

**UNITED NATIONS DEVELOPMENT  
PROGRAMME**

**LAUNCH OF THE STRATEGIC FRAMEWORK  
FOR DEVELOPMENT OF TOURISM IN  
NORTHERN & CENTRAL MONTENEGRO**

**REPORT ON THE CONTRIBUTION OF OLIVER  
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## **1. INTRODUCTION**

### **1.1 The Report**

This report covers the presentation given by Oliver Bennett, Director of Tourism Services at Emerging Markets Group, at the Launch of the Strategic Framework for the Development of Sustainable Tourism in Northern Central Montenegro. This presentation was given in Podgorica on 15<sup>th</sup> December 2004.

The background is reviewed in this Section. A summary of the presentation made on 15<sup>th</sup> December is given in Section 2. Initial ideas in relation to the implementation of the Strategic Framework are given in Section 3.

### **1.2 Tourism in Montenegro**

Future tourism development in Montenegro should concentrate on creating a distinctive tourism product that builds on expressed governmental commitment to environmental conservation. This will require a varied accommodation stock and the development of activity holidays and soft adventure that take advantage of the scenic beauty of North and Central Montenegro.

“Montenegro is endowed with all the basic elements needed for a very high-level, sustainable tourist industry, such as is not found anywhere else in Europe.” *Chapter on Tourism and the Environment, UN, 2002*

### **1.3 Tourism Master Plan**

A Touristic Master Plan for Montenegro was prepared in 2001. The decline in Montenegro’s tourism business that occurred from the 1980s onwards is identified, as is the relatively poor quality of much of the existing accommodation. Other issues identified include:

- illegal building;
- lack of proper waste disposal;
- a high degree of seasonality exemplified by visitors from Serbia to the coast during a few weeks of summer.

The aim of the Plan is to raise hotel bed capacity from 26,000 in 1997 to 50,000 by 2010 and 100,000 by 2020, particularly in the 3 to 5-star categories. Two geographic originating markets are envisaged, the local and regional market using car travel and Western and Northern Europe, largely by air charter. The regions of Montenegro identified as having touristic potential are:

- Ulcinj region with its sandy beaches
- Boka Kotorska Bay,
- Rocky coast and harbours for swimming, extending from Tivat to Bar and Ulcinj,
- Skadar Lake,
- High mountains with the miniature capital city of Cetinje and with three national parks.

A detailed design and environmental impact assessment has been prepared for the Ulcinj region. This has been followed by a presentation for prospective investors.

Since the Master Plan was prepared there has been a substantial change in purchasing behaviour in Western and Northern Europe. This has been a reflection of:

- The rapid growth of low cost airlines within the EU, following de-regulation (which would also apply to Montenegro on entry to the EU);
- Direct booking via the internet, both of air services and of accommodation.

There is also a trend towards more distinctive individual properties and resorts, which have become easier to market via the web and to access via scheduled, as distinct from charter, services.

This has put severe pressure on tour operators and on charter airlines. In 2003, for the first time, independent outbound travel from the UK exceeded outbound travel on package holidays. The presupposition of the Touristic Master Plan is that the pattern of package holidays as exhibited between the 1970s and 2000 will continue and that large accommodation complexes are required to meet this demand.

...."what is needed are products that provide value for money and are easy to market for the tour operators, which in turn means sufficiently large, standardized and diversified holiday facilities in the 3-star and 4-star star range with 5-star for product blocs." *Touristic Master Plan Summary Report, 2002*

Given the dramatic changes in the market place that are now occurring, there must at the very least be question marks over whether the proposed large-scale coastal tourism developments are appropriate for Montenegro. Some of these are in the classic 'U' shape of resort accommodation, with the beach frontage forming the fourth side of the development. Elsewhere these kind of resorts are no longer being actively developed, replaced by a wider variety of accommodation, including boutique resorts, self-catering villas and other forms of accommodation. To build such forms of accommodation could lead Montenegro into direct competition with destinations such as Cuba and the Dominican Republic, offering all-inclusive accommodation at extremely low prices.

