to improved social indicators with substantially increased wages and a reduction in unemployment levels in recent years. And favourable economic conditions fuelled local and foreign direct investment.

For five consecutive years, to 2009, the country attracted increased foreign direct investment (FDI), becoming a leader in Europe according to the level of FDI per capita. Despite the global financial crisis in 2009, Montenegro recorded an even higher level of FDI than ever before that year (€1.07 billion), although the structure of investment showed marked changes, with the energy sector attracting a greater share of interest.

Increased FDI, as discussed in the fourth report in this series *Montenegro's Travel & Tourism: Investment Potential*, was possible due to the overall course of continuing economic reforms relying on: openness; monetary stability (ie having the euro as legal tender since it was first launched in 2002); a low level of business regulation; a low level of taxation; a free regime of capital flows; and a high level of privatisation (90%), or companies in the process of being privatised.

Montenegro's fiscal authorities have also signed a regional co-operation agreement with the equivalent authorities in neighbouring Serbia, Bosnia & Herzegovina and Slovenia to clamp down on tax evasion and the grey economy.

... enhanced by a flat tax system

The Montenegrin tax system is a flat one. Very few countries in the world have a flat system and this in itself creates a lot of advantages – above all simplicity. In addition, all major tax rates in Montenegro are very competitive with respect to other neighbouring countries.

Corporate tax, at 9%, is the lowest in the region (compared with 22% in Slovenia and 20% in Croatia and Albania, for example). Value-added tax (VAT) is 17% (as against 20% in Slovenia and 22% in Croatia),

and it has been reduced to 7% for some categories of products and services, such as hotel stays. Personal income tax, which was already low at 12%, was lowered to 9% in 2010.

All investors are also able to remit dividend and interest profits to the full amount, without any restrictions and, for most countries, there is no visa regime in Montenegro.

Corporate tax, at 9%, is the lowest in the region and it has been reduced to 7% for some categories of products and services.

Major new laws influencing businesses in Q4 2010

Among the new laws passed by the government in the fourth quarter of 2010, the following are important in terms of facilitating business, not least in Travel & Tourism and related sectors:

- The new **Law on the Improvement of the Business Environment** is the first law of its type in Montenegro as it represents an omnibus of different changes that affect various other laws in Montenegro. This law tackles changes in various laws including the Business Organization Law, the Law on Foreign Investments, the Law on the Assessment of Impact on the Environment, the Law on Construction, the Law on Administrative Taxes, etc.
- Within the **Law on the Improvement of the Business Environment**, the obligation of annually renewing company registration has been abolished. According to the old law, all companies needed to renew their registration on an annual basis, which meant additional costs and also business barriers. The new law does not prescribe this any more, so it will be an important issue for companies in the future.



- Within the **Law on Foreign Investments** the main change relates to further equalising foreign and domestic investors. The purpose of this was to provide the same conditions to foreign companies operating in Montenegro and to companies with domestic capital.
- In the **Law on the Environment** the deadlines for issuing different permits have been cut in order to speed up procedures and also to help businesses complete their obligations to the state more quickly.

Unleashing Montenegro's potential

Private investment clearly holds the key to economic growth and job creation and, given Montenegro's small size, foreign investment is particularly important. According to the IMF, it must be leveraged by improved domestic flexibility and cost competitiveness in order to avoid renewed overheating pressures and to spark off domestic investment, notably in labour-intensive small and medium-sized enterprises (SMEs). In order to benefit from swiftly recovering global capital flows the IMF says that Montenegro must quickly redress any impediments to investment and flexibility.

The labour market also needs to be invigorated. However, the contrasting experiences of the tourism and heavy industry sectors offer salient lessons, highlighting the fact that Travel & Tourism has fared much better. Since liberalised foreign employment is essential for the Travel & Tourism industry, it was a lot more nimble in adjusting to the global recession, according to the IMF.

The IMF has highlighted a number of priority areas that still require government attention and/or action, among which:

- Demands to restrict the flexibility and availability of fixed-term contracts must be resisted. These contracts have mitigated employment deterioration during the crisis and introduced needed flexibility.
- Poverty traps need to be addressed. At present, the unemployed stand to lose a host of benefits when taking on formal employment – a large disincentive for work in the formal sector. The recent more-than-doubling of the minimum wage (compared to the previous 'minimum price of labour') aggravated this problem by depressing demand for low-skilled workers, thereby further marginalising this vulnerable group.



HOW CAN TRAVEL & TOURISM MAKE A DIFFERENCE?

“ Tourism has a critical role to play in Southeast Europe, both in this current period of economic crisis and beyond. The power of tourism to support and catalyse growth has never been more important than during this most severe and widespread economic crisis in living memory. Virtually every nation in the region, and well beyond, is faced with the challenge of navigating through treacherous economic shoals while continuing to steer a wise and prudent course towards sustainable development and appropriate growth.

So, how can Travel & Tourism really make a difference during these difficult times? And why should tourism be a priority when there are so many other priorities, so many other demands for extremely limited resources?

First, Travel & Tourism has one of the strongest economic multiplier effects of all sectors, with a progressive, rather than regressive, impact on income distribution. A great part of its revenue goes to individuals and small enterprises. And tourism disproportionately helps the least advantaged in society by providing a portal to a better life for many.

The current economic crisis has already taken its toll and affected so many lives – whether that of the waiter whose working hours have been cut in half, and who now has trouble feeding his family, the small entrepreneur who can no longer secure a loan to build his business and create jobs, or the young person who has always dreamed of a career in Travel & Tourism, but whose dream has now had to be deferred or denied. Only targeted action aimed at recovery and growth in tourism revenues will repair this human toll.

Second, appropriate tourism, when well managed, is a clean industry. Third, tourism growth stimulates new investment, and fourth, foreign visitation is an export, improving the balance of trade. So, given these benefits, what can governments do to ensure that they are fully implemented?

Three key action areas are now more important than ever. Beginning with investment, it is clear that this crisis is not simply one of economics and finance. Rather, it is a crisis of confidence, with fear, anxiety and risk aversion endemic among consumers, distributors, developers and others. We must invest in our national brands, keeping them in the consumer's mind for the longer term, while making differentiated, value-based offers in the immediate term.

The smart marketer knows that this is the time to expand, not contract, branding and sales efforts, in order to be better positioned when consumers once again start travelling and spending – as they always have done, and will again. Some say we cannot afford to spend precious resources on tourism promotion. I would argue we cannot afford *not* to. And, perhaps most importantly, we must invest in human capital.

Training, education and skill enhancement are more crucial than ever.

Another key factor is co-operation. Embracing ‘co-operation’ – a co-operative approach to competition – is crucial. We must work together as a sub-region in southeast Europe, and as the wider region ‘Europe’. While we are indeed competing with our neighbours, we must also work together to stimulate demand for the region as a whole through joint marketing, by reducing problems such as border delays and visa barriers, and actively supporting pragmatic and relevant regional promotion entities.

As governments, we must also co-operate as reasonable partners with the private sector. We need not be the private sector's best friend, but we cannot be their unthinking adversary, either. We must seek a ‘middle way’ that recognises the critical role governments can play in certain areas, while at the same time acknowledging the private sector's key role as source of capital, as an engine of growth, and as a creator of a marketable tourism product.

This middle way is critical to achieving ‘smart growth’ – well-balanced growth, well distributed and sustainable growth.

And, finally, the environment! It is during difficult economic times such as these that one hears from some circles that the commitment to true sustainability must wait, that it is too costly, that it is not the time to invest in CO₂ emissions' mitigation in tourism now, and that such investment is a luxury.

In fact, quite the opposite is true. The reality is that building a green economy is central to the flourishing of a sustainable destination, and to being a strong competitor in the ever more challenging tourism marketplace. Travellers who care about both the quality of the environment in the destinations they visit, and the degree of responsible stewardship shown by the destination, are no longer a market *niche*. Rather they *are* the market.

Anyone, whether a political leader or business executive, who minimises the importance of this increasing and enduring focus by travellers worldwide, does so very much at his/her peril. Therefore, as we face this crisis together, we must, as governments and as leaders, redouble our efforts to ensure that Travel & Tourism gains sufficient focus, and sufficient resources, to realise its potential as an important catalyst for recovery in the world in which nations' economic fates are inextricably intertwined. ”

*Predrag Nenezić
Former Minister of Tourism (July 2001 - December 2010) and
Minister of Environmental Protection (2006 - 2008)*

December 2009

PLANNING FOR SMART GROWTH

THE RIGHT BALANCE

Focus on the longer term

Long-term planning at the national level is a prerequisite for the successful development of sustainable Travel & Tourism, and this was clearly recognised by the Government of Montenegro in the early 2000s, when it started to rebuild its tourism industry. Thanks in no small part to support from donor agencies and foreign governments, the first Master Plan for Sustainable Tourism Development was produced and approved by government in 2001.

This was followed in fairly quick succession by Regional Development and Zoning Plans, a *Roadmap for Sustainable Development for the Mountain Region*, and different legislation directly affecting Travel & Tourism operations – such as regulations for the classification and categorisation of hotels.

Most importantly, all the different plans and strategies are constantly reviewed and updated (see the list of key Travel & Tourism Milestones on page 24), helping to ensure that government policy is adapted to changing market circumstances.

Avoiding the pressures of unconstrained capitalism ...

In the three years leading up to the global economic crisis, one of the biggest challenges confronting the Montenegrin Government was the powerful pressure caused by rapid and excessive growth, reflected in the breakneck rise in real-estate values. The appreciation of Montenegrin property values was among the fastest in the world over the period. So it was hardly surprising that the central and local authorities were simply unable to provide the necessary infrastructure – in terms of roads, water supply, wastewater systems, etc – to keep up with the demand for new construction.

The rapid increase in real-estate values also created huge demand for inappropriate, speculative, tourism-linked development. Congested beaches, a blocked view, a change in a destination's feel and character and, therefore, ultimately in its image and brand, are very hard to reverse once they occur.

These last few years have taught Montenegro some important lessons. Most significantly, unconstrained capitalism can lead to haphazard development and the

potential destruction of the 'goose that laid the golden egg' – the very resources on which Montenegro's tourism appeal is based.

... reflected by the real-estate boom

In many respects, the collapse of the real-estate boom, which was one of the fallouts of the recession, was a saving grace for Montenegro's Travel & Tourism. The issue now and in the future – one the main challenges facing the new government – is how to effectively manage tourism growth for the long term, so that the potential benefits of this powerful economic engine accrue to the nation as a whole, rather than to just to a select few, and that these benefits continue to be realised over the long term.

All too often a nation's future is mortgaged by simply creating short-term financial benefits at the cost of reduced quality of life and economic dislocation over the longer term.

Economic growth versus environmental, social and cultural sustainability...

Montenegro's leaders have understood that governments today must strike an ever more difficult, delicate balance between serving as a catalyst for economic growth and, at the same time, assuring that the long-term interests of the nation are respected and sustained.

This means a balance between attracting foreign investment on the one hand, and assuring that the national patrimony and environment are sustained, on the other; a balance between catalysing business formation through the elimination of redundant, unnecessary and burdensome regulations, and assuring that the consumer, whether local or foreign, is protected; and a balance between economic growth, ie making the pie bigger, and economic equity – assuring it is sliced fairly.

... the challenge of striking the right balance

The challenge of striking these balances is almost nowhere as visible, as critical, or as stark as in Travel

& Tourism. In order to assure that tourism serves as a long term generator of well-being and income for the Montenegrin people, the government recognises that it must resist – and ensure the industry resists – the incredible pressures for short-term development and its benefits, in favour of protecting the costs and benefits to the nation over the long term.

Traditional resort developers, for example, tend to be focused almost exclusively on maximising return on investment (ROI) for owners. Yet, if government does not impose legislation to ensure that new resort development complies with specified standards of environmental responsibility and land-use density, the developer is unlikely to do so. Without government intervention – fair, informed involvement – the interests of future generations will not be adequately represented.

THE ‘MIDDLE WAY’

Growth in which everyone can share

As so eloquently expressed by Predrag Nenezić, former Minister of Tourism, there is a ‘middle way’ – a way of ensuring ‘smart growth’ – growth in which everyone can share, and that is sustained for future generations. This means that appropriate investment should be strongly encouraged and incentivised, yet the government should play an active role in assuring that long-term environmental and social impacts are taken into account. In addition, a strong, strategic planning process, anchored in input from all constituencies and serving as the basis for specific spatial and land-use planning, is also critical.

To ensure this ‘smart growth’ in tourism development, the Montenegrin Government has recognised that it has five key roles:

- To build and market the national brand and the destination as a whole;
- To plan and regulate transparently and consistently;
- To provide incentives for appropriate investment;
- To invest in infrastructure and, most importantly, in human capital to support tourism in ways in which the private sector cannot be expected to; and
- To maintain and build economic, social, geographic and ethnic equity by assuring that Travel & Tourism’s benefits are equitably distributed.

The government expects the private sector, in turn, to respect its two core responsibilities:

- To bring/generate capital to the table; and
- To operate in a responsible and ethical manner within the legal and regulatory framework that has been designated.

WTTC maintains that, if the balance is achieved, and if government does succeed in creating a reasonable, fair and consistent regulatory and planning framework, this should engender good corporate citizenship. Furthermore, the private sector’s powerful resources will then be directed towards creating an appropriate and sustainable tourism product.

So far, although it has taken more time than initially envisaged and there is a long way to go before the country reaches its Travel & Tourism investment potential (see accompanying report on Montenegro’s Travel & Tourism: Investment Potential, the process would seem to be firmly on track.



The collapse of the real-estate boom, which was one of the fallouts of the recession, was a saving grace for Montenegro’s Travel & Tourism.

