

**GSI JOURNALS SERIE A: ADVANCEMENTS IN TOURISM,
RECREATION AND SPORTS SCIENCES**

Volume: 2, Issue: 1, p. 1-17, 2019

**TOURISM DEVELOPMENT MONTENEGRO – CRUCIAL
CHALLENGE WITHIN THE STRUCTURAL CHANGES IN
ECONOMY**

Silvana Đurašević¹

Slavica Adžić²

Ana Stranjančević³

(Received 16.04.2019 Published 05.08.2019)

Abstract

Implementation of structural changes in the Montenegrin economy was to enable productivity growth in all economic sectors. Previously realized structural changes with the aim of a more efficient market economy in Montenegro were mainly based on changes in the neighbouring countries. However, since each economy has its own particularity, the implemented changes still have not ensured balance in the total economy, competitiveness of the national economy and economic stability. This paper aims to explore the extent to which the state engaged in taking adequate measures to improve investments in tourism and accompanying infrastructure enabling its influence on structural changes in the total economy, its long-term sustainability, and economic stability. Since tourism generates 20% of GDP and 18% of employment, the role of the state is crucial when making rational solutions from the aspect of total economic activities. Therefore, the competitive advantage of Montenegro as a tourist destination can be increased if tourism development is encouraged by systematic measures.

Keywords: tourism development, state measures, structural changes, the national economy

¹ PhD, University Mediterranean, Faculty of Tourism, silvanadj@t-com.me, +382-67-690-690

² MSc, University Mediterranean, Faculty of Tourism, sidro.2005@gmail.com, +382-67-333-226

³ PhD, MODUL University Dubai, Department of Tourism and Service Management, anamstranjancevic@gmail.com, +971-50-105-47-54, Corresponding author

1. INTRODUCTION

The transition process and changes in the socio-political system of Montenegro have caused structural changes, with the aim of achieving productivity in all economic sectors. Additionally, the global economic crisis, along with changes in the ownership and relations of state-owned enterprises in the transition process, set up new forms of market economy that Montenegro based on the experience of the countries in the region. Structural reforms in the Montenegrin economy represented one of the most important chapters in the field of negotiations, the state's political readiness and the strategy for joining the European Union. Therefore, new behavioural norms and forms of the market economy were supposed to achieve an increase in individual and social standards. This is a complex ongoing process that has not ensured the competitiveness of the national economy determined by the increase in productivity in all economic sectors and aggregate indicators of the national economy.

When it comes to the EU, the sectoral trends are characterised by the dynamism of market services, with growth rates higher than the economy as a whole. At the same time, all the other sectors of the economy either follow the total economy closely or fall behind (European Commission, 2005). The structure of the EU economy shows that services industries, both market and non-market, account for 71% of the total value added in EU-25, while the share of manufacturing amounts to less than one fifth (18.3%) (EU industrial structure, 2011). It should be emphasized that market services increase their share among the main sectors of the economy while non-market services are also characterized by below-average growth rates.

Structural changes in Montenegro were particularly reflected in tourism as the most sensitive branch of economy. In addition to energetics, agriculture and industry, tourism is defined as a strategic determinant with a vision of an attractive tourist destination. According to the World Travel & Tourism Council (WTTC) (2017), Montenegro has done much in the field of tourism development with a dynamic growth rate of tourism participation in GDP by 22.1% in 2016, and the degree of investments of EUR 263.6 million in 2016, which represents 34.0% of total investments. However, there are still restrictions in the field of faster economic development. The vision of the future development of tourism cannot be realized unless the infrastructure in all economic sectors is improved and the relevant programs of economic reforms for Montenegro, relevant laws, strategies, declarations and planning documents are fully implemented.

The state plays a crucial role in adopting stimulative measures and conducting constant monitoring in order to achieve long-term tourism development and its impact on the national economy. By means of monitoring and incentive measures, the state strives to position Montenegro as an exclusive tourist destination. However, tourism without other economic sectors cannot establish the balance of the economic system and economic

stability, unless integration of the entire economy accelerates. Moreover, an important precondition for economic stability is a balanced economy because only a balanced economy can reduce vulnerability to internal and external shocks (Skribane and Jekabsone, 2014) and contribute to stable economic growth. A change in the economic structure, according to Mihailović (2006), can only be achieved by an integral economic reform, which can increase individual and social standards.

According to analyses, the participation of the employment in the trade sector and tourist-catering capacities is still dominant. Other branches of economy lag in productivity increase. Seasonal oscillations of tourist flow in Montenegro indicate that the offer is not rich enough and cannot provide an extension of the tourist season.

