

1<sup>st</sup>

**International  
Scientific  
Conference**

2-4 June, 2016

Vrnjačka Banja, Serbia

2

0

1

6

**TOURISM  
IN FUNCTION OF DEVELOPMENT  
OF THE REPUBLIC OF SERBIA**

**Spa Tourism in Serbia and Experiences of Other Countries**



**THEMATIC  
PROCEEDINGS**

**II**



**UNIVERSITY OF KRAGUJEVAC  
FACULTY OF HOTEL MANAGEMENT  
AND TOURISM IN VRNJAČKA BANJA**



# INSTITUTIONAL BARRIERS IN ACHIEVING THE STRATEGY FOR SUSTAINABLE TOURISM (CASE: MONTENEGRO)

*Rade Ratković<sup>1</sup>; Milica Šoć Radak<sup>2</sup>;*

## Abstract

*Sustainable tourism is in the basis of modern tourism development strategies. It is acceptable only development which is located at the interception of circles consisted of: environmental sustainability, economic sustainability and social sustainability. Countries in transition and in the immediate post-transition period, as shown in researches, suffer from underdevelopment of institutions or from their dysfunctions. This usually results in a failure to achieve sustainable development strategy. Development in general, and in this context the development of tourism, in addition to valid strategies, it depends on the functionality of the following institutions: free and adequately regulated market, an entrepreneurial structure in tourism and their ability to manage the development of tourism organization at destination level, national tourism and accompanying policy and, in particular urban policy. Institutional barriers, actually their impact on realization of sustainable tourism development strategies, are being investigated in the case of small tourist country such as Montenegro, where tourism is high on economic and social priorities list.*

**Keywords:** *mixed- use resorts, second homes, accommodation industry, sustainable tourism, ecology, development strategy.*

## Introduction

At the present time, the design of development has been raised to the level of a very subtle and complex challenge, which can be successfully carried out only by top professionals, but with full respect for the general public, and especially local property owners. Today, only sustainable

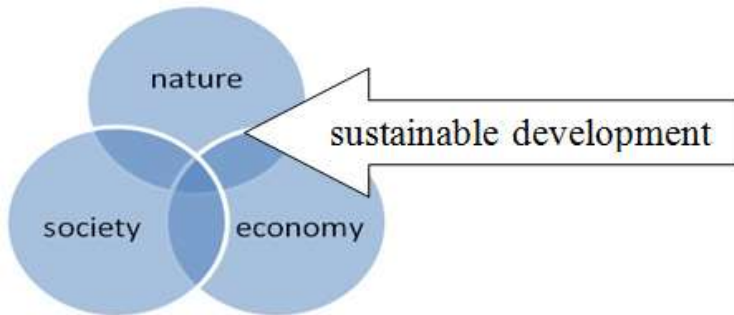
---

1 Rade Ratković, Ph.D. Faculty of Business and tourism, Budva, Montenegro, +382 69 050 243, e-mail: dekan@fbt-budva.me

2 Milica Šoć Radak, master student Faculty of Business and tourism, Budva, Montenegro, +382 67 613 448, e-mail: msoc@amanresorts.com

development is acceptable, and each development which is contrary to the criteria of sustainability, represents anti development, and dangerous and far-reaching threat to economy, ecology and society. To illustrate the concept of sustainable development, we will use the following diagram:

**Diagram 1:** *Review of field of sustainable development*



**Source:** *Duletić, 2011, p.6.*

As shown in diagram, the narrow field of sustainable planning represent the points of intersection circles of natural (environmental), social and economic sustainability. Acceptable development is the result of compromise of three key groups: economy, ecology and society, which certainly includes the vital interests of the local population and local owners, who must be treated as an active factor of development rather than development barrier which should be eliminated (selling under pressure, expropriation, displacement ...).

More precised interpretation of sustainability is given in the diagram 2.

**Diagram 2:** *The right of future generations in designing the development*



**Source:** *Müller, 1993, p.13*

„Under sustainable development it is considered an increase in life quality- ie. economic well-being and sense of subjective well- which is achieved by reducing the investment of non-renewable natural resources and by the smaller load of environment and people, with an aim not to limit the options of future generations“ (Hansruedi, 2004, p. 44).

There are various opinions about the technique of measuring development sustainability. The basis of measurement parameters were defined by H.E. Daly, in his book "The economy growth in the end"<sup>3</sup>, and which is based on the relationship between achieved capital results which have been produced by people and natural capital consumption.