TRAVEL & TOURISM MILESTONES

	Milestone	Actions	Supported by:
1878	First Nature Reserve –	Proclaimed by King Nikola	The Nation
1952	National Park Biogradska Gora	Proclaimed by Parliament	
1952	National Park Lovćen National Park Durmitor	Proclaimed by Parliament	The Nation
1977	UNESCO World Biosphere Reserve	Tara River basin – Designated by UNESCO	UNESCO, the Nation
1979	UNESCO World Heritage Site	Town of Kotor – Risan Bay – designated by UNESCO	UNESCO, the Nation
1980	UNESCO World Heritage Site	National Park Durmitor and Tara River Designated by UNESCO	UNESCO, the Nation
1983	National Park Skadar Lake	Proclaimed by Parliament	The Nation
1991	Montenegro declared to be an 'Ecological State'	Proclaimed by Parliament	The Nation
1996	RAMSAR Wetland	National Park Skadar Lake included in Ramsar Convention	The Nation
2001-02	Master Plan for Sustainable Tourism Development	Adopted by Government	Inter-Ministerial Implementation Committee
2002	Regional Development Plans	Environmental Impact Study (100 m ² green space per bed)	DEG – Municipalities
2002	Launch of 'Wild Beauty' brand	Implemented at national level	NTO, RTOs , LTOs
2003	Designation of Blue Flag Beaches (ongoing)	Established NGO, initiated Qualification & Certification Programme	MOT, NGO, Morsko Dobre, beach concessionaires
2003	Regulations for classification and categorisation of accommodation	Legal framework for quality control Legal basis for 'small hotels'	Supported by DEG/CIM
2004	'Let us be clean' campaign (ongoing)	Litter collection and patrols on highways Clean-up of rural dump sites	Ministries, municipalities, the Nation, NGOs, donors
2004	Save the Tara campaign	International Initiative	Government, Nation, NGOs, international community
2004	Roadmap for Sustainable Development – Mountain Region	Presented by UNDP and Ecotourism Society – Adopted by the Government	Rockefeller Foundation Ecotourism Society (IETS)
2004	Signposting Campaign (ongoing)	National Tourist Signposting	MOT, municipalities, donors
2004	'Wild Beauty Awards' (ongoing)	Annual Tourism Industry Award Programme	Public/private partnership
2004	Handbook for Hotel Wellness Facilities	Comprehensive listing of facilities in Montenegrin hotels for health/wellness	All stakeholders
2005	WTTC Travel & Tourism Satellite Account	Strategic results and forecasts for Montenegro's Travel & Tourism	Government, Central Bank, stakeholders, MONSTAT
2005	Nature-based tourism development Bjelasica-Komovi	Regional infrastructure, SME development, marketing, guide training	Austrian-Montenegrin Partnership, SMEs, municipalities, LTOs, RTOs
2006	Nature-based tourism niche market development	Programmes, marketing, SME development including specialised agencies	Supported by all resident international donors
2006	Eco-Destination Durmitor – a 'student focused programme'	Sustainable Tourism Consulting Team, George Washington University and Mediteran University, Montenegro	Ministry of Tourism, UNDP
2006	Update of Tourism Master Plan	Align Tourism Master Plan with Nature-based Tourism Development National Strategy for Sustainable Development	Broad stakeholder participation 10 workshops/500 participants
2007	Adriatic Ionic Initiative	Regional initiative to develop cultural, nautical and nature-based tourism	Adriatic countries

2007	'Wild Beauty' web portal www.montenegro.travel	New interactive web portal to support nature-based tourism	NTO, strategic industry partners
2007	Human Resources Strategy	Support sustainable development	GTZ, Faculties, MOT
2007	Spatial Plan for the National Park Biogradska Gora	Presented by the Ministry of Space and undertaken by the Montenegrin Institute for Town Planning and Design	Other ministries, different stakeholders and donors
2008	ECO Tax	Hypothecated tax based on the 'Polluter pays' principle – to finance future ecological programmes	Different ministries
2008	Montenegro Tourism Development Strategy to 2020	Strategic Environmental Review (SEA) of strategy document together with Strategy Document approved by Parliament	Ministries, stakeholders, DEG/ GTZ, SNV
2009	Situation Analysis – Durmitor National Park	Benchmark Comparison Study with UNESCO Biosphere Entlebuch and Triglav National Park	WWF Mediterranean Programme
2008	Global Warming-linked Rural Development Strategy	First such strategy for sustainable rural development	Italian Government, local government, ministries, private investors
2008	SEA Review of Strategy for Sustainable Tourism Development to 2020	Special focus on national parks and mountain regions	Adopted by Parliament
2008	Porto Montenegro development launched (ongoing)	Environmental clean-up – conversion of military port to yachting marina with high ecological standards	Private sector, local and state governments
2008	Application for EU Membership	Aligning national laws, signing all relevant international treaties, taking regional leadership	Parliament
2009	Categorisation of yachting marinas	Implementation of ecological standards in marinas	Ministries, GTZ/CIM
2009	'Wild Beauty Resorts' and ECO Lodges – Protection of Local Heritage	Development Handbook and Architectural Guides for a new brand of accommodation in the mountain regions	Ministries, GTZ, CIM, Faculty of Architecture, stakeholders
2009	Climate Change and Sustainable Development	Regional conference for the Mediterranean and South Eastern Europe hosted by Montenegro	Country representatives, UNEP, UNESCO, UNWTO, WTTC, RAC, Milano Expo, OME, MEDREC, FAO
2009	New Law on National Parks	Declaration of 5th National Park (14,000 hectares) – first cross-border park covering part of Montenegro, Albania and Kosovo	Citizens, municipalities, IUCN, Government and Parliament
2009	'This Land is Our Home' campaign, culminating in the planting of 650,000 trees	Launch of an ongoing grassroots public awareness campaign for nature protection	Citizens at all levels, NGOs, government leaders, private sector, diplomats and donor community
2009	Update of Tourism Law	Important as the words 'sustainable tourism' are included in the text of the new Tourism Law	Government, USAID-STARS, ADA, GTZ
2010	National Strategy and Action Plan for Nature Protection and Biodiversity Conservation, 2010 - 2015	Based on the Convention on Biological Diversity of June 2006, which Montenegro joined in 2006, and which was adopted in July 2010	Presented by the Ministry for Spatial Planning and Environment and adopted by government generally

Key organisations cited above: ADA: Austrian Development Agency; DEG: German Investment and Development Company; FAO: Food and Agricultural Organization; GIZ: German International Co-operation; MEDREC: Mediterranean Renewable Energy Centre; MONSTAT: Statistical Office of Montenegro; MOT: Ministry of Tourism (former); RAMSAR: Convention on Wetlands of International Importance, especially as Waterfowl Habitat; SNV: Netherlands Development Organization; UNDP: United Nations Development Programme; UNEP: United Nations Environment Programme; UNESCO: United Nations Educational, Scientific and Cultural Organization; UNWTO: World Tourism Organization; WTTC: World Travel & Tourism Council; WWF: World Wide Fund for Nature.

Note: LTO: local tourism organisation; NTO: national tourism organisation; RTO: regional tourism organisation; NGO: non-governmental organisation; SEA: Strategic Environmental Assessment; SME: small and medium-sized enterprise.

Source: Ministry of Sustainable Development and Tourism

'GREENING' THE ECONOMY

Montenegro's goal is to remain at the forefront of tourism change.



THE STRATEGY

A nature-based approach to tourism development

Through the support of international non-governmental organisations (NGOs) and foreign aid – as a part of EU harmonisation – Montenegro has made significant strides in its nature-based approach to tourism development, including local grassroots organisation and public/community involvement. The approach has also resulted in a growing range of successful nature-based activities, such as bird watching, kayaking, and wilderness hiking & biking (see page 56).

This all reinforces Montenegro's goal of diversifying its tourism base, increasing yield for local communities, and spreading the benefits of tourism more equitably across the country as well as by extending the tourism season. The effort is directly based on the National Park Plan, which in turn is based on the Tourism Master Plan (see section on National Parks and Protected Areas on pages 51-53).

The Austrian-Montenegrin Development Co-operation has been closely involved in co-ordinating this park level support (2006-11), and has also helped to develop and integrate capacity building and green management training for local travel providers, product development and marketing support, including community interviews, seminars, public community feedback, etc. Examples include the creation of a checklist of green operational measures for implementation, and education from which locals can benefit – eg on the use of solar energy.

Sustainability – economic, social, environmental and climatic

Montenegro's goal, as already stated, is to remain at the forefront of tourism change. Its prime objective is to preserve Montenegro's natural and cultural wealth by continuing on the development path towards sustainability – ie becoming a 'green economy'. This means ensuring sustainability in terms of the economy as well as protection of Montenegrin citizens, their culture and the environment. And it also means a commitment by government to addressing the key issues of nature preservation and climate change mitigation, supported by the private and civil sector and Montenegro's international partners.

Guided by a host of international conventions

A number of international conventions have been used as a guide to Montenegro's ongoing and planned tourism development activities: eg the United Nations Convention on Biodiversity, the UNESCO Convention on World Cultural Heritage, and the Ramsar Convention on Wetlands. Regional initiatives include the ICZM Protocol of the Barcelona Convention, the Dinaric Arc Initiative, the Adriatic Ionian Initiative, the Central European Initiative, and the European Green Belt.

National Strategy of Sustainable Development

Montenegro's *National Strategy of Sustainable Development (NSSD)*, published in January 2007, is based on the globally accepted principles of sustainable

Development defined through the Rio Declaration and Agenda 21, Johannesburg Declaration and Implementation Plan, as well as on the principles of the UN Millennium Declaration (from which the Millennium Development Goals, or MDGs, were derived). In the document *Visions of Sustainable Development of Montenegro*, these principles are summarised as follows:

- Integration of environmental concerns into development policies;
- Internalisation of environmental costs (ie conversion of external costs of environmental degradation into internal costs of polluters/users) through the implementation of 'polluter/user pays' principles;
- Participation of all the stakeholders in the decision-making, consultations, dialogue and partnerships;
- Access to information and justice;
- Equity among generations and equity within the same generation (including gender equality);
- The precautionary principle, ie requirement to safeguard natural equilibrium in the absence of certainty;
- The principle of subsidiarity and interdependency between local and global levels; and
- Access to services and financial resources necessary to meet basic needs.

These principles represent a prism – through which the existing problems and challenges for sustainable development of Montenegro have been analysed – and a framework in which the goals, objectives and measures necessary for the implementation of sustainable development policies have been defined. They also represent guidelines that will direct the overall process of NSSD implementation.

Given the above, Montenegro's action plan to becoming a 'green economy' can be summarised as follows:

- Balanced and equitable economic development that can be sustained over the time;
- Poverty reduction, through empowerment and ensuring better access of the poor to necessary services and resources;

- Participation of all the stakeholders in decision-making (central and local governments, NGOs, the private/business sector, professional organisations, unions) while building dialogue and trust, and developing social capital;
- Careful management and preservation (to the greatest possible extent) of non-renewable resources;
- Rational/sustainable use of energy and natural resources (water, land, forests, etc);
- Minimisation of waste, effective pollution prevention and control, and minimisation of environmental risks;
- Enhancement of education and health systems, and improvement of gender balance; and
- Safeguarding of cultural identities.

Strategic Environmental Assessment of the Tourism Master Plan

In line with its efforts to be approved for membership of the European Union, Montenegro has been obliged to ensure a systematic assessment of the environmental effects of strategic land-use related plans and programmes. This is known as the Strategic Environmental Assessment (SEA) – a legally enforced assessment procedure required by Directive 2001/42/EC.

The SEA Directive typically applies to regional and local, development, waste and transport plans, within the European Union, but it only applies to plans that are required by law, which excludes national government's plans and programmes, as their plans are 'voluntary', whereas local and regional governments are usually required to prepare theirs.

SEAs have been undertaken for both the Environmental and the Tourism Master Plans, and the results of these have led directly to changes in government policy and strategy with regard to factors and issues of direct relevance to Travel & Tourism.

Dams could spoil Montenegro's green image

One serious challenge facing the new Montenegrin Government is that the country still suffers from a shortage of electricity, which means that there are often power shortages, even at the height of the tourist season. To illustrate the problem, the government planned to import around 817,000 megawatt hours of electricity in 2010 – one third of the country's power

needs. Most imported electricity comes from Bosnia but some also comes from Serbia.

In an effort to reduce dependency on costly imported power, the former government decided to award a 30-year concession for the construction of four hydropower plants with a total capacity of 242 megawatts, requiring new dams on the Morača River. These could result in 730,000 additional megawatt hours being produced annually in Montenegro, sharply reducing dependency on foreign imports.

More worryingly, the project – which was given a green light by a government-sponsored consultancy – is widely perceived as one which could harm Montenegro’s ‘green’ image, especially since environmentalists have been actively campaigning against it, warning about the impact on a local lake, birds and greenery. A WWF report stated that the project could cause “the inundation of the canyon upstream of the dams, which would cause permanent loss of the habitats”, including eagles, hawks and owls. The group added that flooding would destroy trees and kill some fish species.

The government does concede that the project will destroy ten bridges, including an Ottoman bridge from the 18th century. And hundreds of people will have to move from homes that will be flooded or left isolated on a mountain peak. There is also a risk that the 13th-century Morača Monastery – a popular tourist attraction because of its frescoes – might be affected by flooding. Although the government says the structure will be safe, the Orthodox church is afraid water levels could come as near as the monastery door.

The decision on whether or not to go ahead with the project is clearly an extremely difficult one. WTTC maintains that it should be taken only after careful consultation with respected international experts and all interested stakeholders.

CLIMATE CHANGE

The government has long recognised that it has no choice but to embrace new and innovative business models and applied technology to ensure that tourism remains the engine for sustainable growth and regional stability.

Although Montenegro’s own greenhouse gas emissions do not significantly contribute to global warming, the government acknowledges the fact that it has an obligation to future generations to adopt a measured

and co-ordinated response to the challenge of global warming and climate change. Moreover, given the country’s widespread forest and vegetation cover, it has the potential to contribute to the stabilisation of carbon dioxide levels. This was one of the main reasons for designating its fifth National Park, Prokletije, in 2009.

Prokletije boasts 14,000 hectares of land of outstanding environmental and ecological value in a cross-border area shared with Albania, and its designation as a National Park in many ways signifies the long-term commitment to nature preservation of the Montenegrin Government and nation as a whole – a commitment that, as already indicated, was started in 1878, the year of the Berlin Congress, when Montenegro was also declared a sovereign nation.

The need for ‘smart growth’ has also encouraged the government to take responsible measures to protect the high level of forests and vegetation cover to ensure a cleaner air and water supply, fundamental for the development of an economically, socially culturally, environmentally sustainable tourism economy. And it is now developing and implementing adaptation and mitigation strategies and factoring these into all long-term planning for sustainable tourism development.

Among the policy measures taken by the Montenegrin Government to address the challenge of climate change, the following summarises the most important:

- Implementation of the United Nations Framework Convention on Climate Change (UNFCCC), which has shaped the national response to climate change challenges with special attention to the development of the National Communication Strategy and National Greenhouse Gases Emission Inventory;
- Implementation of the Kyoto Protocol, especially through the application of flexible mechanisms, such as Clean Development Mechanisms (CDMs), and through the development of its strategy to undertake Joint Implementation Projects (JI) and engage in Emissions Trading;
- Establishing and hosting the Regional Political Climate Change Forum for South Eastern Europe;
- Enabling integration of the sustainable development policy and measures defined in the *National Strategy for Sustainable Development* into key sectors of economic development such as tourism, transport, agriculture, energy

- Developing programmes and projects, with the help of aid agencies and other donors, that support the application of adaptation measures, such as the Regional Programme for Climate Change;
- Enabling integration of actions aimed at increasing protected areas surface as well as plans designed to optimise the tourism potential of certain regions – eg the designation of Montenegro's fifth National Park, new protected marine and coastal areas, the EMERALD network, etc; and
- Establishing a system of sustainable indicators in close co-operation with experts appointed by the World Tourism Organization (UNWTO).

A number of other actions have also been taken by government, in collaboration with the private sector, in order to create competitive advantages for Montenegro's Travel & Tourism. These include:

- The creation of a strong, proactive national and international communication strategy, including education of Montenegrin citizens – with clear messages about the possible impact of climate change on the environment and the appropriate actions that need to be taken by all stakeholders;
- Investment in the appropriate infrastructure to encourage and support the development of carbon-neutral hotel and resort complexes;
- Development of new carbon-neutral, or low-carbon, projects such as the Eco-building in Podgorica – initially planned as the offices of the Ministry of Sustainable Development and Tourism – and the Sustainable Mobility project in Perast, using co-ordinated land and sea transport to improve traffic flows while reducing emissions;
- Measures to ensure a reduction of energy waste in daily hotel and other operations;
- Improved energy efficiency in aircraft and cruise ships;
- Implementation of strategies to replace current transport fleets with hybrid-powered taxis, rental cars and tour buses; and
- Participation in research into, and development of, carbon-reducing technologies.