Given that tourism generates 20% of GDP and 18% of employment, there is a need for the state to use systematic measurements to solve the problem and improve infrastructure in all sectors of the economy. The revival of all complementary activities is a basis for further development of tourism and rational solutions from the aspect of the overall economic activity, and the networking of the economy should be based on that approach.

The purpose of this study is to analyse various approaches and measures taken by the Government of Montenegro in order to improve investments in tourism and accompanying infrastructure. Structural changes implemented in the Montenegrin economy with the aim of achieving long-term tourism sustainability and economic stability were discussed. Given the fact that tourism is a strategic industry of this country with a significant contribution to the GDP and employment, its future development must be supported by strategic, systematic measures.

2. TOURISM DEVELOPMENT AS A PART OF THE MONTENEGRIN ECONOMIC SYSTEM IN STRUCTURAL REFORM PROCESS

2.1. Features of the Montenegrin economic system in the structural reform process

The period of socio-political changes and transition conditioned the change in the economic system of Montenegro and set new frameworks of the national economy. Negative impacts from the environment as a consequence of socio-political circumstances, changes in the party system, the war in the neighbourhood, separation from the national community and the global economic crisis slowed down the flows of a faster transition to market economy and the accession of Montenegro to developed economies.

The new sovereignty concept and strategic orientation towards joining the European Union and Euro-Atlantic integrations represented a challenge in the orientation of Montenegro to establish an efficient market system that should provide faster economic prosperity. Instead of quantity as a previous primary feature, changes in qualitative features in economies, known as structural changes (Mihailović, 2006) have happened. By changing the legal status of state-owned enterprises, the state has strived to implement a new form of

organization based on private property, which basically should initiate productivity in all economic sectors and ensure economic growth. In addition, in order for businesses to contribute to the country's economic growth, there is a need to adjust to customer needs and proactively respond to market changes (Skribane and Jekabsone, 2014). The transitional period and the market economy based on private ownership in the restructuring process were aimed at the development of the national economy. Montenegro as a spatially small state with limited resources, due to the broken broader economic system in the process of socio-political circumstances, used the experiences of the countries in transition and applied a new model of a market economy, price liberalization, privatization of state-owned enterprises and economic restructuring for the purpose of economic stability. This was not merely a new form of social changes, but an economic one as well, which implied radical changes in the process of management, investments, technological standards, strategic directions and other flows of a market-oriented economy based exclusively on private property.

As any national economy, so does Montenegro have its features exposed either through recognizable or scarce resources, structural mismatches of the economy, prominent differences in levels of economic development of the region, unemployment, inflation, foreign trade deficit, and the apparent dependence on import, debts and the like. Those above and many other factors significantly influence the macroeconomic stability of the system (Blečić, 2007). According to Vukotić (2001), the most significant factors for the establishment of macroeconomic relations are production, employment, inflation, payment balance, economic growth and the structure of the economy.

The state should direct economic policy to these key issues aiming at macroeconomic stability. Systematic measures of economic policy imperatively imply the need to ensure quality, more efficient functioning of the economy, establish more rational consumption, and ensure the supply chain value and a more responsible approach of the owner towards the capital. The use of available resources, launching the undertakings in all economic activities and their integration represent the fundamental base of the market economy.

However, apart from quantitative indicators of economic growth, economic development of the country is also based on its economic stability. According to Skribane and Jekabsone (2014), in order to ensure the creation of new job places and to set up small and medium businesses, a stable macroeconomic system is needed. It is especially required when it comes to attracting domestic and, in particular, foreign direct investment.

2.2. Tourism development features in the context of structural reforms

Due to its multiplicative effects tourism is considered as one of the world's most dynamic industries. The impact of tourism on the development of Montenegro should be analyzed through the level of overall economic development.

Changes should be achieved globally within institutions, in their relations between economic entities within the functioning of the economy as a whole. The tourism industry cannot function separately from other industries. Few countries, if any, could expect their economic rescue by means of tourism alone (Antunac, 2002). Functioning of market economy implies a regulated economic system, whose institutions are the ground on which the macroeconomic policy of a state should be built.

Social and political changes in Montenegro and the world economic crisis in 2008 initiated changes in the tourism sector. The negative trend of development in the entire economy due to society transition has contributed to stagnation in the tourism economy. Owing to the mentioned restrictions, Montenegro could not sufficiently follow the modern trends of tourism development and new forms of organization that are the perspective of future development.