Furthermore, he breaks this general formula into four partial indicators: efficiency of results, effectiveness of conservation, growth efficiency, efficiency of ecosystem. The Swiss project MONET (Monitoring der nashhaltigen Entwicklung-Monitoring sustainable development) has developed 164 indicators on a total of 26 topics. The World Tourism Organization (UNWTO) has developed its own system of sustainability indicators in tourism development, which are grouped into the following groups (Duletic, 2011, p. 20-21):

- “economic indicators (showing the economic effects of tourism economy),
- visitor satisfaction indicators (aimed at optimally meet tourist needs),
- cultural indicators (reflecting the degree of nurturing and preserving the cultural identity of the local population),
- social indicators (aiming the recognition of the social integrity of local communities in tourist destination) and
- environmental indicators (reflecting the degree of protection and preservation of the environment)”.

Relevant definitions of sustainable development, as well as the measurement criteria of sustainability of tourism development underline the place and role of local communities in development planning and management. The focus on the local community is contained in the leadership principles of sustainable development.

Entrepreneurs and investors, who follow the principles of sustainable development, are taking over the role of leader in sustainable development.

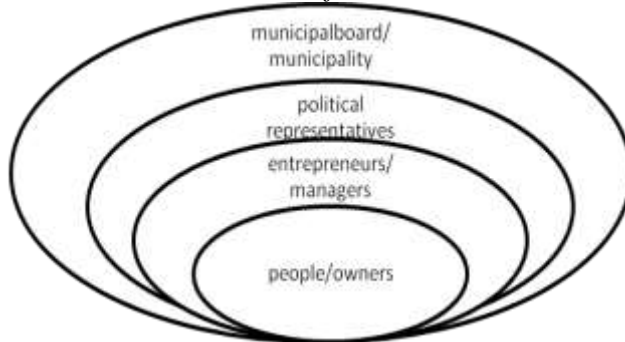
---

<sup>3</sup> According to H. Müller, “Održivi razvoj u turizmu“H.R., Bern, 1993.

## System context for sustainable development

The development of tourism touches the various entities (stakeholders) in the local community first, and then spreads to the regional and national level. The place and role of local governments are, usually, systematically defined by the highest legal acts of certain countries (Constitution, the Act on Local Self-Government, statutes of certain state and non-governmental organizations and institutions ...). The municipality is usually the lowest institution where binding acts are adopted. It is necessary that this act is a result of harmonization of various interests that can adhere to a democratic decision-making, as is shown in Diagram 3.

**Diagram 3:** *Harmonization scheme of interests within the municipality*

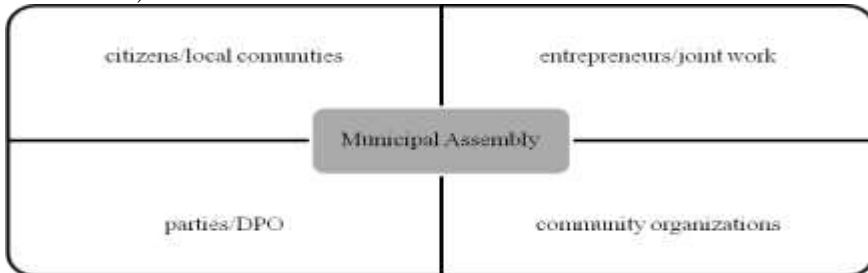


**Source:** *Personal processing*

Here it seems advisable to analyze the comparative position of local governments regarding development issues in the period before and after the transition in Montenegro. The system before the transition was called self-management socialism, whose basic principles and institutions were defined in the Constitution of the Federal Socialist Republic of Yugoslavia (SFRY) from 1974 (Ustav SFRJ, 1974). Basic model for managing state institutions was the delegate system, and the basic model of economic management was the joint work developed on the principles of so-called "planned economy". Over the delegate system, citizens, social and individual entrepreneurs, social and political organizations and local communities were represented in the state's decision-making bodies, such as municipalities, republics and autonomous provinces and federation. Representation was over three council: associated labor council, socio-political, and local communities council (for municipal assemblies) or municipalities council (for the Republic and the Assembly for the province) and republic and provinces councils (the Assembly of

Yugoslavia). The rule was that important decisions are brought by approvals and consensus of all councils of specific assembly. Scheme of decision-making is presented in Diagram 4.