LOCAL ENVIRONMENTAL INITIATIVES

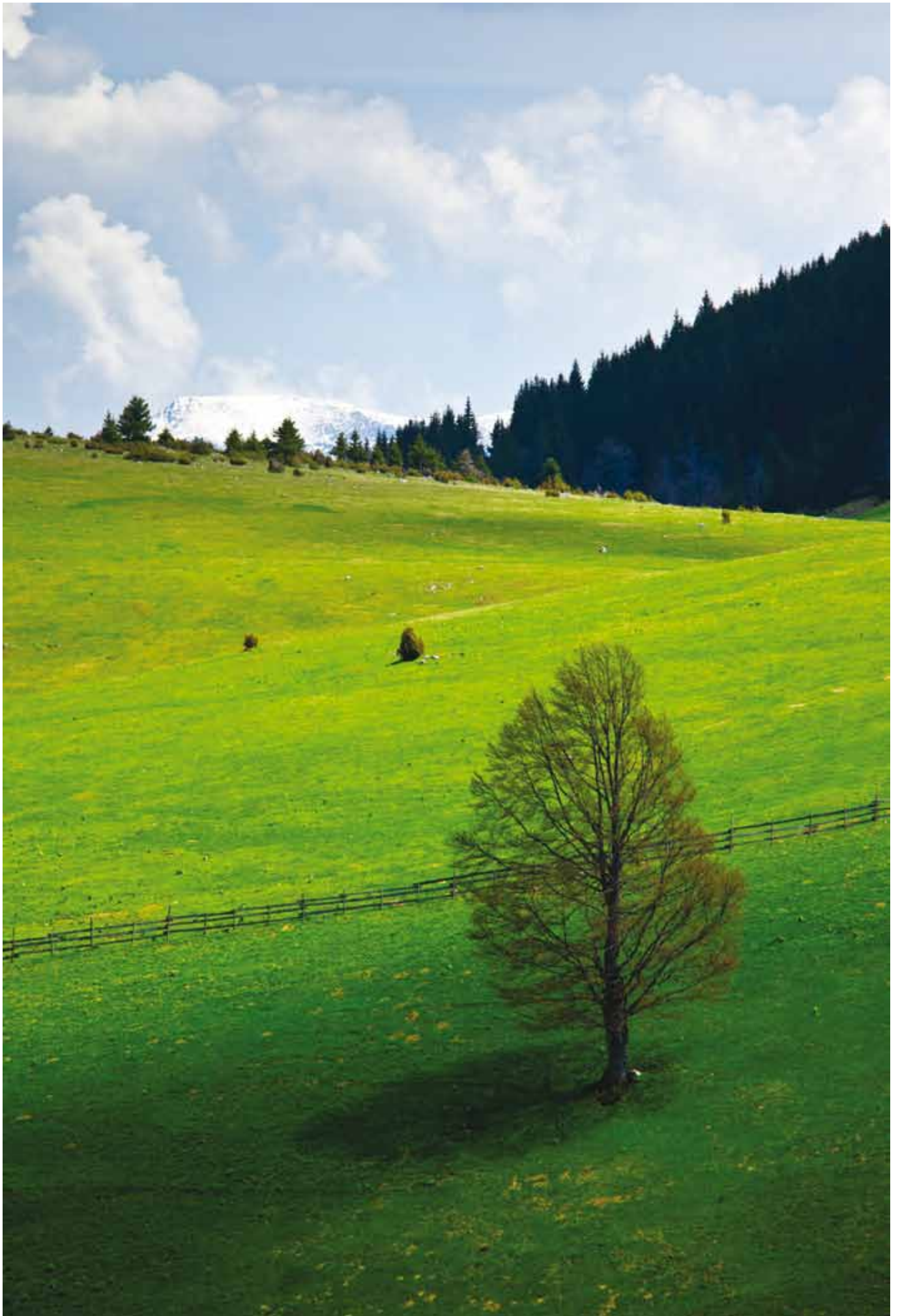
Introduction of Eco-tax and associated campaign

In June 2008 the Montenegrin Government introduced a countrywide Eco-tax on vehicles at border crossings entering Montenegro. The main objective was to discourage private car travel for tourists visiting Montenegro and Montenegrins returning from trips abroad. At the same time, however – given that there is huge traffic congestion at peak times on Montenegro's coastal roads – it was felt that money could be raised from such a tax to help fund research and programmes to address concerns about the ecological footprint of automobile travel, as well as to promote more environmentally friendly means of transport, eg coach travel.

During 2008 alone the Eco-tax generated over €6.5 million in revenue – with the tax ranging from €10 to €150 depending on the size of vehicle. Private cars and vans pay €10, and this is a one-time tax allowing multiple crossings in any one year.

Money collected in 2008 and 2009 was allocated to the following projects:

- Remediation and reclamation of the lead and zinc mine tailings impoundment in Mojkovac – at a cost of €2.5 million;
- Construction of regional sanitary landfills for several municipalities – €4.2 million;
- Production and installation of wastewater purification plants in several municipalities – €3.3 million; and
- Forestation and landscaping of public areas as a contribution to fighting climate change.



Low-carbon building programmes

In the context of the government's Low-carbon Building Programme, promoted by the former Ministry of Tourism and designed to set an example for industry, the following should be mentioned:

- A carbon-neutral Regional Tourist Information Office in Biogradska Gora National Park (a project developed through the Austrian-Montenegrin Partnership) – located in a building that was designed as a pilot project for low-energy housing in Montenegro;
- The design and construction – with the help of the Italian Government – of a new carbon-neutral office building, initially intended for the (former) Ministry of Tourism and Ministry of Environment; and
- The *Wild Beauty Resort Development Handbook*, designed to set an example as to the kind of low-carbon tourist accommodation required in the mountain regions of Montenegro.

Handbook for Wild Beauty Resorts

The *Wild Beauty Resort Development Handbook* is one of a series designed to provide development guidelines to embrace all aspects of sustainable development, according to the National Strategy for Sustainable Development. The concept for the Wild Beauty brand of accommodation was developed with funding from, and within the German Technical Co-operation (GTZ) Project on Economic Development and Employment Promotion in Montenegro, commissioned by the German Federal Ministry for Economic Co-operation, in partnership with the former Ministries of Tourism and Environment of Montenegro.

As clearly laid out in the handbook, the resorts in question must be located in or near 'pristine natural environments' with specific facilities and services aimed at nature-based tourism. Priorities include preserving local buildings traditions, the use of renewable energy, efficient rural waste management techniques, nature preservation, and the education of locals to ensure the positioning of Montenegro's tourism product as part of the 'green economy'.

In 2008, the National Tourism Organisation (NTO) of Montenegro launched a state-of-the-art tourism web portal (www.montenegro.travel) in order to support the brand 'Montenegro Wild Beauty: Eco by Nature', with an emphasis on the need for continuing stewardship by all stakeholders. Complementary media outreach has also been significant.

Tourism for Tomorrow 'Destination Stewardship Award'

In 2009, the Ministry of Tourism was an applicant for the coveted Tourism for Tomorrow Awards programme. Out of hundreds of applications received, Montenegro was shortlisted as one of three finalists for the Destination Stewardship Award, with an application celebrating several milestone achievements at all levels of development and society.



SELECTED DONOR-FUNDED PROJECTS

Key players in Montenegro's tourism development

International aid agencies and other donor groups have played an important role in Montenegro's Travel & Tourism since it re-emerged onto the world's tourism stage at the end of the Balkan War. Indeed, donor-funded infrastructure projects have been instrumental in laying down the foundations on which Montenegro has been trying to build a competitive economy based on tourism and services.

In addition to international agencies such as the World Bank, the International Monetary Fund (IMF), International Finance Corporation (IFC), the United Nations Development Programme (UNDP), the European Investment Bank (EIB), or European Bank for Reconstruction and Development (EBRD), different governments have also contributed significantly directly to supporting Montenegro's Travel & Tourism development, as well as providing funding for the development of infrastructure critical to the sustainable growth of the sector and, in particular, the less accessible regions of the country that most need tourism to ensure long-term economic development.

Strong public sector support from foreign governments

One example is the United States Agency for International Development (USAID) and, from Europe, the most active of these have been Germany, Austria and Italy. But there has also been significant interest from a number of other countries, such as Greece.

The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ, or German International Co-operation) was only established on 1 January 2011. But it brings together under one roof the long-standing expertise of the Deutscher Entwicklungsdienst GmbH (DED, German Development Service), the Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ, or German Technical Co-operation) and Inwent (Capacity Building International, Germany).

To ensure its programmes and projects are optimally implemented GTZ has also co-operated closely with KfW Entwicklungsbank (KfW Development Bank) and the Centrum für Internationale Migration und Entwicklung (CIM), a joint working group of GTZ GmbH and the German Federal Employment Agency (BA).

CIM is also active on its own in Montenegro, where it places highly qualified specialist and management personnel with local employers. The goal is to promote sustainable development and also to encourage capacity development among the partners.

A co-financing project is in place with the Austrian Development Agency (ADA) that aims to develop a sustainable tourism sector for Montenegro. There is also very close co-operation and co-

ordination with the EU, UNDP, USAID – partly through the STARS programme – and the World Bank.

The Austrian-Montenegrin Partnership was responsible for an observation tower and hatchery at Biogradska Lake, for example – a project worth €70,000 and which is unique not only in Montenegro but in the region as well. Italian investors, through their government, are currently interested in investing up to €5 billion in energy projects and infrastructure in Montenegro, as well as installing an undersea electric power cable between Italy and Montenegro.

Greece's Public Power Corp (PPC) bid for an 18.3% stake in Montenegro's power monopoly, Elektroprivreda Crne Gore (EPCG), although it lost out to Italian rival A2A.

The following provides a brief summary of some of the important projects currently underway, or undertaken in the past few years:

Austrian-Montenegrin Partnership for Bjelasica and Komovi

Opening up Montenegro's poorer northern region to tourism...

From 2005–09, as detailed on page 55 of this report, the Austrian-Montenegrin partnership for Bjelasica and Komovi, with funding from the Austrian Development Corporation (ADC) and the Austrian Government's Office of Technical Co-operation for Regional Development (OÄR), provided the directions for each of the five municipalities in the Bjelasica-Komovi region, with input from all stakeholders including local politicians, business people, public servants, farmers, teachers, and young people. Of these five regions, four are being developed as ski resorts and the fifth is to be the Komovi 'Eco-Adventure Park'.

...and diversifying the tourism product

Local Agenda groups were established in all five municipalities, involving many different stakeholders and important opinion leaders as well as representatives of local association and working groups. Local ownership is seen as an important working approach to make sure that stakeholders take on responsibility for the project and the development agenda. A number of different programmes and products were developed, some of which have already proved extremely successful, generating new business for local entrepreneurs.

The government has adopted the special purpose spatial plan for Bjelasica and Komovi, which calls for the region to become a destination for tourism and recreation – one that will be able to meet the same standards of international models of development and management of mountain regions.



European Bank for Reconstruction and Development (EBRD)

Water supply and wastewater management

EBRD has been involved in a wide range of public and private sector projects in Montenegro, especially with regard to infrastructure development. As an example, it is supporting the modernisation of water infrastructure in the municipality of Danilovgrad with a €5.35 million sovereign loan to Montenegro to finance the construction of a wastewater network and a treatment plant, as well as to upgrade the water supply.

Danilovgrad is a rapidly expanding municipality in need of improvement to its wastewater services to meet increased water demand. The EBRD loan will enable the municipality of Danilovgrad and its utility company to finance priority investments addressing urgent modernisation and development needs of the city. The project is expected to bring significant environmental benefits to its citizens and to the region by eliminating non-treated effluent discharges into the Zeta River.

The Bank's financing is complemented by €575,000 in technical assistance grants, funded by the Czech Republic and Germany, which will be used for project implementation and procurement support, as well for the development of a financial and operational performance improvement programme.

More than €200 million invested in different sectors

Overall, since the beginning of its operations in Montenegro, the EBRD has invested over €200 million in various sectors of the country's economy. And it has promised the new government under Prime Minister Igor Luksić that its commitment to support the country will continue in terms of infrastructure, finance and energy, with particular focus on environmental protection. It also says it will continue to support the private sector through financial assistance and the creation of a good investment environment.

European Investment Bank (EIB)

Finance contracts with Montenegrin banks

EIB and Montenegro signed a guarantee agreement in mid-2009 covering finance contracts with Montenegrin banks for a total of up to €100 million.

This was intended to support small and medium-sized enterprises (SMEs) and infrastructure projects promoted by local authorities.

The operation is targeting the fields of knowledge economy, energy and environmental protection throughout the country in compliance with EIB eligibility criteria. A minimum of 70% of the loan amount is being allocated to SME projects.

German International Co-operation (GIZ)

Development of tourist sites in the Montenegrin 'hinterland'

Financed by: the German Federal Ministry for Economic Co-operation and Development (BMZ), co-financed by the Austrian Development Co-operation & Co-operation with Eastern Europe – through the Austrian Development Agency (ADA), its operating unit

Overall term: January 2006 to December 2010

Main objectives:

- Support for local tourist organisations – in Cetinje and Plav and at Lake Skadar – in drawing up tourism development plans and implementing destination management;
- Promotion of hiking and mountain biking, including advisory services for the Ministry of Tourism and Environmental Protection (the Ministry's full title at the outset of the project) in establishing appropriate standards and training local organisations in applying these standards;
- Further training and advisory services for tourism businesses and partner institutions;
- Advisory services for local players in with regard to marketing activities, such as familiarisation trips for journalists and tour operators, participation in trade fairs, and development of marketing materials;
- Promotion of business start-ups in the tourism sector;
- Support for local travel agencies in marketing their products abroad.

Results achieved:

- Implementation of legislation for hiking and biking activities on the donors' recommendations: path maintenance modalities and signposting standards have been laid down and quality features introduced. The local hiking clubs have

identified, marked and signposted hiking paths in all three regions in accordance with the defined standards.

- Co-operation with the Anglers Association in Plav is an excellent example of successful marketing consultancy. With support, the association developed a brochure, distributed it and organised an international angling competition. In 2008, these activities led to a significant increase in the number of angling tourists, generating good profits for local accommodation facilities and catering businesses.
- A wine road was set up at Lake Skadar and in Cetinje with the result that local vintners have invested in developing their wine cellars and hold regular wine-tasting events. The first travel agencies on the coast are now offering trips to the vineyards. Some 16 vintners have already registered as entrepreneurs since the start of the project. The wine road is marketed and organised by the National Vintners Association, which was set up with project support to promote business and create jobs.
- New tourism products at Lake Skadar National Park have increased income and led to the creation of 13 jobs. The new employees are actively involved in environmental protection tasks, but are also available to tourists as trained guides.

KfW Banking Group

Total investments of more than €230 million

KfW has been involved in Montenegro since 1999 and has made total investments of more than €230 million over that time – largely in the energy sector, water and wastewater, road infrastructure and financial services.

Its engagement in wastewater management, including the establishment of sewage treatment centres, has focused mainly on coastal tourism resort regions such as Herceg Novi, Kotor, Tivat and Bar. But it has also been instrumental in ensuring adequate water supply to those same resorts, as well as Budva, Ulcinj and the ancient inland capital, Cetinje.

World Bank

Možura sanitary landfill

The Government of Montenegro and the World Bank signed a loan agreement at the end of 2010 providing €4.5 million for the design and construction of the Možura sanitary landfill and for the equipment necessary for the operation of the landfill. The Možura sanitary landfill will be designed to collect waste in the municipalities of Bar and Ulcinj over the next 28 years – an infrastructure project that is critical to the future development of tourism resorts along the 13-kilometre stretch of beach known as Velika Plaža.

This loan agreement represents 'Additional Financing' for the Montenegro Environmentally Sensitive Tourist Areas Project (MESTAP), which had been approved by the World Bank Board of Directors in September 2003 to the tune of US\$7 million. The Additional Financing was approved by the World Bank Board of Directors on December 2010. The activities of the project will help to protect Montenegro's beautiful coastal area from threats posed by pollution from inadequate solid-waste collection and disposal.

Pollution caused by solid waste in the coastal areas of Montenegro has reached alarming proportions that risk undermining the development of sustainable tourism. Most of the municipal landfills are operated in unsanitary conditions, including the uncontrolled burning of waste. In addition, having recently been granted the status as candidate for EU membership, the Government of Montenegro has committed itself to the harmonisation of its environmental standards with those prevailing in the EU. Both the original MESTAP and this Additional Financing support Montenegro's efforts in achieving both goals.