Regardless of the fact that the economic system was seriously undermined and numerous tourism companies forming the backbone of Montenegrin economy were devastated and closed, Montenegro has generally done a lot in the field of development, and tourism is considered an essential component of future development. Recognizing the fact, that is the aims of Agenda 21 of the Rio de Janeiro Declaration, which points out to the importance of sustainable tourism development principle, Montenegro continues to strive to secure the position of an attractive tourist destination. According to the Tourism Development Strategy of Montenegro until 2020, the Ministry of Tourism and Environmental Protection refers to the essential goal of sustainable development based on the slogan “Wild Beauty” (Ministry of Sustainable Development and Tourism, 2008). Establishment of legal and regulatory frameworks and the adoption of relevant laws in the field of tourism indicate that tourism is the ground for the long-term development of the national economy. The adoption of Tourism Development Strategy, declarations and planning documents represent the frameworks and domains of the most significant activities with multiple effects.

Measures of economic policy and principles of sustainable tourism development should create positioning of a high-quality tourist destination, increase the participation of tourist traffic, the number of employees in the tourism sector, increase the level of foreign investments, valorise potentials, improve the tourist infrastructure, and thus contribute to the growth of living standards.

Due to the geographical position, the climate features and potentials at its disposal, tourism is recognized as the leading branch of the economy. Successful organization and stimulation of tourism development can be a perspective for faster development and positioning of Montenegro as an attractive tourist destination. Tourism is not sufficient for itself unless the economic activity of other complementary activities is increased, in order to

round off the offer in the system of values that are aimed at valorising all available potentials.

Multiplicative effects of tourism can be achieved if harmonization of the entire economy and all related economic activities, which can be a strong generator of aggregate indicators of the national economy, is established. This particularly relates to agriculture as the second dominant branch of the economy, followed by trade, transport, handicraft services, etc. Multiplicative effects have a strong impact on economy flows, and as pointed out by Dobre (2005) when it comes to multiplicative effects, revenues generated by foreign tourists (not domestic ones) are additional financial resources that have additional (multiplied) effects on the national economy. Additional consumption realized by foreign tourists is a powerful generator of social productivity in all production activities. The activity of tourism industry and the revival of all industries in full capacities and potentials should provide an increase in aggregate indicators of the national economy, such as social product, national income, investments, consumption by the population, government revenues and expenditures, volume and structure of foreign trade, depreciation, accumulation and employment. Dynamic growth and integration of the economy as a whole can provide sustainable tourism development. According to the data of the Statistical Office of Montenegro for 2017, there were 1,877,212 foreign arrivals and 122,797 arrivals of domestic guests. Accordingly, in the previous year, a total of 11,953,316 overnights were realized, of which 11,470,132 overnights were by foreign and 483,184 overnights were by domestic tourists (Monstat, 2018).

According to the estimations of World Travel & Tourism Council (2005), it is expected that the direct contribution of travel and tourism to GDP by 2020 shall grow to 890.4 million euro. Based on the data of Ministry of Sustainable Development and Tourism of Montenegro, and according to the report on business in the hotel industry in Montenegro for 2013, Gross Domestic Product generated by tourism is 20%, while employment generated by tourism is 18%. The stated share of tourism in Montenegro GDP is an encouraging fact, but the share of all other sectors lagging in the economy is necessary as well. Bearing in mind that Montenegro is dependent on import, the revenues from tourism have long influenced stabilization of negative balance of trade with foreign countries. The state has engaged in the adoption of adequate measures to encourage tourism development as a crucial challenge in the context of structural reforms.

3. RESEARCH METHODOLOGY

Taking into account that tourism is a strategic determinant of Montenegro, that the particularity and quality of tourist destinations make the basis for its positioning, the subject of this paper depicts structural changes in the economy of Montenegro, which should provide an increase in productivity in all economic sectors.

The aim of the research in this paper is an analysis of measures previously undertaken by the state in order to promote overall economic activity, particularly reflected in tourism as the dominant economic branch. Extensive professional literature in the subject area, as well as documentation of the competent authorities of Montenegro and relevant international institutions were used. The paper itself is the result of ruminative thinking, analysis, comparison and conflicts of different legal solutions and economic concepts. In order to explore the highly complex economic structure of Montenegro and point out to the importance of tourism in the overall economy, extensive qualitative methods, methods of analysis, synthesis, deduction, as well as comparative method were used.

Aggregate indicators of the national economy, the realized tourist traffic and its structure, analysis of measures taken by the state in order to valorise potentials and available resources, review of adopted strategic documents, economic reform program, as well as relevant laws were used to analyse the impact of structural reforms on the economy of Montenegro and the development of tourism as a crucial challenge for the state in the context of structural changes.