For other areas such as Boka Kotorska and the rocky coast, small hotels and guest houses are envisaged in the Touristic Master Plan. These kind of developments would link better to the kind of tourism foreseen in the Strategic Framework for North and Central Montenegro.

"Few doubt Montenegro's potential to re-establish itself as an upmarket tourism destination for the discerning leisure traveller in search of more than just sun and beach." *WTTC Report, 2004*

## 1.4 WTTC Report

In 2004, the World Travel and Tourism Council produced the report "Montenegro: The Impact of Travel and Tourism on Jobs and the Economy". This contains an up to date overall assessment of the state of tourism and puts forward suggestions for

future development, with the view that nature-based tourism is the most promising growth market, as indicated on the next page.

“Following its ten-year absence from the world tourism stage, Montenegro’s tourism product is very fragile. Admittedly, it cannot be as choosy as government or the industry would like to be in terms of the quality of tourists it attracts while its infrastructure and facilities are below acceptable international standards. But, thanks to recent privatizations and new incentive schemes for small and medium-sized businesses, there is now a lot of activity in terms of renovations and upgrading of hotels. If the Montenegrin Travel & Tourism industry bends to the pressure on prices, there is a serious risk of undermining the future potential of the country’s tourism attractions. For this reason the Montenegrin Government and the local Travel & Tourism industry should invest heavily in product and market diversification. ....further diversification will help avoid unhealthy competition in the sun and beach sector, minimize the risk of over-dependence on a few key markets, and reduce seasonality, spreading tourism demand more equitably throughout the year. It could also help avoid excessive strains on the coastal environment and on valuable natural resources in the medium to longer term..... **Given the wealth of natural resources in the country, the most promising growth market in the longer term is nature-based tourism, for which Montenegro has unique selling appeal”** WTTC Report

## **1.5 Strategic Framework for Development of Sustainable Tourism in Northern and Central Montenegro**

The Strategic Framework, as launched on December 15<sup>th</sup>, seeks to map a new way forward for tourism away from the coast, a roadmap for the development of nature based tourism that is sustainable.

For maximum benefit this framework for inland Montenegro should be linked with the coastal areas in such a way that it is a part of a coherent national policy. The development of such a policy is advocated by the WTTC. It could emerge as part of the long-term visioning proposed in the Strategic Framework.

## 2. SUMMARY OF THE PRESENTATION GIVEN ON 15<sup>TH</sup> DECEMBER 2004

### 2.1 The Market/Product Relationship

#### *Market Trends*

Overall trends in the market place relevant to Montenegro are:

- The consolidation of tour operations in Europe, including in principal existing markets for Montenegro such as Germany (the largest foreign market after Bosnia-Herzegovina in terms of room nights in 2003). This has led to pressure on hotel rates in destinations. This pressure is identified in the Touristic Master Plan.
- The growth of independent travel, fostered by the expansion of low cost airlines within the EU, and by direct web booking.

This provides opportunities for Montenegro such as in establishing a network of branded but independently owned “Montenegro lodges” or by implementing a direct booking scheme that encompasses smaller businesses. The latter could be along the lines of the Tiscover system, principally owned by the Tyrol Tourist Board.

It is common for destinations to consider that their competition is countries and areas within the immediate vicinity, but for Montenegro – and North and Central Montenegro in particular, it could be Kyrgyzstan, Nepal, Peru or Costa Rica.

#### *The Tourism Product*

The tourism business is no different from any other. Any product requires a willing buyer and a willing seller. The principles of success are as for any other form of business enterprise, i.e. providing a product that people want to buy at a price they can afford with consistent quality of service. There are two distinctive aspects of tourism, though:

- *The EU Package Travel Directive*: this requires minimum standards of product delivery. A result is that foreign tour operators seek to avoid a risk that things will go wrong, which in turn can make them reluctant to incorporate small businesses whose reliability of delivery they are uncertain about;
- *Environmental and Social Sustainability*: Long-term financial sustainability of a tourism business is dependent on environmental conservation – that the natural features on which much tourism depends are not seriously damaged – and on avoiding social and cultural conflicts that can arise from tourism.