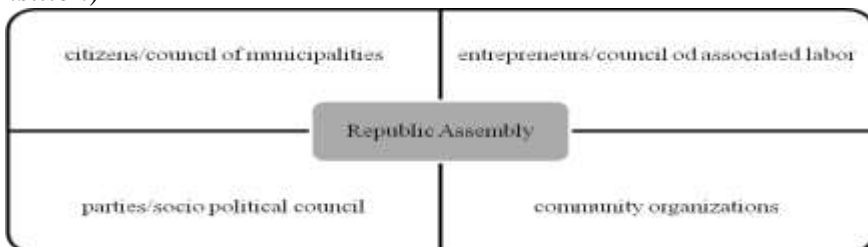
**Diagram 4:** *Harmonization scheme of interests at the local level (before the transition)*



**Source:** *Personal processing*

As the diagram shows, the representation of many interests in the institutional way is ensured. Decisions made by the people joined in the local community, through their delegates, were represented in the local parliament, as well as the interests of the parties, entrepreneurs and social organizations. The impact of all subjects, even if indirect, was guaranteed. In this context, also development interests of the citizens and local businessmen were authentically represented. There was systemic possibility to block decisions that could be detrimental to the interests of citizens, landowners, local businesses ... The system was not allowing their elimination or to be ignored, neither a decision to be brought by the possibilities of their influence. At regional level, the important decisions were made, but there was a mechanism to take into account the interests of local communities, which was represented by municipality, as Constituents of the Republic Parliament, which is shown in diagram 5.

**Diagram 5:** *Harmonization scheme of interests at the state level (pre-transition)*

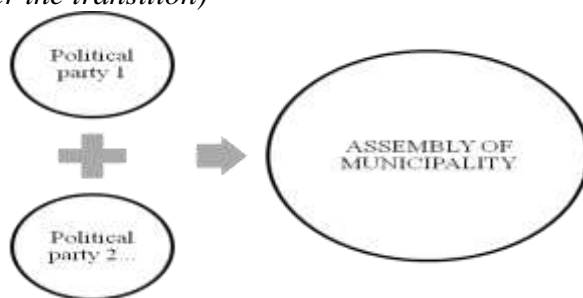


**Source:** *Personal processing*

At the national level, between the others, strategic development document was brought which could not be brought outside the interests of municipalities, whose interests were represented by delegates in the Chamber of Municipalities. The effects of the economy and socio-political organizations were insured through their councils.

In the transition period, which in Montenegro takes almost a quarter century, there has been a radical change in the social and economic system. The main changes are reflected in the processes of political pluralization and economic privatization. Political pluralization is characterized by the formation of a number of political parties that present their programs to voters in the municipal assemblies and the Assembly of the state. The task of the party is not to represent the interests of the citizens who elected them, but to implement their programs to which the citizens gave their support in the elections. If the parties with the most votes do not have a sufficient number of seats for a parliamentary majority, they build coalitions with other parties with those that they have harmonized interests. Assemblies operate according to the logic of parties interests, as illustrated by the diagram 6.

**Diagram 6:** *Harmonization schemes of interests in the municipal assembly (after the transition)*

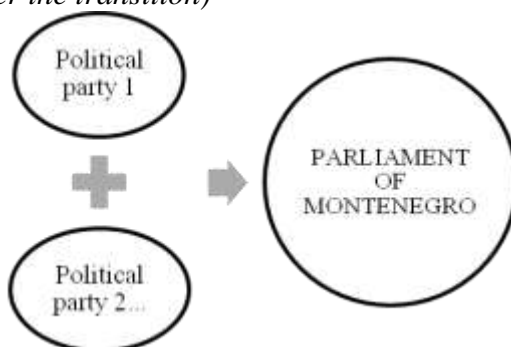


**Source:** *Personal processing*

As it can be seen, the representation of parties' interests, on the basis of their electoral programs, is done only by parliamentary political parties, through its members. They do not represent the interests of their constituents who voted for them, but their programs for which, by voting, they have received voters' support. Attitudes of the citizens regarding the development and sale of private and state property in some localities, because of development programs, are not bound by political representatives-councilors, because it's not in their job description. Therefore, the Municipal Assembly has no mechanisms to protect the

interests of individual landowners, but on the contrary, it is committed to expropriation if it is the content of their programs, or against expropriation, if that's how it is stated in election program, or if that kind of attitude is taken by highest organs of the parties. Also, the articulation of the interests of entrepreneurs has not been provided in the parliament, but each individual has the opportunity to resolve their interests with the executive, while his closeness to the parties in power represents overwhelming support in the realization of their interests, often conflicting general interests of society. This explains plotting mass housing mastodons on the Montenegrin coast (partial interest of entrepreneurs for quick profits with minimal positive impact on the community), rather than a hotel planned by tourism development strategy (which is the general interest of entrepreneurs, workers, government ...) who bring the greatest economic and social impact on the community. The situation is exactly the same at state level, which shows diagram 7.