4. RESULTS AND DISCUSSION

4.1. Analysis of measures taken by the State in the context of tourism development

The state has engaged in the adoption of adequate measures to encourage the strategic goal of economic development, particularly tourism development, as a crucial challenge in the context of structural reforms. As defined in the Economic Reform Program for 2017, in order to accomplish the aforementioned strategic development goals, the Government of Montenegro combines two groups of economic policy measures. The first group of measures refers to strengthening macroeconomic stability of the state, both fiscal and financial. The second group of economic policy measures aims at resolving structural problems in the economy, which means eliminating the crucial obstacles for improving the state's competitiveness and increasing the potential economic growth to medium and long-term (Government of Montenegro, 2016).

Observing Montenegro in the context of structural changes, there is noticeable tourism development and the state's efforts to regulate economic development. In the strategy of tourism development in Montenegro until 2020 (2008), tourism development is mentioned as the strategic goal with emphasis on the quality and attractiveness of high-paying tourist destination, sustainability of tourism development and stimulation of economic effects. In the context of structural changes, the development strategy recognizes diversification in the offer, competitiveness in the tourism market and the assumption of making conditions for a complementary offer to meet the needs of modern tourists.

Global flows of tourism development imply the need to provide incentive measures for the state to achieve a broader reach of tourism development. The Law on Tourism and

Catering anticipated a set of measures that will accelerate, stimulate and launch the tourism economy. Stimulating measures of establishing tourist infrastructure, improving the tourist product and its recognition on the tourist market, should be the ground for achieving greater tourist traffic. The Law on Tourism and Catering (2018) states that funds for incentive measures can be foreseen from the Budget of Montenegro. Large investments in the development of road network and modernization of numerous types of transport are rather important for the development of the economy as a whole, particularly tourism. Additionally, the significance of investment in the development of hotel and catering facilities should be emphasized. In itself, this increases the total investments and general growth in the economic activity of the state as a whole (Unković, 2011). In order to encourage tourism, the state is trying to run food production and the application of European Union standards.

Concerning that the state cannot finance a significant volume of anticipated investments, the strategy envisages creating conditions for high-quality tourist offer, through IPA projects, through loans with banks and IDF. Owners of tourist facilities and businesses can apply to approach the way of investing in accommodation capacities by favourable conditions and raise the category level in accordance with market standards and requirements. The state anticipates that investments projects can be supported if the commission assigned by the Ministry estimates that projects are significant for specific zones and are in accordance with the development strategy.

Following the global and regional development trends, Montenegro has basically defined tourism by a strategy as oriented towards high-quality hotels, attracting foreign investors and building luxurious facilities, as well as offering more content on attractive locations to extend the tourist season.

Montenegro has done a lot in the field of constructing tourist facilities, but the fact is that there are still hotels in transition, experiencing closure, stagnation or not yet being brought to the state of use. Based on the Tourism Development Strategy until 2020 (2008), it was foreseen that accommodation capacities were to reach the number of 300,000. According to the data of the Statistical Office of Montenegro for 2016, the total number of registered facilities is 348, the number of accommodation units is 68,558 and the number of beds is 166,842. Based on the same resources, the number of hotels in all categories is 111, while the number of accommodation units is 10,983 number of rooms 9,989 and number of beds 24,875. The structure of the hotel according to a particular category is shown in Table 1.

Table 1. Hotel structure according to certain category – 2017

Hotel category	5*	4*	3*	2*	1*	Total
Number of hotels	3	61	28	22	4	118

Source: Statistical Office of Montenegro 2018

Data from 2017 show that out of the total number of 118 hotels, 3 hotels are 5-star, 61 are 4-star hotels, 28 of them are 3-star hotels, 22 hotels are 2-star, and 4 of them are 1-star hotels, which speaks of a relatively good structure, but with only 3 highest category hotels.

Due to the high level of comfort and content, hotel capacities with 4 and 5 stars generate the highest economic effects for GDP, employment rate and income. However, in recent years, there has been a new trend of renting apartments and private villas, which has reduced the utilization of hotel capacities. A new trend in tourism is present, which involves booking accommodation in households so that the guests can feel the spirit of culture, hospitality and the way of life of their hosts. However, this raises issues of the legalization of accommodation and accommodation units, as well as fiscalization of tourist traffic.

Investments in tourism are significant indicators of future development. In the context of high category hotels, it is critical to mention the Hotel Perla Residence, then the Riviera in Njivice, which operates under the brand name of Iberostar four-star category, Holiday Village Montenegro hotel in Ulcinj, also a 4-star hotel, Chedi hotel which has 110 five-star rooms.

Furthermore, Ministry of Sustainable Development and Tourism of Montenegro issued 68 opinions on the technical documentation of the high category hotel projects during the year of 2016 and 2017, and the budget value of all projects is more than 350 million (www.bankar.me).