United Nations Development Programme (UNDP)

In September/October 2005, the International Ecotourism Society (TIES) undertook a consultancy for Rockefeller Brothers Fund and UNDP to further assess the potential for sustainable tourism development in Montenegro, particularly in the central and northern regions. The purpose of this project was three-fold:

- To assess, through a review of relevant reports and site visits, Montenegro's progress towards implementation of the Strategic Framework for Development of Sustainable Tourism in Northern & Central Montenegro, which was officially adopted by the government in September 2004;
- To analyse, including site visits, the viability of ski resort development in the Žabljak–Durmitor area, as proposed in the report, *Program for Development of Mountain Tourism in Montenegro* by the International Institute for Tourism (IIT) in Ljubljana, Slovenia; and
- To provide information on the current examples of 'best practice' in ski resort development in North America and (if possible) Europe.

The project focused on:

- The potential for development of summer tourism in northern Montenegro and the range of possible agriculture and nature-based activities;

- A wider variety of lower-investment or lower-cost winter activities (compared with skiing, which was already being developed);
- Possibilities for linking coastal and northern tourism;
- Sustainable tourism potential in and around Cetinje, along parts of the coast, and at Lake Skadar; and
- Various sustainable tourism projects currently being run by local NGOs and international development agencies.

US Agency for International Aid (USAID)

USAID Economic Growth Project

The Regional Development Agency for Montenegro's Bjelasica, Komovi and Prokletije and the Foundation for the Development of Northern Montenegro have been chosen to serve as key implementing partners for the Economic Growth Project of USAID to catalyse private economic growth in the northern part of the country. The Regional Development Agency for Bjelasica, Komovi and Prokletije, which is based in Berane, will be responsible for assisting beneficiaries in Andrijevisa, Berane, Bijelo Polje, Kolašin, Mojkovac, Plav and Rožaje. The Foundation for the Development of Northern Montenegro, which is based in Nikšić, will provide support to clients in Danilovgrad, Nikšić, Pljevlja, Plužine, Šavnik and Žabljak.

According to USAID, the partners will help clients from the private tourism and agricultural sectors, as well as from municipal governments, to design, develop and propose initiatives aimed at stimulating the business environment in 13 northern Montenegrin municipalities. They will serve as a resource for disseminating information about the project to potential clients and help them to take advantage of project activities and assistance. The organisations will not only provide access to their extensive databases of information relevant to economic development, but will also provide hands-on assistance to help private, micro, small and medium-sized enterprises (SMEs) from the tourism and agricultural sectors to refine and articulate their needs for assistance in a variety of areas, such as the local business climate, workforce development, and innovative technologies.

The assistance is due to take a number of forms, such as the provision of training, technical assistance and technology, both from the Economic Growth Project's own resources and through helping clients increase access to outside sources of funding. As a result, demand is expected to grow, generating increased business volumes, new products and services, with the adoption of new technologies.

Other Ongoing or Planned Projects

A number of other infrastructure projects, either being/to be funded by the Montenegrin Government or through loans from donors, are already underway or on the drawing board. These include:

Bar-Belgrade highway

The first phase in the construction of a new highway from the coastal town of Bar to Boljare (on the border with Serbia) and on to Belgrade represents a real construction challenge, especially on the Montenegrin side. The project is structured on the basis of a concession agreement between the Government of Montenegro, represented by the Ministry of Transport, Maritime Affairs and Telecommunications (MOTMAT) and a preferred bidder.

The Montenegrin part of the highway, which is known as the Bar-Boljare motorway, will be 164 kilometres long when completed at an estimated cost of at least €2 billion. The rugged mountainous terrain represents a real engineering challenge, with 50 tunnels and 95 bridges and viaducts planned along the section.

The first phase, a 51-kilometre stretch from Bar to the capital Podgorica, including the Sozina Tunnel, was completed a few years ago. But it is the second phase – Podgorica (Smokovac) – Bioče – Pelev Brijeg – Veruša – Mateševo – which is now a priority, because of its significance as a link between Podgorica and northern Montenegro. The existing road link (E65), carved into the Morača Canyon, is a curvy mountainous road, considered dangerous during the winter, and is a bottleneck in the overall Montenegrin road network. This section will be 40 kilometres long, and will be by far the most expensive section of the motorway, with a cost per kilometre estimated at over €20 million.

The third phase – building the section Mateševo – Andrijevića – Berane – Crnča – Boljare – Serbian border – will be 73 kilometres in length, but it is unlikely to be completed for some years – at least until the Serbian sections are ready.

Morača River dams

The Montenegrin Government has been planning to build dams (hydro-electric power plants) on the second most important river in the country, the Morača River, for some years now but there has been serious opposition to the project.

The plan for four dams was approved with the adoption of a National Energy Strategy in December 2007. In 2009, the government contracted an international consultant to carry out a Strategic Environmental Impact Assessment (SEA) on the Detailed Spatial Plan for Hydropower Projects on the Morača River and this was released in February 2010 and submitted to

a public consultation process. Meanwhile, WWF, in close co-operation with its local partner NGO in Montenegro, Green Home, also reviewed the SEA, with both organisations admitting they had serious doubts about the serious doubts about the SEA's conclusions and asking the government to revise the plan with the goal of protecting the long-term health of this unique river ecosystem.

Several other groups have since voiced their objections. They claim that the Morača River provides approximately 60% of the water in Lake Skadar, the biggest lake in the Balkans, and which has been declared a wetland of global importance under the Ramsar Convention. Nevertheless, the planned hydro-electric power plants, which would provide a total capacity of 242 megawatts, would reduce the country's dependency on imports. Currently, Montenegro imports as much as 30% of its energy supply from abroad – 817,000 megawatt hours of electricity in 2010.

Although WTTTC fully endorses the exploration and development of hydro-energy generators since Montenegro is blessed with a vast amount of hydro potential, it maintains that the potential impacts on the river and its habitat downstream from any hydro-energy plant must be borne in mind and evaluated much more carefully before such a project is initiated. Furthermore, the electricity grid would benefit from a study addressing points of leakage or loss before any final decisions are taken, in addition to assessing domestic supply needs, so that the exact amount of energy supply required can be quantified more accurately.

Integrated and sustainable transport system for Perast

The aim of this project is to design and develop an integrated and sustainable transport system that will improve both access to, and flows within, the old town of Perast. The main idea is to co-ordinate the use of road and sea transport, minimising travel by private car, and thereby reducing carbon emissions.

Within Perast, only residents, people with special needs, the elderly and suppliers will be allowed to use their own vehicles. This means that the urban zone will be transformed into an 'ecotourist zone' restricted to traffic in the summer months, with special points on the outskirts of town where tourists can leave their vehicles and go sightseeing around Perast on foot or using ecological vehicles introduced specifically for this purpose.

The project was designed by the former Ministry of Tourism and the Ministry of Environment, Land and Sea of the Republic of Italy. It was based on the 2004 Memorandum of Understanding and 2007 Agreement on the provision of financial support to projects related to sustainable development in Montenegro and contributing to mitigation and adaptation strategies to reduce carbon emissions. The project, for which the Italian Government

has donated €800,000, also has the full support and co-operation of Kotor Municipality.

Master Plan for Kolašin

The Master Plan for Sustainable Tourism Development for Kolašin was developed and implemented in co-operation with the Ministry of Environment, Land and Sea of the Republic of Italy and the municipality of Kolašin. The municipality of Kolašin was earmarked as a pilot region for the implementation of the Master Plan for Sustainable Tourism Development, which aims at directing future initiatives for the long-term improvement of the tourism sector in Montenegro, in winter and summer, with full preservation and improvement of natural resources.

The Master Plan identifies specific measures and actions in ten key sectors/areas: urban development; transport and mobility; buildings (architecture and materials); energy and carbon emissions; waste management in urban settlements; water supply and wastewater management; basin management, forest management; tourism valorisation of natural resources; and promotion and marketing of sustainable tourism.

Development of Žabljak and Durmitor region

One of the next steps is the implementation of a Master Plan for Žabljak and an urban plan for the Durmitor region, which is expected to be followed by similar plans for the development of other regions in Montenegro such as the area of Prokletije – location of Montenegro's fifth and latest National Park to be designated – Lovćen, and Lake Skadar. The Italian Government has made a long-term commitment to supporting these projects to encourage the right kind of tourism in Montenegro, ensuring economic as well as environmental sustainability, as well as for the benefit of local communities.

Žabljak is the city located at the highest altitude of any city in the Balkans – at 1,456 metres, in the centre of the vast Durmitor mountain range – an ideal location for winter mountain tourism close to the Tara River canyon, the deepest in Europe, and second deepest in the world. White-water rafting on the Tara River is a major attraction for hard adventure enthusiasts. Surrounded by numerous lakes and mountain peaks, the region is covered by 1,500 species of plants, and it also boasts a number of cultural tourism attractions

such as monasteries and churches, all of which attracts a large number of visitors during the summer.

A number of communal infrastructure projects have been implemented over the past year or two, driven by donor and Montenegrin Government funding. One important project was the construction of Risan-Žabljak road. In addition, hotel infrastructure has been improved thanks to the development of two new four-stars hotels, and existing hotels are being upgraded and modernised.

The Master Plan for Žabljak Municipality, which is being funded by the Italian Government, provides clear guidelines as to the best way of ensuring sustainable development of the region. It is already clear that it would be difficult for Žabljak-Durmitor to compete with international ski destinations because of poor winter road access, the lack of a regional airport, limited hotel accommodation, inadequate ski facilities and poor snow conditions. However, with improved winter access, Durmitor should be able to compete in the regional market.

Moreover, demand for summer tourism is expected to be the main driver of tourism growth and, as a result, revitalisation of the region in economic terms. Winter tourism would then serve to complement, and not compete with, summer business, contributing to keeping hotels, attractions and other tourism facilities open through the year, so as to sustain employment.

The region needs higher-quality, three-star hotels to grow tourism and these facilities cannot succeed on a three- to four-month busy summer period and close their doors for the remainder of the year. Such hotels must remain open with enough business to justify operations. However, investments in winter sports need to be carefully calculated. Ski facilities are among the most expensive of any kind of infrastructure for recreational tourism development, and it is therefore difficult to ensure a return on investment. There is a general feeling that money would best be spent on amenities that enhance the general attractions of the area.

Moreover, the Žabljak-Durmitor region is not an ideal centre for skiing as it has very poor winter road access and no airport, snow conditions are particularly vulnerable to climate change, and the quality and quantity of available terrain do not meet international standards. Expansion of the skiable area would likely damage the natural appeal of Durmitor Park, which is the main reason tourists visit the area.

INFRASTRUCTURE

A critical competitive factor

Expanding and enhancing Montenegro's tourism infrastructure has been, and will continue to be, one of the greatest challenges facing Montenegro in the further development of its tourism industry. It is a critical competitive factor – certainly as important as improving and expanding the supply of hotel beds – and one that will play an important role in determining the future growth of Travel & Tourism demand.

WTTC forecasts, in line with Montenegro's Tourism Master Plan, envisage a very high level of capital investment over the current decade. Yet returns on this investment could be severely reduced if necessary infrastructure improvements are not put in place in time to support the new developments.

Prospective investors, especially those from foreign markets, clearly need to be reassured that adequate investment is being made by the government to improve basic infrastructure. This includes air access, roads and railways, water and electricity supply, pollution-free wastewater collection and solid waste treatment facilities. Equally important are issues like human resources, safety and security, telecommunications, environmental protection measures and legal controls.

Some key concerns

Although a lot of progress has been made thanks to donor agencies, obsolescent and poorly maintained water supply and disposal infrastructure continues to be a major concern. Reports suggest that there is a shortage of drinking water in the coastal region during the summer, and the treatment and disposal of wastewater at periods of peak demand is sorely inadequate. Energy consumption levels are increasingly high and there are sometimes power failures along the coast and in Podgorica.

With regard to waste disposal, there are illicit rubbish dumps in the coastal region and, in the absence of proper management or disposal control, these sites have caused significant negative impacts on air, soil and groundwater quality.

Other concerns cited by external experts suggest that the environmental administration system is generally under-resourced. There are substantial weaknesses in the management of national parks and reserves, with unacceptable pressures placed on some of them through unplanned and unsympathetic development. In addition, some maintain that pressure on the coast has resulted in the loss of biodiversity, cultural heritage and Mediterranean character.

Although it will take time to resolve these different issues, it is clear that the Montenegrin Government is fully cognisant of these issues of concern, and steps have already been taken to address them and find solutions – usually with the support of donor agencies, non-governmental organisations (NGOs) and individual governments (see Selected Donor Projects on pages 32-37).

Significant improvements in road access

As discussed in the second report in this series, *Montenegro's Travel & Tourism: Trends and Prospects*, Montenegro has been actively upgrading the road network in the country. However, due to the geographical terrain of much of the country, the majority of roads remain narrow and slow, even in areas where pavements and safety infrastructure have been improved. This is due to the fact that any real improvement in the country's road system requires significant investment in expensive infrastructure such as tunnels and highway bridges.

Among the strategically important new projects identified by Montenegro's Ministry of Maritime Affairs and Transport is the development of the Adriatic-Ionian transport corridor. The corridor will start in Trieste, Italy, and end in Kalamata, Greece, connecting seven countries along the Adriatic coast, and the highway is expected

to be approximately 1,500 kilometres long. According to the government, the construction of the Montenegrin part of the road is expected to take six years and will cost €770 million.

The completion of these and other road development and improvement projects in the country are expected to have a very beneficial impact on the tourism sector. They will significantly improve road access within the country, as well as between Montenegro and important European source markets, thereby encouraging more regional, car-based travellers to include Montenegro in their itineraries.

Privatisation will expand port facilities

Access by sea is also being improved. As already discussed, there are three main seaports in Montenegro – the port of Bar, and Kotor and Zelenika harbours. There are active plans to upgrade and modernise the port of Bar, which is the largest in the country serving both passenger and cargo vessels, and the completion of the above-mentioned road construction projects are expected to elevate its importance for trade in the region.

Zelenika and Kotor harbours are both located in the Bay of Kotor, and Kotor harbour is a port of call for a number of cruise ships during the summer. Since the opening of Porto Montenegro in 2009, the town of Tivat also has its own marina/yachting harbour. And as part of its efforts to encourage nautical tourism, the government has announced several more projects for marina development along the coast.

Due to the geographical terrain of much of the country, the majority of roads remain narrow and slow, even in areas where pavements and safety infrastructure have been improved.



Tourism and Environmental Monitoring Plan

The SEA Review – the Strategic Environmental Assessment of the Strategy for Sustainable Tourism Development to 2020 – recommended that a formal Tourism and Environment Monitoring Plan be set up by government and applied at municipal as well as national level. This should set targets and indicators for delivery of infrastructure improvements and environmental protection measures related to major tourism projects.

The proposed Monitoring Plan should be reviewed at three-year intervals, the SEA Review stated, and if adequate progress has not been made in the intervening period in addressing known deficits and shortfalls, the government should consider introducing a moratorium on all new tourism development in those areas or municipalities that have failed to deliver the required improvements.

Details of the necessary infrastructure, communal facilities and services need to be provided alongside development proposals. These include the provision of adequate water supply, sewerage and wastewater treatment, solid waste collection and disposal, road improvements, public transport, car parks and traffic-free areas, and consistent energy. If this approach is ensured, impacts on existing communities and natural resources will be minimised and sustainable tourism growth encouraged.