**Diagram 7:** *Harmonization schemes of interests in Parliament of Montenegro (after the transition)*



**Source:** *Personal processing*

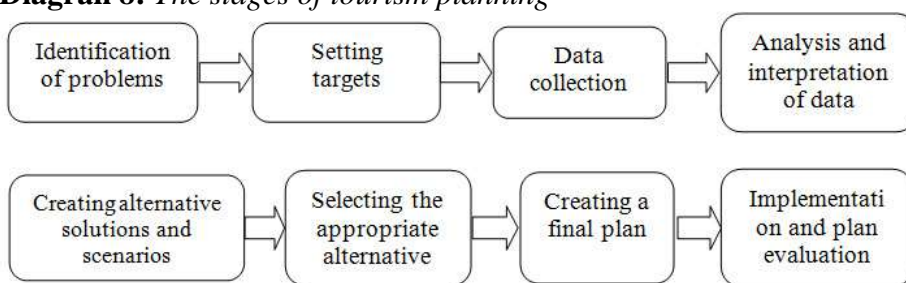
The direct impact on the adoption of important social decisions in the parliament have only political parties. There is no possibility of direct influence by neither economy nor non-governmental sector, or local communities. It remains only the possibility of an appeal or an application to individual parliamentary parties. Institutional possibilities of harmonizing the interests of various stakeholders in the development process within the public decision-making body are extremely minimal and exclusively mediated by the subjects which are not directly responsible to them.

Therefore, some other forms and institutional arrangements for harmonizing the interests of various entities are necessary, especially in the field of development, which determines the fate of not only this generation, but also a series of next generations.

### Management of strategic development

Tourist and spatial planning have a very complex relationship. Access to tourism planning, according to Gunn (2002), dates back to the 60s of XX century, and it consists of the following phases of planning (picture 8):

**Diagram 8:** *The stages of tourism planning*



**Source:** *Bartoluci, 2013, p.123.*

Sustainable development is not only guaranteed on the basis of spontaneous interest in stakeholders cooperation in the sphere of economy, society and ecology. Institutional organization at the national, regional and local level is essential in order to establish certain mechanisms for the management of sustainable development (Pivašević & Hafner, 2013). The dimensions of the sustainable development concept are shown in diagram 9.

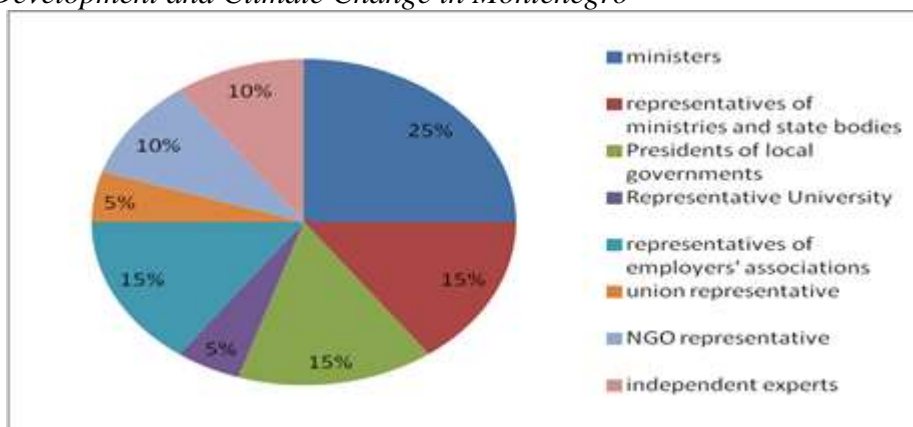
**Diagram 9:** *Dimensions of sustainable tourism concept*