Nature based tourism does not automatically mean low prices. The budgeted average achieved room rate for Aman resorts, small properties of around 30 rooms each, with their newest property just opened in Bhutan, is US\$800 per room per night.

## 2.2 Tourism and Poverty Alleviation

The 1999 DFID report on Sustainable Tourism and Poverty Elimination is quoted in the Strategic Framework. This work led to the establishment by DFID of the Tourism Challenge Fund, now integrated into the same agency's Business Linkages Challenge Fund. The aim of the approach adopted by DFID is to change the distribution of benefits and to maximise opportunities and benefits for the poor. It applies to all forms of tourism – it requires a management approach to increase the benefits of tourism to poor people, making use of local skills, businesses and products.

This kind of approach is likely to work best with a destination focus, such as North and Central Montenegro or, perhaps more likely, areas within the region. The national and regional framework has to be supportive, and the time and effort it takes to establish a small business must be minimised. The approach needs to be a balanced one with new local enterprises linked into the wider tourism industry, not seen as a thing apart.

## 2.3 Key Words

Key words from the Strategic Framework include:

- Strengthening the protection of **national parks**;
- Facilitating **partnerships** between small local businesses and the wider tourism industry;
- Developing/training a visionary **entrepreneurial class**;
- **Certify** the operations of tourism enterprises according to their sustainability practices;
- Promote improved **visitor awareness** and ethical consumerism;
- Enhance and expand **linkages** between the tourism industry and local suppliers, tourism and other sectors;

Also relevant is the **funding** of new small and medium sized businesses who, often with no prior track record and limited assets available as collateral, find it difficult or impossible to raise the finance required for a venture.

Foreign examples in relation to these key words are:

### *National Parks and Partnerships*

- *The Shewula community based tourism resort in Swaziland.* Capital funding came from DFID to build accommodation, restaurant and toilet facilities on community land adjacent to a National Park and Game Reserve. This enables local people to gain financial benefit from the National Park. The community has taken on two young people with business experience gained elsewhere to manage the resort on day to day basis and has obtained support from a local tour operator to link into the international tourism industry to gain business from abroad.

- *Sagamartha National Park in Nepal*, where the local population in settlements such as Namche Bazaar, gain direct financial benefit from the existence of the National Park by operating small lodges and other related enterprises;
- *Tavuni Hill Fort in Fiji*, a donor funded project where there is no partnership with the local tourism industry and where there was no training in business operation, the result being that an outstanding product in itself has few customers. This example illustrates how failure can arise for the best projects if partnerships do not exist.

### ***Developing entrepreneurs***

- *The success story of Emil Umataliev*. Emil now owns and heads the largest travel company in Kyrgyzstan and is Chairman of the Kyrgyz Association of Tour Operators. However, ten years ago he was a young ex Chairman of the Communist Youth League. He attended a workshop on how to establish a successful travel business. While established companies, successful in the Soviet era thought they knew better, Emil took the advice given and has now outpaced them all. This example demonstrates the benefit of seeking to identify potential winners and then providing them with training to enable to fulfil their personal potential.
- *Namibia Tourism Development Programme*: Success has been where a realistic approach has been adopted to what can be achieved in the circumstances. In this case this has meant simpler activities such as tour guiding, and partnerships between the private sector and communities, rather than expecting communities to operate accommodation facilities themselves.

### ***Certification***

*Alianza Verde, Guatemala*: Receiving financial support from the Tourism Challenge Fund, this programme aims to reduce rural poverty in Petèn, Guatemala, by facilitating the growth of tourism businesses that adopt social, environmental, economic and cultural policies, that benefit the local community. ‘Green Deal’, the certification programme which has been established by Alianza Verde, is claimed to be the only certification programme in the Central America region that unifies socio-cultural, environmental and service quality criteria in a single standard. This programme has so far only been adopted by a modest number of businesses and, being a local scheme, does not have international recognition.