Moving from low-grade to sustainable high-yield tourism

The fundamental principles enshrined in the Tourism Master Plan are to protect Montenegro's 'wild beauty' and to raise the quality of the country's tourism product. This will be achieved by reducing low-yield budget tourism, converting existing low-grade accommodation into at least three-star properties, ensuring that all new hotels are of four- to five-star categories – with their own swimming pools and alternative facilities to the beach (to reduce congestion on the beaches) – and eliminating private and second-home development which operates as part of the grey economy.

However, WTTC maintains that, unless the construction of new hotels is accompanied by an equivalent fall in the number of beds in the private sector, the Master Plan strategy is unlikely to succeed. This is because the capacity of the majority of beaches is already exceeded in the summer months.

The government and respective municipalities will therefore need to introduce and enforce the necessary regulations over illegal construction and use of second homes. At the same time, a fundamental change in public attitudes will also be required, since so many groups and individuals currently take advantage of lax controls for their own personal gain. According to the SEA Review, proposals to extend the season, develop infrastructure to cope with demands, and ensure that alternatives to the beach are provided at hotel resorts will merely create a higher 'false' ceiling in terms of bathing capacity figures which, at the majority of beaches, are already exhausted.

Recommendations as to ways in which Montenegro can stimulate further investment in the country's Travel & Tourism are discussed in the fourth report in this series: *Montenegro's Travel & Tourism: Investment Potential*.



STABILITY, SAFETY AND SECURITY

A safe and politically stable state

Since regaining its independence in 2006, Montenegro has proved to be a safe, politically stable and economically viable state with the potential to grow rapidly. Over the last two decades, it has been led by a stable government and, even during the collapse of the former Yugoslavia, it was the only state on whose soil there was no war.

Taking charge of its own destiny with responsibility for stability, safety and prosperity has led to new priorities: integration of the European Union (EU) and North Atlantic Treaty Organization (NATO). The process of EU integration – Montenegro was granted ‘Candidate status’ in December 2010 – has encouraged not only market accessibility, but acceptance of new values such as the rule of law and property rights’ protection. The country now also has a liberalised visa regime with the Schengen zone.

Membership of NATO is expected to provide a kind of a safety mechanism given the collective defence guarantees provided by NATO and its legal system. Montenegro was granted a Membership Action Plan by NATO in December 2009 – the final step in its application for membership – and the country is expected to complete the accession process and join NATO in the near future.

Over and above the requirements for EU and NATO accession, Montenegro has made considerable efforts to improve stability and safety. Moreover, institutional designs, together with security and defence services’ reform, have given excellent results, according to the International Monetary Fund (IMF). As an example, the IMF says that Montenegro is the leading country among transitional economies in terms of share of foreign direct investment (FDI) in GDP (25%), with Standard and Poor claiming the percentage is even higher (30%).

WTTC agrees that public safety and security generally do not pose major problems in Montenegro at the present time. Indeed, it commends the safety and security improvements that have been implemented – for example, at Podgorica and Tivat airports. However, isolated incidents resulting from actions prompted by ethnic tensions have occurred sporadically. These incidents should therefore be factored into central and local policing strategies, with contingency plans drawn up to protect tourists.

Mountain rescue services for extreme sports ...

The growing importance of mountain tourism in Montenegro, especially extreme sports, means that mountain rescue services will play an increasingly important role in contributing to ensuring the safety of tourists and locals. With this objective in mind, a two-year programme estimated at €120,000 was developed by the (former) Ministry of Tourism in co-operation with the United Nations Development Programme (UNDP) to build and strengthen the capacity of the Mountain Rescue Service of Montenegro (GSS), which became a member of the International Commission For Alpine Rescue (IKAR) in 2009.

At the same time, the Hiking & Biking project has also involved new staff training, path signage, the construction of rest-stop facilities, and the renovation and upgrading of mountain huts. Over 1,000 kilometres of trails have been marked and signposted, and new laws introduced defining standards for all issues regarding mountain trails (maintenance, usage, signalling, etc).

... but also softer options such as hiking and biking

A new set of standards has now been established for the development of nature-based tourism in Montenegro, with a special focus on hiking & biking (see below). Tourists’ safety is expected to be significantly enhanced as a result of the adoption of a legislative framework for the capacity building of institutions and operators involved in this segment.

Pilot trails are being equipped to international standards, in accordance with the legislation, and support is being given to the Mountaineering and Biking Association to ensure its adherence to international standards.

A total of 17 Blue Flag beaches

Montenegro now has 17 beaches that have been awarded Blue Flag status. Of these, five are on the south coast, in the Ulcinj-Bar region, along the famed Velika Plaža stretch of coastline. The others include beaches in Herceg Novi, Budva, Bečići and Tivat.

The Blue Flag award status indicates that the beaches in question have met the following criteria with regard to Safety and Services:

- An adequate number of lifeguards and/or lifesaving equipment must be available at the beach;
- First aid equipment must be available on the beach;
- There must be management of different users and uses of the beach so as to prevent conflicts and accidents;
- An emergency plan to cope with pollution safety risks must be in place;
- There must be safe access to the beach;
- The beach area must be patrolled;
- A supply of potable drinking water must be available on the beach;
- A minimum of one Blue Flag beach in each municipality must have access and toilet facilities provided for disabled persons; and
- A map of the beach indicating different facilities must be displayed.



TRANSPORT & COMMUNICATIONS

AIR TRANSPORT

Precarious financial situation of Montenegro Airlines...

As discussed in the second report in this series, *Montenegro's Travel & Tourism: Trends and Prospects*, the state-run Montenegro Airlines is due to be partially privatised – and has been up for sale for some time – but no serious bidder has materialised until now. This could be due to the fact that the airline is in a precarious financial situation, having lost an estimated €6 million in 2010.

Indeed, until it was bailed out by the Montenegrin Government in early April, it was sure candidate for bankruptcy. However, the government said it would guarantee €9.6 million in loans for the national flag carrier to help it add routes, buy new aircraft and maintain its fleet. The airline recently made a down-payment with regard to the purchase of a fourth Embraer 195, for example, reported to cost €26.9 million, while a few million euro are needed for repairs to existing aircraft.

These loans will clearly not be sufficient for all the carrier's needs, and especially not to pay off its reported debts. Airports of Montenegro has officially declared that Montenegro Airlines owes over €4.5 million to different airports for 2010 alone – with the bulk of this owed to Airports of Montenegro itself. But it also reportedly owes back-payments for landing fees to Vienna, Frankfurt and other airports.

... adds to the already grave concerns about looming capacity constraints

The national airline's financial problems are of major concern since it is by far the dominant carrier on all routes to and from the country, and some observers feel it has enjoyed an unjustifiably privileged position in terms protection of its routes and airport slots. This in turn may have discouraged other airlines from launching services to Montenegro.

To illustrate its dominance, capacity figures for one week in late March 2011 (prior to the start of the summer season schedule) – from Innovata's SRS Analyser – show that Montenegro Airlines accounted for nearly 50% of total seats available to/from Tivat Airport (2,448 out of 4,932), and 62% of seats into/out of Podgorica Golubovci Airport (10,608 out of a total 17,222). Clearly, any reduction in flights will have a particularly significant impact on overall operations, adding to the concerns about looming capacity constraints.

According to WTTC, the current situation does not augur well for the healthy growth of air transport to and from the country – and this is critical to the sustainable growth of Montenegro's Travel & Tourism.

The sooner Montenegro Airlines is privatised, the more chance there is of avoiding longer-term negative impacts on the overall quality of the Montenegrin tourism product, which in turn could dampen international Travel & Tourism demand.

Positive about 'open skies' for any number of foreign airlines

Fortunately, although Montenegro Airlines dominates air transport into and out of the country, the number of foreign airlines has increased progressively over the last few years, even though many operated seasonal summer services only.

The Montenegrin Government has also been proactive in wooing new airlines and signing open skies' bilaterals. The most recent example of this was the signing of an open-skies services' Memorandum of Understanding (MoU) and Air Services Agreement (ASA) with the United Arab Emirates' (UAE's) General Civil Aviation Authority earlier this year.



The MoU envisages full flexibility on routes between the two countries, capacity, number of frequencies and types of aircraft, with regard to any type of service (passenger or cargo). It also includes fifth-freedom traffic rights and unrestricted non-scheduled operations. Both delegations also agreed that any number of designated airlines from both countries have the right to operate scheduled air services.

... but it is now time to woo the low-cost carriers

While there has, admittedly, been little interest from low-cost carriers (LCCs) in serving Montenegro – with the exception of Air Berlin – some efforts have been made by the previous and present governments to attract LCCs. But these have so far been unsuccessful.

WTTC recommends that, given the growth in LCC services to competing destinations, attracting at least one of the leading LCCs should now be a priority for the Ministry of Transport and Airports of Montenegro.

Although some LCCs, notably Ryanair, are known to be unreasonably demanding of commercial support in exchange for serving a destination, the benefits might still outweigh the costs in the short term. LCC service could generate new short-haul business and contribute to boosting awareness

of the destination around Europe – critical to promoting Montenegro's growing upmarket accommodation capacity.

Airport upgrading was not sufficient to cater to longer-term growth needs

Montenegro's two international airports – Tivat in the northwest coastal region and Podgorica Golubovci just outside the capital – were modernised and upgraded some six years ago, thanks to a €23 million loan from the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB), in addition to funding of €7 million from the Government of Montenegro. Podgorica was given a completely new terminal building and new ground-handling facilities. The number of check-in desks doubled and passenger throughput capacity increased to 1 million a year.

Although it was a subject of discussion for some years, there are currently no plans to privatise Montenegro's airports, although the airport authorities have embarked on privatising some non-air transport activities to generate commercial revenues.

The privatisation of Airports of Montenegro would now seem to be a wise move, especially as this would likely make it easier to find a buyer for Montenegro Airlines.

A new airport for the north of the country

Access to the mountain regions in the north of Montenegro would also be greatly enhanced if the region had its own international, or even regional airport.

WTTC has for some time supported proposals to upgrade Berane, located in the northeast of the country between Bijelo Polje and Kolašin. This was used as a commercial airport from 1961-76, but now handles only ad hoc flights – such as for sporting enthusiasts – but it could be upgraded to handle small aircraft on regional routes.

Meanwhile, in order to manage the growth in international tourist arrivals and related airline traffic over the next few years, WTTC recommends that Podgorica be marketed as a valid alternative to Tivat to reach the Montenegrin coast, thereby reducing pressure on Tivat (which can only operate until 16:00 every day), and bringing more international traffic and recognition to Podgorica and the central region.

AIR TRAFFIC CONTROL

New ATC Centre building in Belgrade

In January 2011, the Prime Minister of the Republic of Serbia and President of the Executive Board of Serbia & Montenegro's Air Traffic Services Agency (SMATSA) inaugurated Belgrade's new Air Traffic Control Centre building – an important step on the road towards the implementation of the Future Air Traffic Management Modernisation (FAMUS) programme, in line with European strategic plans outlined by Eurocontrol and the European Commission for a unified European Air Traffic Control (ATC).

SMATSA's new ATC centre is based on Thales's latest generation EUROCAT air traffic management system integrating a voice communication system, a message handling system and a telecommunication network. With 40 controller positions, the control centre will provide a complete en-route and approach control capability at Belgrade and Podgorica airports, increasing safety and efficiency in Serbian and Montenegrin airspace.



TELECOMMUNICATIONS

Montenegro tops list of mobile phones

The International Telecommunications Union (ITU) recently declared that Montenegro is the leading European country in terms of number of mobile phones per capita. According to the ITU, Montenegro had 1.3 million registered mobile phone subscribers at the beginning of 2011, giving it a penetration of 210%, or more than two mobile phones per person.

On a worldwide scale, Montenegro came second after the UAE, with 10.7 million subscribers for a population of 4.6 million, and a penetration of 233%. Small countries generally tend to have more registered phones due to a number of factors: more borders with neighbouring countries, foreign workers and/or increased visitor arrivals. By way of comparison, Macau, as a Special Administrative Region of China, came third, with 540,000 inhabitants and 1 million users, followed by the Cayman Islands, with a population of 60,000 and 108,000 subscribers. Hong Kong's 7 million inhabitants have over 12.6 million mobile phone users.

Telecoms battle in Montenegro

As part of the EU pre-accession process, Montenegro has received financial aid to build public institutions and improve cross-border co-operation under the EU funding mechanism, Instrument for Pre-Accession Assistance. Under this scheme, some €34.0 million was received during 2010, and Montenegro is expected to be granted €34.7 million during 2011 and €35.4 million during 2012.

Closer integration with the EU has coincided with a period of strong economic growth, with foreign direct investment focused on the construction and finance sectors, followed by the 2008–09 global financial crisis, which had a significant impact on Montenegro due to the contraction in the booming real-estate industry, concerns about contagion and the stability of its banking system.

The telecoms industry did not entirely escape the fall-out of the global financial turmoil, either, as noted by the contraction in mobile SIM card penetration. However the utility nature of most telecom services means the industry was largely unaffected.

Montenegro's telecoms industry has been liberalised and legislation has adopted regulatory principles found in the EU's regulatory framework for communications, which promotes competition as the most efficient way to offer communications' products and services while ensuring universal access.

Continuing monopoly for fixed-line operations, but mobile market opens up

As far as mobile operations are concerned, Telenor is still market leader with 39% of the total, followed by T-Mobile with 36% and M:tel with 25%. But, despite liberalisation, the incumbent T-Com continues to dominate the fixed-line market, although the situation will hopefully change following the introduction of legislation giving stronger powers to the regulator to improve competition.

WTTC maintains that telecommunications are critically important for future tourism development in Montenegro as an increasing share of Travel & Tourism operations – and virtually all distribution and sales transactions – flow through telecommunications' circuits. Where telecommunications are monopoly controlled, there are often restrictions on access, high costs and unreasonable operating conditions. This in turn limits the potential of market-oriented expansion of Travel & Tourism, with negative impacts domestically and internationally in terms of cost, operational efficiency and customer service.

Nevertheless, there have been some very positive developments:

- Fixed broadband uptake continued to grow in 2010 due to improving affordability, despite adverse economic conditions. Supporting growth are high levels of PC usage for the region.
- The transition to digital terrestrial TV is underway, with a tender awarded during 2010 to design the transmission network ahead of analogue switch-off by 2013.
- 3G coverage is widely available with speeds of up to 21.5Mb/s available. Mobile broadband offerings present a new growth opportunity for mobile network operators given existing broadband penetration levels and increasingly affordable tariffs.

HUMAN CAPITAL

WTTC RESEARCH INDICATORS

Recent slowdown in Travel & Tourism employment...

The latest research from WTTC, developed in collaboration with Oxford Economics, suggests that Travel & Tourism supported 10,200 jobs directly in 2010 – a 35.5% decline over the industry's peak in 2008. For the first eight years of the decade, employment in Travel & Tourism showed a continuous growth trend, in line with the increase in domestic and international demand for tourism, although the rate of increase did slow significantly in 2008. But the trend turned negative in 2009 and 2010, with the result that direct Travel & Tourism employment grew in real terms by only 1.2% per annum from 2005–10.

With regard to Travel & Tourism's total contribution to employment (ie including its indirect and induced impacts), the trend was very similar, with an average annual growth in real terms over the five years to 2010 of just 2.5%.

Travel & Tourism employment in Montenegro, 2005-21
(no. of jobs)

	2005	2006	2007	2008	2009	2010	2011 ^a	2021 ^b
Direct employment ^c	9,600	11,400	14,700	15,100	10,800	10,200	11,600	25,100
% real growth ^d	9.9	19.4	28.7	2.6	-28.3	-5.3	13.9	8.0
Total employment ^e	20,600	27,500	30,000	34,900	24,600	23,300	25,500	62,500
% annualised real growth ^d	9.2	33.6	9.4	16.2	-29.5	-5.5	9.9	9.4

^a Estimated ^b Forecast ^c Jobs directly in Travel & Tourism

^d 2005-2011 real % annual growth adjusted for inflation; 2011-21 annualised real growth adjusted for inflation

^e Jobs supported by Travel & Tourism (including those in related sectors (ie indirect and induced jobs)

Source: WTTC/Oxford Economics

... but the prospects remain extremely bullish...