**Source:** *Pivašević & Hafner, 2013, p.123.*

By decision of the Government in Montenegro, the Council for Sustainable Development and Climate Change was formed, which has 18 members, led by the President of the State (Odluka o obrazovanju Nacionalnog Savjeta za održivi razvoj i klimatske promjene, 2013). The structure of the Council is as follows:

**Diagram 10:** *The structure of the National Council for Sustainable Development and Climate Change in Montenegro*



**Source:** *Master plan za turizam CG, 2007, p. 3*

As it can be seen, 55% of the members are from the state structures, and the largest single share is from Ministers of the Government. Independent experts, which are appointed by the ministry, participate only with 10%, as the non-governmental sector, while institutions and organizations controlled by the government participate with 20%, which indicates that about 90% of the members directly or latent, are controlled by the Government. Responsibilities of the Council are mainly advisory and informative in nature, with elements of the general coordination. Certainly it is good that in the pyramid of sustainability development, an element of institutional control and coordination is incorporated, but it would be desirable to have greater participation of independent experts and non-governmental sectors, as well as more control competence of the Council.

Two of the most obvious problems of the domestic institutional organization of the economy and the administration are: development of domestic companies (domestic developer set), local organizations for destination management and outdated land registry.

Model of development management, which indicates a high possibility of sustainable integration of the interests of various stakeholders in the tourism industry, should be based on the principles of public - private partnership. As the development resources (land, buildings, human resources, money, law ...) are distributed among different stakeholders, the real positive way for articulation and integration of their development interests is to create an entity that will institutionalize their equal partnership. Possible model of public - private partnerships for the development of tourism is represented by the diagram 11.

**Diagram 11:** *The scheme of possible models of public - private partnership for the development of tourism*



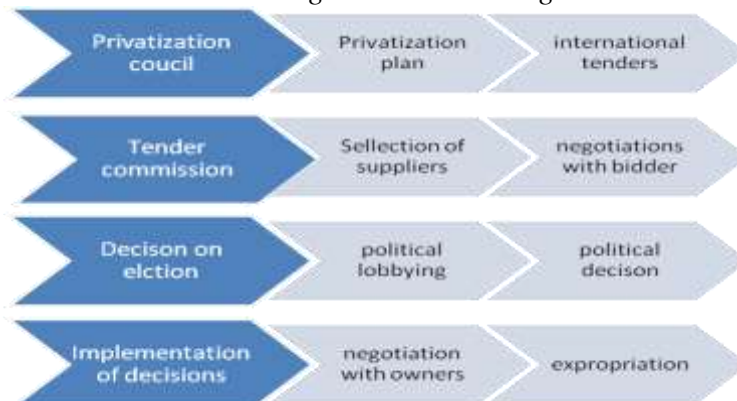
**Source:** *Personal processing*

With the aforementioned model, unlike the current situation in Montenegro, we would have properly organized, legitimate domestic partners, and the local development companies. In the realization of its development intentions they would have more options: organized participation in the credit and capital markets, including new domestic and foreign partners, entering into various modalities of joint ventures with local and foreign partners ... In this way we would clearly surpass the previous way of investment management, which basically takes place according to the following scheme:

This model excluded from process the original landowners, citizens and local entrepreneurs, which affects the way of its social sustainability. Frequent consequences are long court cases and opened and never finished construction sites. According to the publicly posted comments of representatives of foreign investors, some of them are not satisfied with the business environment in Montenegro, but object to the selective

enforcement of the law, the presence of gray market, unfair competition, low efficiency of state administration and local self-governments...

**Diagram 12:** Scheme "attracting investors" through international tenders



**Source:** Personal processing

The system of organizing tourist destination in Montenegro, as well as in most countries in transition, it is not based on the latest international trends in the management of tourist destinations. Destination Management Organization (DMO) today is based on connecting various stakeholders from the public and private sector organizations in specialized destinations based on the principles of public - private partnerships. In Table 1 we give the basic characteristics of the existing classic tourist organizations and type of Destination Management Organization.