*Fair Trade in Tourism, South Africa*: Also receiving DFID financial support from the Tourism/Business Linkages Challenge Fund, this innovative programme aims for certification on Fair Trade principles, with the classification itself carried out by the same inspectors as the conventional accommodation classification scheme in South Africa. It has been successful in bringing about awareness of the application of the principles of fair trade to the tourism sector. It has so far not been successful in achieving financial sustainability or in achieving a linkage with the international Fair Trade brand.

*Alternative approaches:* Alternative approaches from the Tourism Challenge Fund/Business Linkages Challenge Fund cover:

- the Pro-Poor Tourism Pilot in South Africa, that is seeking to introduce pro-poor tourism approaches to established tourism businesses;
- the Youth Career Initiative of the Prince of Wales Business Foundation, which enables established tourism companies to provide training for disadvantaged young people thus enabling them to obtain permanent positions in the industry.

### ***Local tourism awareness***

- *Plans for tourism awareness*, both for awareness on the part of visitors and the local population, are numerous. The challenge is to make them work.

<p>“My biggest challenge in awareness of the benefits of tourism is my fellow members of Cabinet” <i>A Minister of Tourism</i></p>
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- In *Fiji*, a presentation to government Ministers made by Fijians of the economic benefits of tourism with a promise to deliver if the Government doubled the marketing budget was accepted and the result was in turn delivered
- In *Kuwait*, tourism awareness incorporates the demonstration in schools and universities that satisfying careers exist in the sector.

### ***Awareness on the part of visitors***

- *Codes of conduct* are used to establish awareness, for example in mountain areas of Nepal;
- *Information is provided by intermediaries* such as guides made available to visitors by tour operators prior to their arrival in the country concerned;
- *The UK Sustainable Tourism Initiative* funded by major tour operators is seeking to enhance visitor awareness in relation to local initiatives in specific countries.

### ***Linkages***

These are often written about but not so often delivered. The partners must be right with a commercial operation in sight. Examples are:

- “*Gambia is Good*” This Business Linkages Challenge Fund agricultural project: is a private sector partnership of agricultural producers selling to accommodation operators. Sustainability will depend on the development of entrepreneurs; reliability of supply, and the progressive elimination of the NGO role.
- *Volcano Safaris, Rwanda*, a private sector initiative that encompasses lodge development with NGO conservation activities where the private sector company has a built in need for sustainability to secure its own future. This is in contrast to NGO led projects, where there is not necessarily an objective of financial sustainability.

## ***Funding***

- *The EBRD Kyrgyzstan Tourism Development Project of 1994/5* aimed at providing loans to tourism enterprises. Emil Umataliev rightly rejected a loan, given that the sums being lent were too large for a small business, unable to make substantial loan repayments.
- *Donor provision of micro-finance* can be more effective, such as the loans made as part of the UNDP Nepal Rural Tourism Programme which are often very small but where the provision of loans (rather than grants) does encourage commercial discipline.
- *The PROFIT Caribbean initiative* as initiated by the EU agency ProInvest, aimed at developing partnerships in tourism, could be a possible model for Montenegro. Information on this initiative is available at [profitcaribbean.com](http://profitcaribbean.com).

## **2.4 Lessons for Montenegro?**

Summary conclusions offered from the presentation are:

- The potential product is there for Montenegro to develop a successful tourism industry that is sustainable;
- National Parks can generate incomes for conservation and for the local population;
- It is essential to know what your market is - who is your customer?
- The product has to be marketed effectively, connecting with the buyer directly, or indirectly;
- Customer expectations have to be met even at the simplest level;
- The basic tools such as water supply have to be there, together with appropriate finance. Corruption has to be reduced;
- Government has to provide the right framework and not stifle entrepreneurs via regulatory burdens.