However, in the context of accommodation capacities, Montenegro is still lagging behind the competing countries such as Italy, Spain, Greece and Croatia. Still, the Economic Reform Program for Montenegro 2018-2020 (2018) anticipates that in the period 2018-2020, investments will remain at a high level reached in 2017 and that the revenues from tourism will decrease in 2018 and 2019.

Montenegro is doing its best to encourage the tourism industry in the realization of projects for construction of facilities and improvement of the offer, which is, raising the categories of 4-star and 5-star hotels. With the aim of creating a high-quality offer, the state has envisaged stimulative measures for real estate taxes. The Real Estate Tax Act states that non-categorized buildings are taxed at a rate of 5 to 5.5% of the market value of the real estate property. 1-star category is taxed from 4 to 4.5%, 2-star category from 3 to 3.5%, 3-star category at a rate of 2 to 2.5%. The state has anticipated possible tax reduction for 4-star

category up to 30% and 70% as an incentive development measure. By these measures, the state seeks to improve the offer or encourage hotel owners and businesses to use loans and provide funds they will invest in higher-category hotels in accordance with the standards of tourism activity and contemporary trends in tourism development. However, hotel owners and businesses do not think of this stimulative measure as a progressive measure, but the inability of a 3-star hotel to survive on the tourism market.

According to the World Travel & Tourism Council (2017), there are predictions that capital investments in travel and tourism in Montenegro will increase to 50.8% by 2021. With direct foreign investments, this sector might be a significant lever of economic development and the basic creator of new jobs in the future (Đurašević, 2014). Montenegro has an issue with the lack of workforce. This is the reason to engage a large number of non-residents in tourism. The same phenomenon affects the overall effects of tourism since it influences the outflow of funds from Montenegro.

According to the Statistical Office of Montenegro, from 2010 to 2014, the most of employees were hired in the trade sector, in the State administration, manufacturing industry, accommodation and food services sector, transport, construction, education and more. The data shows that 18 per cent of the total employee is in the tourism sector (Monstat, 2018). Additionally, according to WTTC's prediction, it is expected that in Montenegro, travel and tourism will directly provide 26,000 jobs by 2021 (www.wttc.org).

The Strategy for tourism development until 2020 (2008) indicates the orientation of Montenegro to the extension of the tourist season. On the other hand, official data show that tourism traffic is realized in the period of two months during the summer, which points out to the prominent seasonality and a serious issue of long-term development strategy. The number of arrivals and tourist overnights by months in 2018 is shown in Table 2.

Table 2. Tourist arrivals and overnights by months – 2018

Month	Tourist Arrivals			Tourist Overnight Stays		
	Foreign	Domestic	Total	Foreign	Domestic	Total
	-1	-2	(3)=(1)+(2)	-1	-2	(3)=(1)+(2)
2018	2,076,803	128,053	2,204,856	12,443,810	486,524	12,930,334
Jan	29,096	7,992	37,088	143,029	22,177	165,206
Feb	30,787	5,647	36,434	146,169	18,112	164,281
Mar	40,185	6,908	47,093	176,189	21,801	197,990
Apr	83,220	7,961	91,181	329,531	25,233	354,764
May	132,347	12,972	145,319	601,612	45,840	647,452
Jun	238,211	13,857	252,068	1,372,138	56,625	1,428,763
Jul	518,979	15,608	534,587	3,481,548	80,476	3,562,024

Aug	599,289	16,853	616,142	3,947,629	87,007	4,034,636
Sep	228,267	13,441	241,708	1,376,904	51,121	1,428,025
Oct	91,784	11,110	102,894	480,799	36,349	517,148
Nov	46,347	7,592	53,939	209,421	22,691	232,112
Dec	38,291	8,112	46,403	178,841	19,092	197,933

Source: Statistical Office of Montenegro 2019

According to the data of the Statistical Office of Montenegro in 2018 (2019), a total of 2,076,803 foreign and 128,053 arrivals of domestic guests were realized. In the same year, 12,443,810 overnights of foreign and 486,524 overnights of domestic tourists were achieved. The seasonality is prominent in July and August. In July, there were 518,979 arrivals of foreign guests, i.e., 15,608 arrivals of domestic guests. In the same month, there were 3,481,548 realized overnights of foreign and 80,476 overnights of domestic guests. In August, the highest number of guest arrivals was recorded, of which 599,289 foreign and 16,853 domestic. The number of overnights by foreign guests was 3,947,629, while 87,007 overnights of domestic guests were recorded. The prominent seasonality suggests it is necessary to take certain measures in order to revive tourism throughout the entire year.