**Table 1:** Basic (existing) TO i DMO – basic characteristics

Name	Classical TO		DMO	
	National	local	national	local
Status	Government Affiliation	Municipality Affiliation	association PPP	association PPP local and community
activity	Promotion	local promotion and info	promotion/development	promotion, info, community reception and development
Market	Foreign	foreign and local	foreign/national	local and clusters

**Source:** Personal processing

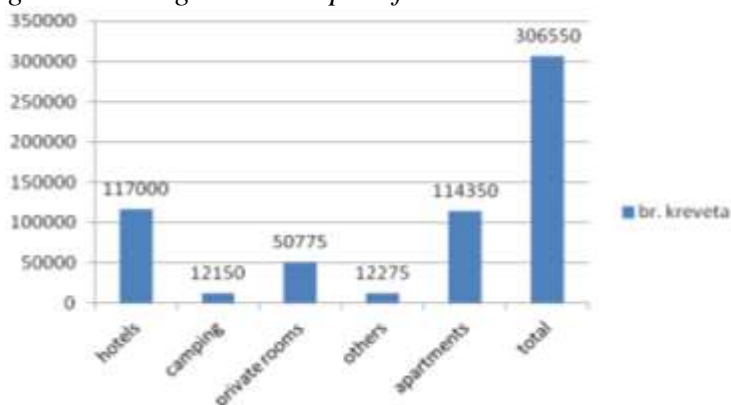
The current Tourism Organization represents, in essence, extended arm of the government at national and local level, so there is no mechanism for

the articulation and integration of interests and roles of local and national stakeholders in the process of development. Destination management organizations, on the contrary, by status is based on the principles of private - public partnerships and, by nature, has the basic mechanisms for articulation and integration of stakeholder interests at various levels in the tourist area of operational and development policy. Along with the problem of lack of local development companies which are based on principles of partnership, standing problem is the lack of cadastral records, which is a particular problem in identifying the legitimacy of the partners in the development process. The litigations for selling someone else's land are very often, because of not updated cadastral records which represents a very fertile ground.

### Results of non-sustainable development

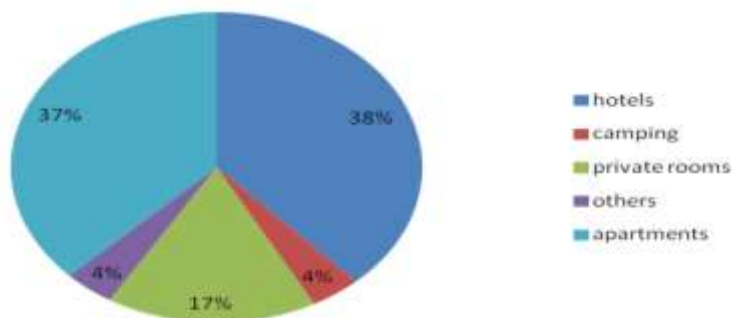
Sustainable development is the goal of any serious development strategy and, also, in the Master Plan for Montenegro Tourism Development between 2001 and 2007 (Master plan razvoja turizma CG do 2020 godine, 2001; Master plan za turizam CG, 2007). This plan is a projection of data development in the tourism accommodation sector in Montenegro, as a key element of the tourist offer. The projection puts the emphasis on the hotels, while for apartments, cottages the stagnation and reduction are predicted. Planned projection is given in Table 2.

**Diagram 13:** *Development projection of accommodation capacities in Montenegro according to Master plan from 2007*



**Source:** *Ratković, 2009.*

**Diagram 14:** *The projection of the structure of accommodation capacities 2020*



**Source:** *Personal processing*

As it can be seen, the planners designed the largest share with 38% of the hotels, while it is envisaged smaller participation of apartments and flats (mostly secondary housing), which are undesirable result of the development of the transition period.

Results of development are not, unfortunately, tracking planning forecasts. After 15 years, the global capacity of the accommodation structure looks like the in Table 3.

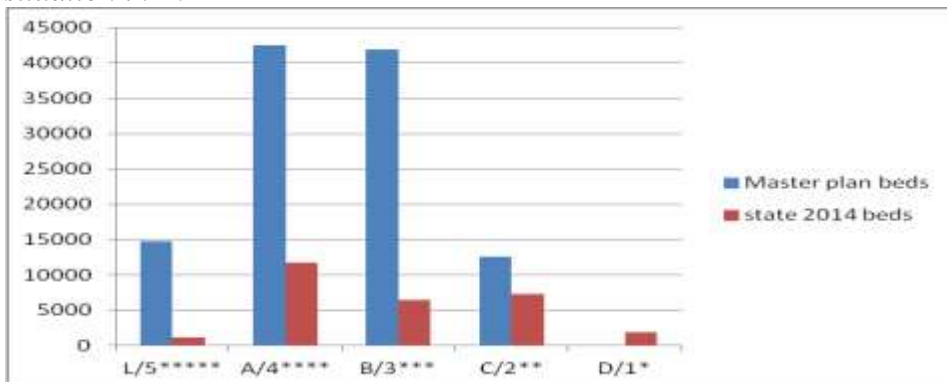
**Table 2:** *Condition of the accommodation capacities in Montenegro 2014*