However, thanks to the improved global economic outlook and the recovery in many of Montenegro's major source markets, the outlook for the country's Travel & Tourism in 2011 and over the coming decade is much brighter. And this in turn is set to have a very positive impact on employment. The number of jobs directly in Travel & Tourism is forecast to rise by 8.0% a year to 25,100 in 2021 (13.3% of total employment).

Over the same period, Travel & Tourism's total contribution to Montenegro's employment, including jobs indirectly supported by the industry, is projected to increase by 9.4% per annum to 62,000 jobs – a substantial 33.2% share of total employment, or one in every three jobs in the country.

...with Montenegro ranking number one in terms of growth potential

These are impressive figures, placing Montenegro in first place in the world rankings for 10-year forecast growth in Travel & Tourism's contribution to employment – both in terms of direct and total contribution. And Montenegro ranks well ahead of its major competitors in the ranking.

Despite the high number of Montenegrins out of work, Travel & Tourism suffers from an acute shortage of skilled/qualified personnel.

CONSTRAINTS TO GROWTH

Concerns over structural unemployment

There is, however, no room for complacency. A number of weaknesses could constrain the projected growth in Travel & Tourism jobs and this, in turn, could have a damaging effect on the quality of Montenegro's tourism product and services, resulting in a drop in demand.

Overall unemployment remains unsustainably high – especially if one disregards the thriving grey market. And the situation is exacerbated by the fact that the Montenegrin population is ageing – it is one of the 30 fastest ageing populations in the world – as well as being largely inactive in many parts of the country, especially where poverty remains a serious concern.

While inequalities are reported to be increasing, with the share of socially excluded households in double digits, government's stated priority is to improve social inclusion and gender equality, as well as encouraging and supporting the development of small and medium-sized enterprises (SMEs). This should help to invigorate the Travel & Tourism sector.

Shortage of skilled/qualified personnel ...

Despite the high number of Montenegrins out of work, Travel & Tourism suffers from an acute shortage of skilled/qualified personnel, and the opportunities to retrain these people to meet the supply needs of the industry are few and far between.

... and unhealthy dependence on seasonal workers

Another major concern, stemming from the fact that the tourism season is still relatively short in Montenegro, is the high level of seasonal employment, especially in hotels. A survey among 111 tourism service providers by the German Technical Co-operation (GTZ) – now renamed GIZ (German International Co-operation) – suggested that 49% of all staff in hotels, and higher in coastal resort areas, are seasonal workers.

Moreover, because of the lack of skilled and/or qualified locally available employees, over 7,000 foreigners are engaged in seasonal tourism activities in Montenegro. And more than double those numbers are really needed, GIZ says, 77% of whom for coastal resorts.

REALISING THE HR POTENTIAL

Good progress with reforms

Montenegro has made good progress in reforming its education and training system, but it recognises there is still more to be done, especially since both the development of a national qualification framework and the improvement of the quality of higher education are important to the EU agendas on growth, inclusion and competitiveness.

Two of the main objectives in the government's action plan for accession are the ongoing establishment of the Montenegrin Qualification Framework and the improvement of the quality of higher education. Gaining momentum and accelerating the pace of reform are essential to Montenegro's goals of improving the lives of its people and playing a full role in Europe, according to the EU, and the EU has also stressed that a skilled and adaptable workforce, together with innovation and a strong research base, are essential for the future growth.

The Ministry for Education and Sports has indicated that the main goal of the education sector reforms in Montenegro is to improve quality at all levels. Education and training have a key role to play – not just in training people for specific professions, but in creating skilled individuals and a workforce that recognises the importance of continuous learning and updating their knowledge, skills and competences.

New HRD Strategy for Travel & Tourism

The adoption by the Montenegrin Government of a Human Resource Development (HRD) Strategy for the tourism sector is an important step forwards. The objective is to bring new professionalism to the sector, provide funding and improve co-ordination between all the institutions involved in developing human capital necessary to support the growth of Travel & Tourism.

The strategy also aims to bridge the gap between the public and private sector by applying best practices, aligning the process of professional education with industry needs, and promoting careers in Travel & Tourism and related sectors as attractive for an increasing number of young people.

In the medium to longer term, Montenegro's tourism is not only set to expand but also to shift to a higher quality product, with increasing diversification attracting new types of clientele and, hopefully, making Montenegro more of a year-round destination. This is good news but it will have to be factored carefully into education and training needs.

Improvement in general education

Opportunities for studies in tourism have been encouraged by the general improvement in the country's education syllabus. Over the last 20 years, since 1991, the percentage of the population aged 15 years and over without an education has been reduced by half, to just over 4%, while the share of the

population with a high-school education has reached 50%. Almost 13% of those aged 15 years of and older now have a high-school education and a university/college degree.

The government's strategy on education is focused on providing knowledge and skills necessary for further studies, life and work, personal interests and life-long learning, ultimately aiming for the establishment of an educational system compatible with that in other European countries. The improvement of workforce qualifications is not limited to young people in higher education, either. The Strategy for Adult Education provides a good example of the government's determination to offer opportunities for advancement among all levels of the population and all age groups, so as to help ensure the growth of competitiveness, employment and entrepreneurship in the coming years.

Increasing number of tourism programmes and students

Montenegro has three universities – one state-run and two private – with the number of students almost doubling since the mid-2000s. There were fewer than 13,000 university undergraduates and post-graduates during the academic year 2005/06 and the total rose to 20,500 in 2008/09. Over the same period the number of graduates increased from 1,656 to 2,812.



The University of Montenegro offers full-time and part-time programmes to degree and post-graduate level, as well as training programmes for tourist guides and other vocational courses. Among the full degree programmes are subjects such as Sustainable Development, Tourism Spatial Planning and Environment, Management of Tourism Destinations, plus master-classes on Geotourism and a wide range of topics, as well as Student Case Studies for sustainable tourism development. This knowledge base is transferred directly into the industry as students become managers and guides.

Mediteran was the first private university in Montenegro, founded on 30 May 2006 and comprising four organisational units, including the Faculty of Tourism, Hotel and Trade Management in Bar, now renamed the Faculty of Tourism Bar – Montenegro Tourism School (MTS). A third university, only recently opened, is the Donja Gorica University, which also plans full degree programmes.

In addition to these, there are a number of donor- and private sector-led initiatives, one of the most recent being the Canada-Montenegro Initiative, which is the result of a major gift to support collaborative projects between the Munk Centre for International Studies (established by Porto Montenegro's founder and main shareholder, Canadian Peter Munk) and the University of Montenegro. Its principal goals are to provide financial assistance to young students in the Kotor and Tivat municipalities to pursue higher education in Montenegro and Southeast Europe. But it also provides teaching and library resources for the University of Montenegro's Faculty of Tourism and Hotel Management in Kotor and offers a joint undergraduate/graduate workshop on issues of importance to Montenegro and the region in general.

The main priority tourism sector, as far as university and vocational tourism programmes are concerned, is hotel and catering, which accounts for an estimated 83% of all jobs in Travel & Tourism. But existing programmes also cater to the needs of the retail travel trade and tour operating, as well as other areas such as attractions.

Given the planned move to a more upmarket tourism product, a significant share of the required jobs over the coming decade will be at middle- to upper-management levels, involving specialised knowledge as well as management experience. Also for this reason, the HRD Strategy provides for a significant amount of practical, on-the-job training.

Promoting a positive image of Travel & Tourism as an employer

The Montenegrin Government should be commended for raising awareness of the importance of Travel & Tourism to the people of Montenegro and the need to ensure sustainable development for the benefit of all. But more could perhaps be done to focus on the huge opportunities Travel & Tourism offers in terms of employment – careers and not just jobs.

If the baseline forecasts developed by WTTC/Oxford Economics are realised, especially in terms of investment and visitor exports, employment in Travel & Tourism and related sectors will need to grow even more rapidly, and more sharply, than currently predicted. And the right level of skills and qualifications will be critical.

The government, in partnership with the leading private sector companies investing in Montenegro's future tourism, should therefore help to promote a positive image of the industry not just as a key future employer of young people finishing secondary school education, or graduates, but also for older Montenegrins such as women going back to work after maternity leave, semi-retired people, and those looking for greater flexibility in terms of hours worked.

Career opportunities in Travel & Tourism can be extremely varied – with upstream suppliers such as hotel designers or airport engineers, or with downstream service companies like retail shops, petrol stations, clothing manufacturers and food suppliers. There are also many jobs in the public sector catering to visitors – such as border inspectors, air traffic controllers and museum attendants. Contrary to conventional wisdom, jobs created by Travel & Tourism – both directly in and outside the industry – also range across the entire employment spectrum and, in many cases, have characteristics which fit model employment patterns.

As the local industry becomes more sophisticated and more international brands enter the market, there will be a growing number of high-level jobs in different sectors. They will provide an impetus to regeneration and social cohesion by counterbalancing the flow of people to the cities from disadvantaged rural areas.



NATIONAL PARKS AND PROTECTED AREAS

An extremely high share of protected areas

Montenegro currently has some 240,000 hectares under national protection and 100,000 hectares of pristine National Parks, representing over 20% of the country's 13,812 square kilometre territory.

King Nikola proclaimed the first nature reserve in Montenegro in 1878 and laid the foundation for a stewardship approach to managing Montenegro's natural assets. In 1952 the government created the first three National Parks: Durmitor, Biogradska Gora and Lovćen. A fourth National Park, Skadar Lake, was proclaimed in 1983 and a fifth, Prokletije, in 2009.

Meanwhile, in 1977, the United Nations Environmental, Scientific and Cultural Organization (UNESCO) also designated a World Biosphere Reserve in the Tara River Basin followed, in 1979 and 1980, by two World Heritage sites: in Kotor on the coast, and the National Park of Durmitor and Tara River in the North.

This high share of protected areas in a country is already exceptional – but especially so for such a young country, and one with such a turbulent history. It clearly demonstrates the enormous efforts made by government and the private sector – supported by non-governmental organisations (NGOs) and donor agencies – to place valuable natural assets under protection, in large part to help ensure sustainable tourism development.



Durmitor: defining Montenegro's 'wild beauty'

The 39,000-hectare Durmitor National Park has magnificent mountains, alpine lakes and high pastures and is bordered by two deep canyons: the Tara to the east – the longest and deepest canyon in Europe, protected by UNESCO – and the Piva to the west.

Durmitor has been the main focus of public and private sector efforts over the past few years to diversify the local tourism industry and create a new tourism image of Montenegro as an alternative to the highly competitive sun & beach holiday product of the south. The Durmitor National Park area was the early focus for the development of this more nature-based tourism product and the redefinition of the country's tourism

image – the 'Wild Beauty' of Montenegro – which has become its national branding.

A United Nations pilot project, 'Unleashing Sustainable Tourism Entrepreneurship in the Region of Durmitor National Park', from 2005-06 – part of the global UN initiative 'Unleashing Entrepreneurship: Making Business Work for the Poor' – was a good example of policy to action, as it resulted from a review and analysis of all the strategic documents of the country and of National Parks related to biodiversity conservation and tourism development. It also evolved through intensive consultations with all the stakeholders relevant for sustainable tourism development at national, regional and local levels, and included capacity building, training and development of mechanisms and models for interactions and partnerships.

The strategic goal was to assess barriers to developing sustainable tourism in the private sector within the project area, to set up the environment for broader intervention in the field of protected areas' management, and to create public-private partnerships in the fields of rural development and food production. The primary objective was to facilitate the upgrading of existing sustainable tourism products and to develop new ones based on the natural attractions of Durmitor National Park.

Workshops and trainings, stakeholder meetings and a student consultation practicum all helped attract local residents' attention. Being exposed to the messages of nature conservation, business opportunities and importance of sustainable tourism, many local small businesses, NGOs and hundreds of citizens mobilised their efforts in preparations for the first Sustainable Tourism Festival. This resulted in increased awareness regarding the project area and on the importance of nature protection for sustainable tourism development.

In addition, the project has led to a fully functional management system in Durmitor National Park and the strengthened capacity of the park authorities. In addition, effective environmental education and public awareness programmes have been developed, as well as high-quality products for upscale international markets. The region is functioning as an ecozone tourism destination managed by a destination management organisation (DMO), which involves local NGOs and the local private sector, including an appropriate public regional infrastructure with access from the coast and Podgorica.

This initial pilot project was also the inspiration for the concept of 'Wild Beauty Resorts', as well as the development of new tourism products and services, such as rafting, mountain climbing and trekking – together with the necessary training of service providers and guides, plus certification and licensing services.

Direct benefits have been quantified in terms of improved and new tourism services and income generated. From 2004 to 2005 the number of tourists doubled to 11,500 and, according

to the WWF Mediterranean Program's economic evaluation of ecotourism in the Tara River area, the total income from rafting alone was estimated at €1.05 million, with approximately €750,000 in direct financial impact and €300,000 of additional indirect impact. The profit remaining in the communities was also estimated at €800,000.

The pilot project reinforced Durmitor National Park as a tourism destination but was, strategically speaking, of utmost importance as it had a significant impact on national policy, contributing to greater recognition of the potential of the northern region to diversify the country's tourism product, reduce seasonality, and plan for a more equitable spread of the benefits of tourism across the population. Winter sports are now being complemented by seasonal and more active/adventure sports during the other three seasons, with links to the coastal resorts planned.



Biogradska Gora: balancing winter and summer tourism

The 5,400-hectare Biogradska Gora National Park covers the northwestern part of the Bjelasica Mountain from the Tara River to the summit. The increasingly popular mountain resort Kolašin is located in the southwest of the region. An isolated area, of which some 30% is primeval forest, Biogradska Gora has been to a degree protected since 1878, the date when the Turks were finally evicted from the region. Thereafter, the tract of land became known as 'Prince Nikola Petrović's Preserve'.

The government has already adopted a special purpose spatial plan for Bjelasica and Komovi, an adjacent mountain range, which will involve an investment of around €1.44 billion. The plan is for the region to be developed for tourism and recreation. The region's appeal will also grow in line with its improved access following the planned development of the Bar-Boljari motorway and other access roads. The plan was drafted by an international consortium comprising the Ržup company from Podgorica, Ecosign Mountain Resort Planners from Canada, and the Zagreb-based Horwath HTL.

From 2005–09, the Austrian–Montenegrin Partnership for Bjelasica and Komovi, with funding from the Austrian Development Corporation (ADC) and the Austrian Government's Office of Technical Co-operation for Regional Development (OÄR), drew up the sustainable local development strategy for each of the five municipalities in the Bjelasica–Komovi region, with input from all stakeholders including local politicians, business people, public servants, farmers, teachers, and young people. Of these five regions, four are being developed as ski resorts and the fifth is to be the Komovi 'Eco-Adventure Park'.

Thanks to this partnership, a 20-metre high observation tower, Lazovi, was built at a cost of €70,000, and other infrastructure projects/plans for the region were also supported. These included the development of a Regional Tourism Organisation (RTO), whose office is in a building that was designed as a pilot project for low-energy housing in Montenegro – aimed at developing attractive, sustainable tourism products for the region – together with appropriate marketing and promotions and visitor information services. Strong multi-stakeholder engagement was a pre-requisite and the goal was to minimise negative impacts by strictly following a policy of sustainability – economic, social and cultural terms as well as environmental.