Participation of foreign guests is dominant in the structure of arrivals. When it comes to the structure of foreign tourists, according to the data of the Statistical Yearbook of Montenegro for 2019, the highest share of overnight stays is achieved by guests from Russia (3,123,516), Serbia (3,053,002), , Bosnia and Herzegovina (1,130,799), Ukraine (482,958), Germany (442,829), France (388,715), and Poland (347,359) (www.monstat.org). Tourist offer is appealing to foreign guests, but the value chain has not been established to provide greater attendance to a tourist destination.

The incentive measures taken by the Government of Montenegro regarding accommodation capacities point out to the priority in positioning Montenegro as a high-quality tourist destination, taking into consideration implementation of the Law on Tourism and Catering (2018), which stipulates that “beneficiaries of incentive measures may be companies, other legal entities, entrepreneurs and natural persons performing catering activities, related to tourism and catering”. The state has defined priority zones, that is, those sites and accommodation facilities in the zone of priority tourism development with the aim of improving the tourist offer. One of the incentive measures of the state is public-private partnerships that show the initiative and results of tourism development at the level of numerous tourist destinations. In order to implement the National Tourism Development Strategy, which clearly defines the directions for future tourism development, the integration of various participants in the tourism industry can contribute to the successful application of the strategy, standards, improvement of the offer and raising the level of service quality.

The state makes efforts to improve the business environment and encourage entrepreneurs to innovate, through financial support and investment in small and medium-sized enterprises as a new model of the market economy, with the provision of financial resources within the framework of legal regulations. Thus, it encourages entrepreneurial projects.

As a result of the economic globalization, the public governance will likely have a stronger role in “supplementing and reinforcing corporate codes of conduct, product certifications, process standards, and other voluntary, non-governmental types of private governance that have proliferated in the last two decades” (Gereffi, 2014, p. 29). Therefore, it is expected that the role of public governance of Montenegro in providing the support for tourism development will be even stronger in the near future and will consequently have a beneficial effect on the entire economy.

4.2 Proposed measures for the improvement of tourism development

Tourism development as a crucial challenge implies a set of measures aimed at investing in infrastructure and projects of importance in the fields of energy, transport, agriculture and all activities that basically run tourism. In addition, the environmental protection prescribed by the Rio de Janeiro Declaration obliges, but also warns for the respect of the principles of sustainable development and environmental protection.

In line with the strategic orientation and the desire for positioning as an attractive tourist destination, it is necessary to speed up the improvement of the transport infrastructure, rational planning of investments by regions, achieving competitiveness through the valorisation of all available potentials, long-term strategies for more secure entry of foreign capital and the orientation to the application of the law and respecting the norms in line with current trends in the sustainable development of tourism. The application of institutional solutions to socio-economic development should contribute to the increase of the national income, net domestic product, gross domestic product, investments, foreign trade and employment, as the most important parameters of the national economy.

Tourism is viewed through key economic and non-economic effects and its economic and social role at the destination. Additionally, it is important to constantly encourage and valorize cultural heritage as the identity of a nation and state, and the development of the overall potential that triggers tourism activity.

The proposal for measures to promote tourism development implies an appropriate set of activities that encompasses economic and non-economic activities, human resources and an innovative approach to tourism.

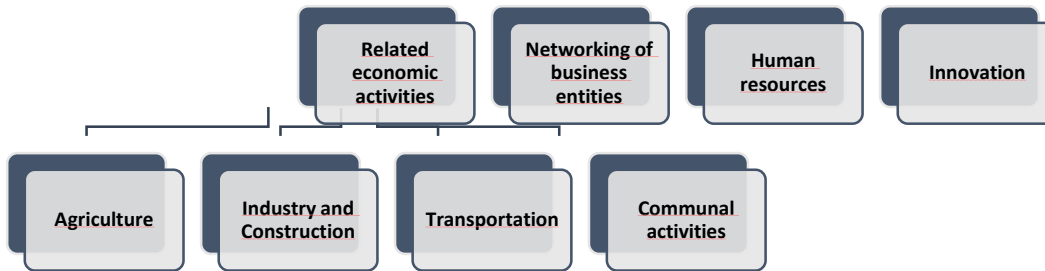


Figure 1: Proposed measures for tourism development

Source: Authors

Related economic activities, primarily agriculture, industry and construction, transportation, handicraft industry and communal activities, if harmoniously integrated, can become important generators of aggregate indicators of the national economy, and therefore require special attention within the guidelines for the improvement of tourism development.

Agriculture. What poses a challenge for domestic producers in the field of agriculture and intensive animal farming are projects to stimulate domestic production and product placement on the market. The state encourages domestic production, and the purchase of domestic products is viewed from the aspect of recognizing domestic products as brands in the market because traditional domestic products influence the value of a tourist product. As a result of increased demand, there has been an increase in the production of domestic products on the market, although there is still a high dependence on import.