These conclusions suggest the following lessons for Montenegro:

- The goals adopted should be realistic – it is better to achieve a little well than a lot badly;
- Should development be product led or market led? While destinations such as Dubai can adopt a product led approach, in Montenegro ensuring that limited funds are well spent is almost certainly going to mean a market led approach;
- Success in all forms of tourism requires co-operation, co-operation within the public sector and co-operation between the public sector and the private sector;
- Tourism forums work!

### **3. INITIAL SUGGESTIONS ON IMPLEMENTATION OF THE STRATEGY**

#### **3.1 Achieving Results**

It is a common failure in tourism strategic planning to believe that a relatively large number of actions can be accomplished over a short space of time. These ambitions often fail, most often as a result of institutional weaknesses and a lack of capacity to implement a varied range of activities in what is a complex sector requiring collaboration between the private and public sectors and within government. In the presentation given on December 15<sup>th</sup> it was advocated that proposals for implementation should be realistic and take account of local circumstances as to what can be achieved within a specific time frame.

The Action Plan in the Strategic Framework contains three projects:

1. A Long Term Vision Based on Sustainability Principles
2. Sustainable Tourism Certification
3. Unleashing entrepreneurship and implementation of pilot business model/"lighthouse"

#### **3.2 An Industry Congress**

The concept of developing a vision for sustainable tourism in Montenegro is to achieve consensus around an agreed direction for the sector to which all stakeholders subscribe and which influences their actions. The mechanism envisaged for achieving this consensus is an industry congress that is professionally facilitated.

Forums that bring together all the key stakeholders have been highly effective elsewhere in achieving coherent action. The key to success for such events is thorough preparation and the preparation of documentation that can be considered in advance of the event. In the case of Montenegro there is substantive documentation available; the issue is whether this can be brought together in such a manner that it will lead to an agreed vision, and then to a series of actions that have wide acceptance.

#### **3.3 Sustainable Tourism Certification**

Sustainable tourism certification combines the twin objectives of encouraging sustainable tourism practices and of informing consumers that specific enterprises meet stated standards. The difficulty in establishing such schemes is ensuring that they are themselves sustainable, and generate sufficient revenue to at least cover their operating costs. The for-profit Green Globe programme, mentioned in the Strategic Framework, has had a chequered history and has struggled to be financially sustainable. Local programmes, such as Fair Trade in Tourism South Africa, while highly deserving, have proved to be dependent on continuing donor funding.

Among the questions for Montenegro are who would run such a programme, would the number of participants be sufficient for it to be financially self-supporting or

would financial support be available from elsewhere? Local programmes can suffer from limited recognition, which reduces the benefit to consumers. In pursuing such a programme it needs to be established how it would work as well as what it would achieve in the present state of development of tourism in Montenegro. To make sense it would likely have to cover the whole country, and not just North and Central Montenegro.

### **3.4 Entrepreneurship**

The envisaged project is for a demonstration project, an up-scale eco-lodge that demonstrates the viability of ecotourism and serves as a training ground for future entrepreneurs.

There are physical opportunities for the development of such a project. The task is to identify which opportunity has the best potential, both of viability and for acting as a model development, and to establish how it can be funded, operated and managed. It may be that at least some element of philanthropy and/or commercial sponsorship will be required to bring it to fruition.

It may be that training workshops on establishing and operating different forms of tourism business can be used as a mechanism for demonstrating opportunities to potential entrepreneurs.

### **3.5 Other possibilities**

There are other projects that could be considered in relation to the Strategic Framework. These could be, for example, in:

- The facilitation of partnerships between small local businesses and the wider tourism industry and linkages between tourism and other businesses, drawing on the experience of the Tourism Challenge Fund and the Business Linkages Challenge Fund;
- Promoting **visitor awareness** by, for example, establishing codes of conduct.