Type of accommodation	Number of beds	%
Hotels	22,151	5.84
Garni hotels	1,694	0.45
Small hotels	3,877	1.02
Boutique hotels	46	0.01
Apart hotels	825	0.22
Resorts	4651	1.23
Other accommodation	4,964	1.31
PRIMARY	38208	10.07
COMPLEMENTARY	341139	89.93
Second homes*	220000	57.99
Others	121139	31.93
Total	379347	100

**Source:** *"SGCG" 2015 and personal processing\**

The largest abortion occurred in the development of the hotel, which clearly shows the diagram 14.

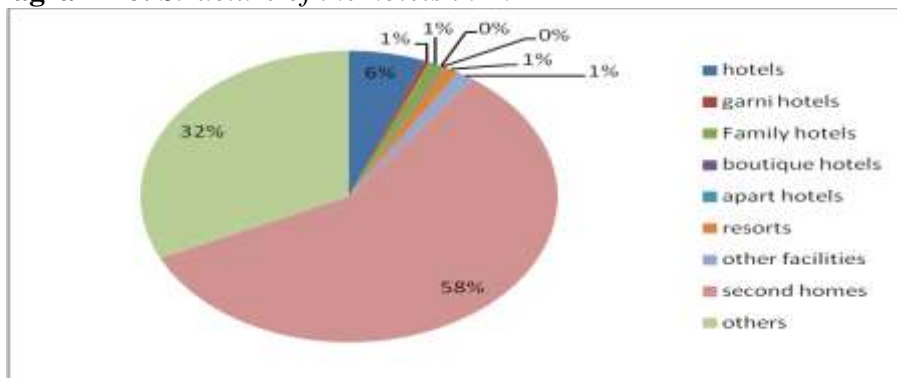
**Diagram 15:** *Comparative structures of hotels in the Master Plan and the situation in 2014*



**Source:** *"SGCG" 2015 and personal processing*

The hotels as of the year 2014, have reached only 26% of the plan for the year 2020, together with tourist villages about 34%. In order to catch up with the plan it is necessary to build an additional 83 thousand hotel beds (73 thousand if the resorts are included in hotel group), or 12 to 14 thousand hotel beds per year! Structure of accommodation capacity of 2014 is directly opposed to the planned proportions, which shows a diagram 16.

**Diagram 16:** *Structure of the hotels in 2014*



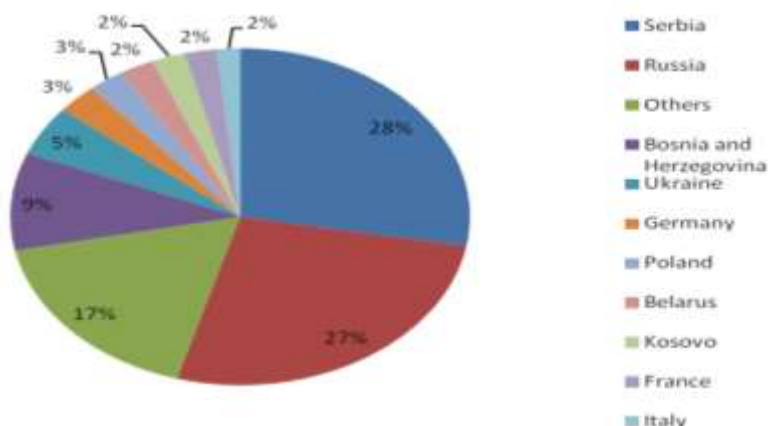
**Source:** *"SGCG" 2015 and personal processing*

Classic hotels account only 6% of the total housing, and together with garni hotels, boutique hotels, apart hotels and resorts account for about 10% of total capacity. On the other hand, absolutely dominate second homes (58%), which, together with households ("other" 32%) account for 90% of total accommodation capacities in Montenegro. Therefore,

accommodation facilities that provide a minimal impact on the economy and society dominate, which means that the development of tourist accommodation industry was unfolded against the principle of economic viability.