Industry and Construction. From the economic aspect of the impact of tourism on the economy, significant activities are industry and construction. This is due to the fact that tourism development requires investment in terms of roads, accommodation facilities, airports and others. Construction as a significant economic branch carries out placement of goods through investments, construction of new and reconstruction of existing tourist capacities, as well as traffic and communal infrastructure.

Transportation. Transport services, as one of the key services in the tourism sector, are equally important both for domestic and foreign tourists. Based on this aspect, tourism traffic of passengers and goods is realized, as well as the increase in traffic of services. The crucial problem in the development of tourism is the transport infrastructure, as the basis for future development. The project of the highway connecting north and south of the country has started, as the most important capital project.

Communal activities. There are several communal and energy projects that are currently being realized. One of the important issues that poses a major problem for the

tourist economy is wastewater and municipal waste disposal. In that sense, measures to raise environmental awareness of citizens on the importance of solving the problem of this negative phenomenon, especially expressed during the tourist season, should be more strongly applied.

Networking of business entities. The economy is based on the private sector, and the modern concept of private-public partnership enables penetration into new markets, more efficient market economy and organization. Networking of business entities can enable connection of regions and zones within the tourist industry of Montenegro. Regional disparities are still emphasized in achieving tourist flow, and hence the level of income.

Human resources. Human capital must be seen not only as the most important resource but the basic factor of tourism development. Recognizing the fact that human resources are the key resources in all areas, tourism as a particularly sensitive economic branch requires the involvement of professional staff in the process of tourism activity, as well as in the process of implementing all the measures that the state undertakes in encouraging the future development. The inclusion of residents in retraining, and above all through educational institutions specialized in the field of tourism, should initiate the inclusion of the domestic labour force in the flows of contemporary tourism development.

Innovation. Contemporary trends in tourism development imply innovation as a key challenge in terms of reviving the economy. To achieve competitiveness in the tourism market is only possible if innovation is understood not as a challenge, but a modern trend in tourism development.

As stated by Gereffi (2015), developing countries can improve their international competitiveness by “engaging local firms, assimilating new knowledge and improving employment conditions, with appropriate policies and institutions to facilitate economic, social and environmental upgrading” (Gereffi, 2015, p. 20). Therefore, further improvement of tourism development can be achieved only by consistent application of the stated measures, primarily by improving the efficiency of related economic activities and harmonization with the tourism industry; then networking business entities in the field of tourism, development and improvement of human resources in tourism and hospitality industry and introducing innovative solutions in creating a tourism product of Montenegro. Nevertheless, support provided by various forms of private governance, international organizations and particularly the national government institutions is required.

5. CONCLUSION

Strategic directions for the development of the national economy should be strictly observed not only through the development of tourism as the dominant economic branch, but all the frameworks for the development of other economic branches are imperatively

imposed. Due to a long period of stagnation in the economy caused by negative impacts from the internal and external environment, the state should provide more efficient market economy in the process of structural reforms. It should be done through the implementation of measures in order to achieve faster economic growth and development of tourism as a strategic determinant of Montenegro. The state has indeed developed in the context of structural changes through recognition of tourism as the dominant economic sector. Still, there are restrictions in the field of development.

Numerous analyses show that it is not enough to merely issue legislation with the aim of respecting norms which require structural changes, but they need to be implemented, continuously monitored and necessary corrections need to be provided according to current tourism development trends worldwide. Further tourism development nowadays imposes the need for Montenegro to engage numerous available potentials aiming at valorisation of entirely new forms required by contemporary tourism development. On this path, the role of the state as a generator in the transitional period is unavoidable.

In institutional terms, it is necessary to apply relevant laws, and development strategies consistently, as well as to revitalize all available capacities that can influence revival, not only of the tourism economy but the entire economic system within the national economy. Since tourism generates 20% of GDP and the share of tourism provides 18% of total employment, it is the key role of the state to increase the overall economic activity by means of intervention measures. This is due to tourism revenues not being able to provide stable economic growth, reduce the deficit of foreign trade and provide liquidity within the national economy.

Revitalization of all available capacities within the economy, rational use of potentials and resources, improvement of entire infrastructure, harmonized investment by regions, as well as permanent inflow of foreign capital is necessary to enable significant progress. Direct, indirect and multiple effects of tourism are evident, but competitiveness in tourism market can be strengthened if measures are intensified in terms of strategic planning in the investment of tourism infrastructure, transport infrastructure, development of agriculture, energy, starting up production and encouraging entrepreneurship.