Local Agenda groups were established in all five municipalities, involving many different stakeholders and important opinion leaders as well as representatives of local association and working groups. Local ownership is seen as an important working approach to make sure that stakeholders take on responsibility for the project and the development agenda. A number of different programmes and products were developed, some of which have already proved extremely successful – such as hiking & biking (see page 56) – generating new business for local entrepreneurs.

Lovćen: the 'Mount Olympus' of Montenegro

Covering an area of 6,400 hectares, close to the ancient capital of Cetinje, Lovćen National Park is dominated by the twin peaks of Mount Lovćen. At the summit of Strirnovik (at 1,749 metres, it is the higher of the two) is a telecommunications facility, and the second, Jezerski (at 1,657 metres high), is most dramatically surmounted by the mausoleum of Petar II Petrović Njegoš. This gives it the status of a kind of Montenegrin 'Mount Olympus'. The landscape is predominantly barren and harsh but there are sparse clusters of different types of trees like pine, juniper and sycamore, as well as wild rose. There are plans for further accommodation – there are only a few mountain lodges at the moment, although camping is possible by prior arrangement – as well as a National Park office.



Lake Skadar: exceptional marine life and biodiversity

Lake Skadar is uniquely positioned in Montenegro, located at only a short distance from Podgorica, the capital, and 20 kilometres from the heavily trafficked coast. Within these two zones lies a major sustainable tourism development effort that includes the national park, as well as traditional communities, historic and cultural attractions – such as 60 protected monuments and six active monasteries from the 14th century – actually within the park.

The lake's surface area itself ranges from 370-530 square kilometres depending on the water level, and Lake Skadar is the largest on the Balkan Peninsula. Two thirds of it belong to Montenegro, and one third to the Republic of Albania. The Montenegrin part has a coastal area of 40,000 hectares, differing from other national parks as an area with explicit limnological character, an exceptional richness of bird life, marine life and luxuriant swamp type vegetation.

The lake also features a 'crypto-depression' – some parts of its bottom are lower than sea level, from 6-60 metres deep. Its coasts are indented and rich in bays, islets and capes, with a very diverse flora. As a significant habitat for waterfowl, Skadar Lake was inscribed in the world list of Wetlands of International Importance by the Ramsar Convention in 1996.

To date most visitors to Skadar Lake – approximately 36,000 in 2009, predominantly from abroad – are day-trippers, on a packaged excursion/boat tour as a short break from sunbathing in one of the coastal resorts. Officially, the season is from mid-April to mid-October. Until to six years ago there was no real consideration of, or benefits for, locals because package tours were booked by coastal travel agents. But a more managed approach now includes public participation and integration with the approximately 12,250 local community members as providers of accommodation, travel services, catering, etc.

As a result, Lake Skadar National Park now boasts nine hiking trails, five biking routes, two mountain biking trails, education/interpretation walks, wine trail programmes and bird watching,

as well as water-based activities. Many of these activities cover old roads not used in the last 50-100 years. Four new Visitor Centres have been opened in the last five years. A more steady visitor centre-based revenue stream also allows for conservation-oriented activities, such as creating artificial nests for the giant and endangered Dalmatian pelicans, the Park's symbol, while creating public outreach events such as Pelican Day, including a small fair featuring local agricultural produce.

A great example of this activity is the Park's 'Breathe in Spring' programme of weekend tours, launched in 2009, which includes an impressive array of picnics, hiking, biking, kayaking, wine trails, boat cruising, children's trail events, and bird watching. Over 40 events have been developed attracting active participation, with the goal of improving domestic tourism, attracting the locals, supporting local employment, etc. This was also a pilot project designed to work out problems and focus on needs related to building local capacity.

Likewise, the Festival of Nature and Culture attracts approximately 1,500-2,000 visitors – a significant number given the nearby capital, Podgorica's population of just 150,000. In 2009 (the last event for which data is available), all tours were fully booked in advance, and all food/restaurant providers ran out of supplies by mid-day.

These efforts have proved incredibly beneficial for the local communities. The indicators developed for the project showed that with 25 registered tourism businesses at the beginning of the project, there was over 100% growth a year in the first three years, in terms of newly registered businesses – hotels, boat hire companies, restaurants, cafes/bars, sailing clubs, vineyards/wineries, travel agencies, souvenir manufactures, etc – as well as in number of guests and employees, and a significant growth in community-based revenue.

Prokletije National Park

After many years of discussions, Prokletije – the part of the Montenegrin-Albanian mountain range near Plava – was granted protected status in 2009, thus becoming Montenegro's fifth national park – 14,000 hectares of land of outstanding environmental and ecological value in a cross-border area shared with Albania.

According to some experts, Prokletije is the richest mountain in the Balkans due to its high-altitude mountain flora (above 1,500 metres), where 542 species of plants have been recorded. In addition, it boasts 60 endemic species of insects, 130 species of butterflies, 200 species of fungi, and is considered the centre of avian diversity in the Balkans with around 200 different types of birds.

MARKET & PRODUCT DIVERSIFICATION

MORE THAN SUN & BEACH

Sun & beach tourism predominates ...

As discussed in the second report in this series, *Montenegro's Travel & Tourism: Trends and Prospects*, some 90% of international arrivals and 96% of foreign overnights are for coastal resorts. Indeed, sun & beach has been the prime motivation for travel to Montenegro since before the country was 'closed' for tourism during the Balkan War. When it re-emerged at the end of the 1990s, the only hotels and other facilities for tourism were along the coast and, while these were largely below international standard, they provided the base – alongside private accommodation – from which tourism has since developed.

As new quality accommodation comes on line, Montenegro will undoubtedly gain further share of the sun & beach market, but its main potential lies in the diversification of its tourism product, leveraging its rich natural resources to develop innovative tourism products and experiences in response to the growing market demand for authenticity and nature-based tourism.

... but competition is rife ...

Although there has been a flurry of activity in terms of renovations and upgrading of existing hotels, and a number of new, upmarket Greenfield projects are under development, Montenegro faces serious competition from other destinations around the Mediterranean – from well-established tourism favourites such as Spain, Italy, Turkey, Greece, Cyprus and Malta, to emerging, or re-emerging, destinations like neighbouring Croatia, Slovenia and Bulgaria.

Rate cutting for package tours and hotel accommodation is widespread in Mediterranean destinations and has already had a negative impact on prices and yields – and the competition is likely to get tougher. Nevertheless, given the small size of the country and the fact that it can ill afford to make mistakes, Montenegro has to guard against mass tourism – selling the country too cheaply, just to compete with lower-cost destinations and to gain a quick return on investment. This would make it much harder to attract the quality, higher-yield tourism that it strives for, and deserves.

... so diversification is key

Montenegro's hinterland offers excellent opportunities for a wide variety of sporting activities – from skiing to white-water rafting, trekking, bird watching and many soft adventure and ecotourism activities. In addition, the country has a wide range of cultural attractions, with a heritage reflecting many centuries of fascinating history. Steps have already been taken to develop new organised activities and new tour programmes – thanks in no small part to foreign aid.

However, WTTC maintains that further efforts at market and product diversification will be needed to reduce the industry's dependence on sun & beach tourism, generate demand from new markets and segments, and reduce seasonality, spreading tourism demand more equitably throughout the year. Diversification will also help avoid excessive strains on the coastal environment and on valuable natural resources in the medium to longer term.

International markets offer the greater potential for tourism growth – whether in absolute volume or percentage terms. They are also especially attractive to Montenegro as they generate higher yields. But the domestic market should not be overlooked as it is a valuable source of revenues at a time when much of the country's tourism infrastructure and facilities remains below internationally accepted standards.

YEAR-ROUND TOURISM

MICE tourism offers good potential

The last five years have seen significant growth, albeit from a small base, in the meetings, incentives, conferences and exhibitions (MICE) market to Montenegro,

following the establishment of the Montenegro Convention Bureau (MCB) in April 2008. A dedicated division of the National Tourism Organisation (NTO) of Montenegro, the MCB was set up as a public-private partnership, designed to be a one-stop shop offering impartial advice for agencies, companies and associations looking to bring events and meetings to the country.

The MCB currently has 18 members – including all the four- and five-star hotels with conference facilities in Bečići, plus the Avala in Budva, the Vardar in Kotor and the Bianca Resort and Spa in Kolašin, as well as professional destination management companies (DMCs).

Spa, wellness and medical tourism

Spa tourism is already well established along the coastal region and is being slowly extended into the northern region, through hotels such as Kolašin's Bianca, which opened in 2006. Along the coast, virtually all the new-build properties already have, or are earmarked to have, spa facilities, with wellness packages built into their tourism offers.

Medical tourism – as opposed to simply wellness – is more or less limited to Igalo, Herceg Novi, home of the Igalo Institute, which is the largest and the best-known institution for multidisciplinary European spa treatment in the Mediterranean. It is an important centre for pediatric, adult and geriatric rehabilitation.

Unfortunately, there has been a delay in the upgrading and renovation of the famous hotel of the same name, so accommodation facilities are not yet up to the required standard to attract serious international business. However, other properties are being developed in the town to cater to the projected demand from medical tourists. And, given that the season for medical/wellness tourism is not dependent on the sun or particular weather conditions, this is expected to be a year-round growth segment – especially since incentives can be offered to attract tourists outside the traditional season.

Marine/nautical tourism

In 2009, excluding cruise ships, 2,807 foreign vessels were registered in Montenegrin waters – 7.6% more than in the

previous year, and carrying more than 11,000 visitors to the country (+3.7%). The majority of these boats had European registrations but US-registered vessels are growing in number. Average length of stay was seven days.

The opening of Porto Montenegro, the luxury marina in Tivat – former site of the old naval shipyard – is already proving a major draw for owners and operators of mega- or super-yachts, especially since berths capable of handling these boats are in very short supply in Mediterranean ports. When it is completed, Porto Montenegro is expected to have a total of 800 berths, of which 150 for the super-yachts.

A further eight or nine marinas are being developed, or planned, resulting in a total of close to 2,000 berths by the end of this decade. Apart from Tivat, locations earmarked for marinas include Buljarica, Jaz and Velika Plaža, and investment for all marina projects is expected to total some €10 million over the period.

Snow business

Although Montenegro's up-and-coming ski resorts cannot offer the high-altitude skiing that many of its Alpine competitors can, and are therefore vulnerable to poor snow conditions, its mountains offer deep, light powder, uncrowded slopes and acres of perfectly spaced trees. Most importantly, it can rival better-known and more popular destinations for a fraction of the cost. In addition, market research has shown that Montenegro is an ideal destination for soft winter sports such as snow kiting, snow shoeing, etc, which do not require big investment.

Europe's best-kept ski secret lies in the Bjelasica mountains at Jezerine, about 15 minutes by car outside the town of Kolašin, itself an hour and a half's drive up the stunning Morača Canyon from the Montenegrin capital of Podgorica. The Austrian-Montenegrin Partnership developed the basic infrastructure for tourism in the region, and the Italian Ministry for Environment, Land and Sea supported the Preliminary Strategic Approach to the development of Kolašin and its surroundings as a ski resort – in close co-operation with the private sector, the local municipality and the (former) Ministry of Tourism and Environmental Protection. ARUP was commissioned to design the Tara Village Resort in Kolašin – more details of which are presented in the fourth report in this series: *Montenegro's Travel & Tourism: Investment Potential*.

Although the project is far from completed, Kolašin has already been featured as an emerging ski destination in European media and tour operator brochures. The mountain range's highest peak, Crna Glava (Black Head), is only 2,139 metres high, yet the amount of snowfall and variety of terrain in the region are rated as excellent. An

alternative to Kolašin, and with steeper terrain, is the town of Žabljak, in the mountainous Durmitor region. Although it only has four ski lifts, these access some dramatic chutes and powder fields with virtually no competition for one's fresh tracks. This is also where the Tara River runs through Europe's longest canyon, and there are 20 peaks over 2,000 metres, overlooking 18 gorgeous lakes, so it is not surprising that discussions are underway to set up a heli-skiing operation.

For the time being, there are few hard facts reflecting the growth in demand for ski resorts in Montenegro and while it is at best only likely to compete in the regional market, it is clear that the facilities being built for skiing and other mountain sports will complement the range of activities available during the summer months, helping to reduce seasonality and generate year-round business for the local communities.

During one weekend in 2010, some 3,500 skiers were counted in Kolašin, with a similar number of accompanying persons.

Wilderness hiking & biking

Probably the most successful rural tourism development programme to date in Montenegro, year-round the Wilderness Hiking & Biking programme was launched by the Ministry of Tourism in July 2007, and has already become a firm favourite with nature-based tourists from around Europe.

The programme has been supported by many diverse stakeholders. In addition to the Ministry and National Tourism Organisation, 21 municipalities have also been involved, together with their local tourism organisations and a Regional Development Agency. Other participating special interest groups include the Mountaineering Association of Montenegro (PSCG), the Cycling Association of Montenegro (BSCG), the Mountain Rescue Service (GSS), and the management of the five Montenegrin National Parks.

Since its inception, the programme has achieved significant milestones:

- A comprehensive hiking and biking trail network was identified, registered electronically, and all infrastructural activity completed, resulting in 6,000 kilometres of trail-making, marking, signposting, and the provision of shelter, toilet facilities and some huts for accommodation.
- The government has sponsored and prepared the necessary supporting legal framework with the implementation of a new Mountain Trail Law, as well as the development and implementation of new 'Bed and Bike' and 'Wilderness Camping' standards.
- Given the remoteness of many areas, security has been addressed and the capacities of the GSS reinforced with training and equipment, together with the training and licensing of nature guides.
- The major issue of keeping the trails pristine has been addressed thanks to a sustainable cleaning programme, together with education and awareness programmes for tourists and locals, such as the 'Leave No Trace' campaign.
- There has been extensive capacity building and support for community development and enhancement, as well as support for cultural heritage with ongoing workshops, presentations and exchange programmes. More than 30 licensed hiking guides have been trained. Training programmes





are both specific to servicing the hiking and biking market niche, but also more general so as to provide local people with knowledge about the importance of sustainability.

- This extensive transfer of industry skills and support for new product development has resulted in new local hiking and biking centres, a new supply of accommodation, bikes and gear for hire, and related services such as restaurants serving local food.
- New print materials have been produced including maps and a detailed Trail Handbook covering all tracks with text descriptions, maps and photographs. Promotional activities have included familiarisation trips for the media and tour operators, as well as international and domestic media exposure, to build global recognition and branding for the product.

After three years of running the programme, data gathered from visitors during the nine-month period of January through October 2010 showed that close to 92,000 visitors cited hiking and/or biking as their main activity in Montenegro, whether on a package tour or independently organised trip. Some 70 European and US tour operators specialised in hiking and/or biking have included Montenegro in their tour programmes for 2011.

Gastronomic and agro-tourism

Critically, the Wilderness Hiking & Biking programme highlights tradition and heritage – a new attraction for visitors to Montenegro – with the trails and associated activities making a feature of the old ways of living in the country's remote villages and 'katuns' (old farm accommodation at high altitude). These include promoting traditional building styles and farming activities, as well as making homemade produce ranging from dairy and meat products to authentic local breads, honeys, herbs, wines and 'rakias'. Traditional handicraft is also encouraged and artisans have been organised so they can sell to new markets.

GTZ worked on a wine route with the former Ministry of Tourism and Environmental Protection. The work has focused on creating the right legal conditions for small wineries to exploit this niche. In addition, the local Njeguši smoked ham could be promoted in a similar way to, or in tandem with, the wineries, providing an opportunity for complementary wine and ham *dégustations*. Not only will the wineries prosper from the initiative, but the local municipalities also stand to benefit if restaurants and guesthouses can satisfy tourist demand and curiosity for the local cuisine.

A number of other initiatives have also been launched through the Centre for Sustainable Travel Initiatives. These include 'cheese roads' around Kolašin developed by all the different cheese producers in the northern part of Montenegro, and Old Montenegro Trails.