Tourist traffic draws its sources from Serbian and Russian markets, while all western European markets barely reach 10%. The top 10 emitting favorites are shown in Diagram 16.

**Diagram 17:** Sources of tourist traffic in Montenegro 2015



**Source:** "SGCG" 2015 and personal processing

Hotel rates in total turnover account about 22%, while the share of basic accommodation rates around 29%. In contrast to the current state of Master Plan which as a target market for hotels defined the Western European market, the markets of other EU countries and the Russian market. The hotels would accomplish about 55% of tourist traffic, and the degree of their full occupancy would be 194 days (currently 110 days, a total basic accommodation 74 days). Economic indicators were negative for 25 years (rate of loss ranges from 5% to 30%). Based on the analysis of the sustainability of Budva tourism (Jovičić, 2002) in the mid-90s of last century, the majority of sustainability indicators according to EU standards were in the red zone, which is the zone of unsustainability. Further developments went towards further rapid development of the secondary housing, which has further intensified the degree of unsustainability, in the area of Budva and the area of the entire Montenegrin coast.

## Conclusion

Previous analysis has identified a real danger, risk management and sustainable development of tourism in the countries in transition. Montenegro has been taken as an illustrative case.

Transition system was slow, so the institutions for managing sustainable development were ripening slowly. The entire system of making development decisions is under the decisive influence of political parties, which can be a carrier of integration and harmonization reasonable development interests of certain entities from the crowd sphere (citizens, small entrepreneurs, NGOs, large investors and so on) of social life. In this current situation the institutional mechanism is almost non-existent, so it is necessary to fill this institutional gap.

In the absence of institutional capacity, there is no wonder that the influence of privileged large investors in making development decisions and urban planning was crucial. They were not faced with restrictions of development strategies, especially from Master plan of tourism development, which were strongly encouraging sustainable development in all three dimensions.

Investors were not paying attention to the development strategy, and were enabled and stimulated for free development of business real estate, especially housing market, which secured them quick return on investment with a huge margin. By opening the possibility of building skyscrapers, artificially conditions were created for the enormous growth of the price of land, which extremely discouraged the construction of the hotels. Thanks to heavy investment in housing construction state could record significant growth in GDP, which created the illusion of rapid development, even though it did not give any approximate effects to development of sustainable tourism.

As the past quarter of a century has gone with development which has devastated natural resources and significantly jeopardized future tourism development, the problem of urban rehabilitation and creation of conditions for the return has been raise for the planners and the government, to the possible extent, in a zone of sustainable development. It would be a chance that, ex post, starts with an organized implementation of the Tourism Master Plan.

In order to create a real basis for sustainable development, it is necessary to provide appropriate institutional mechanisms and control for state and destination development management, which would allow the development of tourism and the management of its development, in accordance with the principles of environmental, social and economic sustainability.

### Literature

1. Bartoluci, M. (2013): *Upravljanje razvojem turizma i poduzetništva*, Zagreb.
2. Duletić, V. (2011): *Budvanski turizam i održivi razvoj*, NUBKI, Budva.
3. Gunn, A. & Var, T. (2002): *Tourism Planing*, Routledge, London.
4. Hall C. M. (2008): *Tourism plannung-Policies, Processes and Relationships*, Pearson Prentice Hall, London.
5. Hansruedi, M. (2004): *Turizam i ekologija*, Masmedia, Zagreb.
6. Jovičić, D. (2002): *Menadžment turističkih destinacija*, ŽELNID Beograd.
7. Master plan razvoja turizma CG do 2020 godine, 2001 godine.
8. Master plan za turizam CG, Revizija master plana iz 2001. godine, Keln, 2007.
9. Müller, H. (1993): *Održivi razvoj u turizmu H.R.*, Bern.
10. Odluka o obrazovanju Nacionalnog Savjeta za održivi razvoj i klimatske promjene Broj: 08-2247/4 3. oktobra 2013. godine.
11. Pivašević, J. & Hafner, P. (2013): *Institucionalna dimenzija održivog razvoja*, Škola biznisa, 3-4, Visoka poslovna škola strukovnih studija, Novi Sad.
12. Ratković, R. (2009): *Razvoj hotelijerstva u CG – geneza, stanje i perspective*, FBT.

13. "SGCG" 2015.

14. Ustav SFRJ, Vojna Štamparija, Split, 1974.