Starting up production and encouraging entrepreneurship as a new form of market efficiency are intensifying, but stronger support from international financial entities is needed through funding projects of relevance for future development. Networking the economy in line with European standards and strengthening competitiveness by linking stakeholders provide a safer and better performance in the tourism market. Quality infrastructure is the basis of every development, and especially the development of tourism as the most sensitive economic branch. Modern trends in tourism development involve constant investment, innovation and incentive of complementary activities as logistics to the tourism industry.

The realization of communal and energy projects, as well as investments in high-class accommodation facilities, will enable Montenegro to become an attractive, accessible and well-connected tourist destination.

REFERENCES

- Antunac, I. (2002). Mit o deviznoj potrošnji inozemnih turista (Myth of foreign currency consumption of foreign tourists). *Ekonomski pregled*, 53, 3–4.
- Blečić, M. (2007). Tekuća privredna kretanja u Crnoj Gori (Current economic developments in Montenegro). *Akcionar*, 1, 36.
- Dobre, R. (2005). *Osnove turizma (Introduction to Tourism)*. Šibenik: College of Tourism Management.
- Durašević, S. (2014), Development of small businesses in tourism in the lake Skadar National park. *Zbornik geografskog instituta "Jovan Cvijic"*, 64(3), 311–328.
- Gereffi, G. (2014). Global value chains in a post-Washington Consensus world. *Review of International Political Economy*, 21(1), 9–37.
- Gereffi, G. (2015). *Global value chains, development and emerging economies*. Vienna: United Nations Industrial Development Organization.
- The Government of Montenegro. (2016). *Program ekonomskih reformi Crne Gore za 2017 (Economic reform programme for Montenegro for 2017)*. Podgorica: The Government Printing Office.
- The Government of Montenegro. (2018). *Program ekonomskih reformi za Crnu Goru 2018-2020 (Economic reform programme for Montenegro 2018-2020)*. Podgorica: The Government Printing Office.
- The European Commission. (2005). *EU sectoral competitiveness indicators*. Luxembourg: OPOCE.
- The European Commission. (2011). *EU Industrial Structure 2011 – Trends and Performance*. Luxembourg: Publications Office of the European Union.
- Mihailović, B. (2006). *Prestrukturiranje i privatizacija (Restructuring and privatization)*. Podgorica: CPI.
- The Ministry of Sustainable Development and Tourism of Montenegro (2008). *Strategija razvoja turizma Crne Gore do 2020. godine (The Tourism Development Strategy of Montenegro by 2020)*. Podgorica: The Government Printing Office.

- The Ministry of Sustainable Development and Tourism of Montenegro (2016). *Zakon o turizmu i ugostiteljstvu Crne Gore (Law on Tourism and Hospitality of Montenegro)*. Podgorica: The Government Printing Office.
- The Ministry of Sustainable Development and Tourism of Montenegro, Izveštaj o poslovanju hotelijerstva u Crnoj Gori u 2013 (Hotel Industry Survey Montenegro 2013), www.gov.me/ResourceManager/FileDownload.aspx?rId=172115&rType=2, [Accessed 2018, August 20].
- Bošković, T. (n.d.). Turizam kao faktor privrednog razvoja (Tourism as a factor of economic development), *Škola Biznisa*, 1, 23-28. Retrieved from: <http://www.vps.ns.ac.rs/SB/2009/2.3.pdf>
- Skrībāne, I. & Jekābsone, S. (2014) Structural Weaknesses and Challenges of the Economic Growth of Latvia. *Socialiniai tyrimai / Social Research*, 1(34), 74–85.
- The World Travel & Tourism Council. (2017). Travel & Tourism Economic Impact 2017, Montenegro. Retrieved from: <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/montenegro2017.pdf>
- The World Travel & Tourism Council. (2005). Economic research of travel and tourism for 2005. Retrieved from: <http://www.mrt.gov.me/file/>
- United Nations. (1992). *Agenda 21 – Rio Declaration – Forest Principles*. Retrieved from: https://www.dataplan.info/img_upload/7bdb1584e3b8a53d337518d988763f8d/agenda21-earth-summit-the-united-nations-programme-of-action-from-rio_1.pdf
- Unković S. & Zečević, B. (2011). *Ekonomika Turizma (Economics of tourism)*. Belgrade: CID.
- Vukotić, V. (2001). *Makroekonomski računi i modeli (Macroeconomic accounts and models)*. Podgorica: CID.
- <http://www.bankar.me/2018/06/07/novih-880-smjestajnih-jedinica-sa-cetiri-i-pet-zvezdica-u-crnoj-gori/> [Accessed 2018, August 21].
- <https://www.monstat.org/cg/> [Accessed 2018, August 19].