The NTO and the local tourism organisations of Skadar Lake, Bar, Cetinje and Podgorica, in consultation with GTZ, have been proactive and produced a brochure providing information on the local wines and wine growers along a defined route. An extended and larger promotional drive could reap dividends. Much could also be made of organic produce and cookery courses.

GOVERNMENT'S ROLE IN TOURISM

GOVERNMENT SPENDING

Still relatively modest, in terms of supporting Travel & Tourism

As explained more fully in the first of this series of four reports, *Montenegro's Travel & Tourism: Economic Impact*, government spending on Travel & Tourism – in addition to investment in infrastructure to stimulate and support private sector investment – involves both 'individual' and 'collective' spending. The first represents spending on individual non-market services for which beneficiaries can be separately identified. These so-called 'social transfers' are directly comparable to consumer spending and, in certain cases, may represent public provision of consumer services. As an example, individual government spending includes the provision of services in national parks and museums.

Government collective spending, on the other hand, relates to government spending in support of general tourism activity. This can include national as well as regional and local government spending – such as tourism marketing and promotion, visitor information services, administrative and other public services.

In 2010, the Montenegrin Government's combined individual and collective spending on Travel & Tourism was €23 million, unchanged over the previous year. Preliminary projections suggest there will be a 3.0% increase this year, and that government spending on Travel & Tourism will rise by an average 4.5% a year over the next ten years. But, while this increase is admittedly greater than for most European governments, it will still only lift Travel & Tourism's share of government expenditure to 2.8%.

Government spending on Travel & Tourism in Montenegro, 2010-21

(€mn at 2011 constant prices)

	2010	2011 ^a	2021 ^b
Government spending ^c	10,200	11,600	25,100
% growth ^c	-0.2	3.0	4.5
% GDP	2.7	2.7	2.8

Note: Government 'collective' spending = general government spending in support of general tourism activity that also benefits the local community, including tourism promotion, visitor information services, administrative services and other public services. This is consistent with total tourism gross fixed capital formation in Table 8 of the TSA:RMF 2008.

^a Estimated ^b Forecast ^c 2010-2011 real % annual growth adjusted for inflation; 2011-21 annualised real growth adjusted for inflation

Source: WTTC/Oxford Economics

Adequate spending by government is essential to ensure that Montenegro's tourism industry does not suffer a major competitive disadvantage over the coming years.

This modest share is considered by WTTC to be inadequate to meet the needs of what is expected to be much faster-growing market demand, and this could in turn risk jeopardising the quality of Montenegro's Travel & Tourism product and services. Adequate spending by government is essential to ensure that Montenegro's tourism industry does not suffer a major competitive disadvantage over the coming years.

Although the baseline growth forecasts for Montenegro are excellent, new destinations are constantly emerging and governments around the world are increasingly recognising the potential of Travel & Tourism to power economic growth. As a result, the industry is likely to receive greater attention from governments with a concomitant level of funding.

MARKETING & PROMOTION

Partner funding boosts the NTO's budget ...

Experience has shown that demand for any tourism destination grows sharply if marketing and promotions are well funded and effective. A competitive, sustained promotional campaign is critical for Montenegro in order to clarify and enhance the country's image in traditional and emerging source markets. Although the destination is becoming increasingly popular, its absence from the world tourism stage for more than a decade means that the country's rich variety of attractions are still relatively unknown. The National Tourism Organisation (NTO) of Montenegro's budget is extremely modest, hovering around €1 million to €1.5 million a year over the past few years, including the cost of its four overseas offices (in Serbia, Bosnia-Herzegovina, Slovenia and Germany). But its promotional efforts are supported by its 13 private sector partners.

The NTO's strategic partners

Airports of Montenegro
 Budvanska Rivijera (local hotel group)
 Coastal Zone Management
 EPCG (local electricity company)
 Montenegro Airlines
 Montenegro Stars Hotel Group (local)
 NLB Montenegro Bank
 Orascom Luštica (integrated resort development)
 Queen of Montenegro (hotel)
 R-Tours Group (Russian travel group)
 T-Mobile
 Visa

... and a share of the tourism bed tax

The NTO's basic budget is also supplemented by a 20% share of the tourism bed tax imposed in Montenegro, which is currently based on a rate of €0.10 per bednight in the low season to €0.80 in the high season in the more developed municipalities. The remaining 80% is split between the local tourism organisations (LTOs) and the respective municipalities. Some LTOs, notably in the Bjelasica mountain region and in the vicinity of Lake Skadar, have banded together to create regional tourism organisations (RTOs) to handle joint marketing and promotional activities, as well as to undertake special projects or campaigns.

As already indicated, the Montenegro Convention Bureau (MCB) was set up in 2008 as a division of the NTO, also involving partners from the private sector – primarily hotels and DMCs – that also contribute to the MCB's marketing budget.

Strong branding enhances Montenegro's image as a sustainable tourism destination

Montenegro's international image has been greatly enhanced in recent years. The smooth transition to being one of the youngest sovereign states in the world has also helped raise awareness of the destination and created an image of an economically stable country offering unique attractions for tourists. These are summed up aptly by Montenegro's 'wild beauty' branding, reinforced by the high-profile advertising campaigns on television channels such as CNN and in trade and consumer media.

The NTO's activities also involve training staff in the 20 or so LTOs and RTOs in the country's 21 municipalities, in co-operation with the Ministry, and it works closely with the Montenegrin Tourism Association, including the different sector representatives incorporated in the association.

Plans for the NTO to open more offices in key markets abroad have been delayed due to a lack of funding. But Paris and London would appear to be among the preferred choices in terms of location. While the Russian and other east European markets are extremely important in terms of growth, Russian developers and tour operators are well established in the country, perhaps reducing the need for in-market promotions by the government. However, the NTO and the Ministry are well represented at leading travel trade fairs.

WTTC would recommend that the Government of Montenegro step up its funding of the NTO – at least on a temporary basis – to ensure adequate marketing and promotions in the markets in which it is still poorly established. There is little point in opening new offices abroad if there are insufficient funds to operate them effectively.

Increasing focus on market research ...

In addition to the economic impact research commissioned from WTTC and Oxford Economics, the Government of Montenegro increasingly commissions or undertakes market research in order to plan ahead better and anticipate necessary changes to

tourism supply. Two new market studies have been conducted for the first time this year, among hotel guests and in six of the most important markets for Montenegro. Research among actual tourists is particularly important as it can help identify threats to growth, as well as new opportunities. Examples include the water and electricity shortages suffered in coastal resorts during the peak summer months, as well as problems relating to waste collection and disposal.

As experienced in the past, these problems can result in the cancellation of business by foreign tour operators and the requirement for compensation payments by hotels and other local firms. If such problems are not resolved quickly they, in turn, can irreparably damage the destination's image, and could even influence Montenegro's ability to target desired markets and investors in the medium to longer term.

WTTC maintains that monitoring demand trends on a regular basis will generate good quality statistical data on Montenegro's Travel & Tourism, including data on expenditure patterns, attitudes and preferences, as well as on the overall economic contribution of Travel & Tourism.

One thing lacking, as WTTC has pointed out in the past is a national Tourism Forecasting Council (TFC) – established along the same lines as Australia's successful TFC, in which all stakeholders are well represented. This could be a useful tool for ensuring the credibility of historical results and future demand forecasts. It could also help to anticipate future capital investment and infrastructure needs in the future, mitigating serious supply shortages or oversupply. The early introduction of incentive schemes for private sector capital investment and small business development will ensure timely access to capital resources and funding.

... boosted by regional co-operation

Co-operation through the local municipalities and LTOs has contributed significantly to co-ordinating marketing and promotional efforts on a regional basis. So far, the main focus of activities has been on developing marketing materials, guides for visitors, investment in equipment for hire and national park guide training. But guest surveys are also increasingly conducted.

WTTC believes that this is an important first step towards sustained co-operation and collaboration in tourism management and marketing. Neighbouring municipalities and local tourist offices should be encouraged to follow this example of best practice. In this way, municipalities can combine their strengths rather than competing and pulling in opposite directions to the detriment of Travel & Tourism.

PUBLIC INFORMATION & OUTREACH

Raising awareness among Montenegro's citizens

One way of assessing a destination's sustainable Travel & Tourism potential is to gauge how well government educates tourists and citizens in support of sustainable tourism development goals and objectives, and how widely and effectively goals and accomplishments are communicated to media and other stakeholders, in order to promote best practice in the Travel & Tourism industry. There is no doubt that Montenegro has excelled in this area.

The former Minister of Tourism and Environmental Protection, Predrag Nenezić, initiated numerous outreach activities, including National Park and general country signage, National Park brochures, 'Leave no Trace' information for mountain visitors, and educational trails with interpretation, etc. Local and regional tourism offices offer such things as 'local gift baskets' containing locally sourced produce and products from the 'hinterland'.

A new campaign, 'Ecological Thread that Connects Us', was launched in April 2011 by the new Ministry of Sustainable Development and Tourism, underscoring the present government's commitment to environmental protection and its trust in the support of European institutions. The aim of the campaign, sponsored by the Ministry and civil society, is to raise ecological awareness in Montenegro.

The campaign activities, which are due to last a month, include a public showing of films regarding environmental issues, workshops for children, round-tables, lectures, cleaning and forestation campaigns, etc.

The following highlights some of the other effective public information and outreach campaigns undertaken:

Keep it Clean

The former Ministry of Tourism and Environmental Protection, the Employment Bureau of Montenegro and numerous partners launched the 'Keep it Clean' campaign in the mid-2000s, supporting public work related to the cleaning of primary and regional roadways in all major municipalities. This ongoing campaign, which is partially funded by the Eco-tax, has resulted in the creation of jobs for approximately 170 relatively unskilled workers – mainly from among the unemployed – collecting waste. The project continues throughout the year, and also produces over 4,000 square metres of waste, or over 35,000 garbage bags, in one year alone.

Message-specific roadway billboards are posted countrywide, and a child-focused 'Eco-Patrol' project was implemented in elementary schools in order to directly educate and actively engage children from 10–15 years old. This was designed as an activity giving incentives to children to identify and recognise ecological problems in their environment, as well as to become actively involved in their resolution. Some 30 schools were involved in the first year and GTZ financed eco-patrols in the municipalities of Cetinje and Plav. The budget for the full 12 months was €772,420 (65% of which related to salaries of the workers).

Call Center Montenegro (CCM), which sits within the NTO, received a total of 134 calls during the peak tourism season from July to September, which were specifically related to the pollution of environment in numerous Montenegrin municipalities – 20% of the total volume of complaints that CCM received during this period.

This Land is Our Home

In 2009, recognising the need to raise awareness and educate the general public about the importance of environmental protection, the former Ministry of Spatial Planning and Environment, together with the then Ministry of Tourism, launched a campaign under the slogan: 'This Land is Our Home'. The goal was to raise awareness among citizens of the spectacular resources with which

Montenegro is so generously endowed, and to encourage inspire citizens to start treating the whole country as their home. Public outreach efforts have been significant, with activities that include brand and campaign identity development, press conferences through all major media outlets, and advertising in print and on television.

As a part of the campaign, 650,000 trees were planted countrywide in order to symbolise one tree for every Montenegrin citizen. The planting began in Podgorica, with the first trees planted by high-level government officials including the prime minister. Intensive public relations followed, including the broadcast of TV shows and TV advertisements produced from the taped material of countrywide planting.

The campaign has been an important and effective first step towards raising awareness of the importance of environmental protection, but additional environmental education action is planned through 2011 to press home the government's goals. Actions planned relate to water preservation, climate change, green living – ie recommendations for recycling, ending the use of plastic bags – energy efficiency, etc. In addition to aggressive public education and outreach activities, the campaigns include monitoring and evaluation.

Register Your Accommodation

The 'Register Your Accommodation' campaign was launched in 2006 by the former Ministry of Tourism and Environmental Protection in co-operation with the Tax Administration, coastal municipalities and municipalities of Žabljak, Bijelo Polje, Kolašin and Rožaje. This involved seminars for Montenegrins renting out holiday accommodation, in order to inform them about the simplified procedure for obtaining operating permits, the reduction available in terms of tax obligations, and other important issues. In addition, an information campaign was launched through the local media, explaining the penalties imposed for people found to be renting out non-registered private accommodation.

Thanks to the campaign, around 60,000 beds were registered in 2008 – 10.7% more than in the previous year. Some 6,210 operating permits were also issued (17.7% more than in 2007).

INTERNATIONAL AID AGENCIES AND OTHER DONOR/FUNDING GROUPS

ADA	Austrian Development Agency – the operating arm of ADC, the Austrian Development Corporation
BAS	Business Advisory Services Programme
CIM	Centre for International Migration and Development or the human resources placement organisation for German Development Co-operation
Cooperazione Italiana	Co-operation (through the local embassy) from the Italian Ministry for the Environment, Land and Sea – Task Force Central and Eastern Europe
DEG	German Investment and Development Company
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EU	Delegation of the European Commission to Montenegro
EuroNATUR	Nature Conservation in Europe
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German International Co-operation) <i>(Established on 1 January 2011, it brings together under one roof the long-standing expertise of the Deutscher Entwicklungsdienst GmbH (DED, German Development Service), GTZ and Inwent (Capacity Building International, Germany)</i>
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (German Technical Co-operation)
IFC	International Finance Corporation
IMF	International Monetary Fund
KfW	KfW Banking Group – a promotional bank of the German Federal Republic and federal states
OÄR	Austrian Government's Office of Technical Co-operation for Regional Development
OSCE	Organization for Security and Co-operation in Europe
REC	Regional Environmental Centre
SNV	Netherlands Development Organization
STARS	Part of USAID
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
USAID	United States Agency for International Development
World Bank	
WWF	WWF Mediterranean Programme Office





WTTC would like to express its appreciation to the following organisations and agencies that contributed their knowledge, insight and data/information to the policy review effort included in this report:

Agency for Economic Restructuring and Foreign Investments
Airports of Montenegro
Association of Montenegrin Banks
Austrian Development Co-operation (ÖAR)
Austrian Development Agency (ADA)
Business Advisory Services Programme
Center for Applied Research and Analysis (CARA)
Center for Entrepreneurship and Economic Development (CEED)
Centre for International Migration and Development (CIM)
Central Bank of Montenegro
Employment Agency, Montenegro
EuroNATUR (Nature Conservation in Europe)
European Bank for Reconstruction and Development (EBRD)
German Financial Co-operation (KFW Banking Group)
German International Co-operation (GIZ, Deutsche Gesellschaft für Internationale
Zusammenarbeit GmbH
German Investment and Development Company (DEG)
German Technical Co-operation (GTZ, Deutsche Gesellschaft für Technische
Zusammenarbeit GmbH, now part of GIZ)
International Finance Corporation (IFC)
Institute for Strategic Studies and Prognosis (ISSP)
International Monetary Fund (IMF)
International Relief and Development (IRD)
Ministry (former) for Economic Policy
Ministry of Transport, Maritime Affairs and Telecommunications (MOTMAT)
Ministry of Sustainable Development and Tourism
(formerly Ministry of Tourism and Ministry for Spatial Planning and Environment)
Montenegrin Tourism Association (CTU)
Montenegro Business Alliance
National Tourism Organisation of Montenegro
Netherlands Development Organization (SNV)
Organization for Security and Co-operation in Europe (OSCE)
Statistical Office of Montenegro (MONSTAT)
United Nations Development Programme (UNDP)
United Nations Environment Programme (UNEP)
United States Agency for International Development (USAID)
Ferdinand Wieland, former Advisor to the Minister of Tourism
The World Bank
World Economic Forum (WEF)
World Wildlife Fund for Nature (WWF)



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