



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

# THE PROBLEMS OF REGIONAL DEVELOPMENT IN MONTENEGRO

Janko Radulovic<sup>1</sup>

<sup>1</sup>*Vice Rector for International Cooperation, University Mediterranean, Montenegro*  
*e-mail: janko.radulovic@unimediterranean.net*

**Introduction:** Economic development is a continuous, stochastic process considering that development depends on a multitude of historical, political, economic, cultural, ethnic and other factors. In the process of development, each country puts effort into strengthening their manufacturing potential, increasing the competitiveness of their economy by modernizing technology, and raising the level of education, culture etc. Owing to the accentuated actions of these factors, and different social, economic and other circumstances, there has been emerging polarizations in regional development, urbanization and so on. Proof of a country's level of economic development can be found in various indicators such as capital equipment; the share of manufacturing, agriculture, and foreign trade; the share of the private sector in total ownership; the development of financial institutions and capital markets; the development and stability of the legal system; the development of transport, telecommunication and other infrastructure; the realized standard of living; the development of democracy and human rights protection; preserved environment etc. Economies of developing countries, including Montenegro, are usually characterized by a low capital equipment and low labor productivity, expensive manufacturing and insufficient share of world trade, high import dependence, uncompetitiveness, high unemployment, undeveloped entrepreneurship, and an undeveloped financial institutions. Polarized countries in an economic and development sense, are therefore those which are unevenly developed, and are constantly faced with highly pronounced problems of disparity in regional development and demographic problems. Solving these problems is a long-term process and necessitates. The design of a regional policy that is more efficient than the previous ones, as well, as building a different procedure for fulfilling the adopted regional policies.

**Key words:** sustainable development, regional inequalities, rural areas

## 1. Solving inherited economic disparities

Regional development problems need to be addressed and solved as a part of a larger context. The present global community causes interdependent economies to continually strengthen their economic integration. The European Union puts a lot of effort into overcoming structural disproportions among the member states. On one hand, the EU strives to strengthen the functioning of the market economy, but, on the other hand, using a devised regional policy, it conducts structural adjustments over the single market for the purpose of overcoming regional disparities, equalizing development and establishing special and social-economic cohesion of the area. This will facilitate the flow of capital and goods, the flow of labor force, ideas, technology etc. Theoretically, such a united area can easily withstand possible shocks from the global markets.

The regional policy of the EU is ever more active and demanding. By co-financing projects and supporting public-private partnership, the EU forces economic development and the overcoming of the inherited economic disparities.

**Regions of Europe are a model of harmonizing differences.** All the member states contribute to this through: programs for the following: entrepreneurship and innovations;

support for IT and communications; sustainable energy; strengthening European cooperation in education for the sake of building a wide European education area; supporting research, etc.

The regions are increasingly becoming territorial and economic entities for accomplishing uniform regional development. They need to have a greater role in solving key problems of development. For the citizens, it is in their own interest to participate in those processes, to encourage development, to be protected. The more developed the regions, the more likely they are to solve new issues of economic and demographic regions, land planning, transport conditions, education, sport, culture and so on. Advanced regions stimulate dynamic living more easily than undeveloped regions. Therefore, the EU policy is directed at allocating large resources for achieving convergence among regions, building their competitiveness and encouraging employment.

The importance of cross-border cooperation is increasing. In integrated Europe, supranational bodies play an important role in overcoming regional differences as they are given parts of sovereignty with the aim of bringing about a better standard of living for all citizens. Less developed regions should follow those principles and experiences.

## 2. Regional inequalities in Montenegro

Montenegro has entered the process of the EU accession but has experienced unfavorable development. Large regional differences have been created in spite of huge efforts by the state to alleviate the inherited regional differences by building road, electric, water supply, waste water and other infrastructure. These large differences prevail, and are unfortunately deepening.

In the rural areas of Montenegro, due to uncontrolled development and the lack of adequate policy for these areas, the dynamics of living have been sluggish for decades. Villages have long been deteriorating. The liveliest inhabitants continually migrate and seek other places to fulfill their ambitions, make their living and start families. A higher standard of living has not been possible in rural settlements due to certain geostrategic, historical and other conditions. In this way, the rural areas were not valued, resources have been abandoned and become dead capital. The migration of the young persons, which is still happening, has caused a continuous degradation of these areas. It has also caused the urban areas to lose their rich surroundings. All these factors have further complicated the development process and caused a distinct disproportion in economic, demographic, cultural development etc. Both, everyday life and economic productivity have been disrupted in rural areas, making life there unviable for many.

Analyzing the demographic trends through the use of population census in Montenegro, following tendencies are apparent:

- Exhausting of the total population growth
- A continuous decrease of the population growth
- A decrease in the vital index
- Stagnating tendencies of new marriages and an increasing number of divorces
- Constant migration of population from rural to urban areas and their concentration in municipal centers
- An increasing number of empty settlements
- Migration from the northern region towards the central and the coastal region (table 1.0)
- The capital and the coastal municipalities have a positive migration balance
- A growing number of citizens abroad.

**Table 1.0 Population structure by regions in 2011,**  
(source: <http://www.monstat.org/cg/>)

Region	1953	1961	1971	1981	1991	2003	2011
Northern	43.32	46.19	43.44	39.19	37.17	33.01	28.68
Central	34.56	36.13	38.28	41.00	42.56	43.30	47.,34
Coastal	18.12	17.68	18.028	19.81	20.27	23.69	23.98
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

The manifested tendencies for the population movement in Montenegro, especially for the undeveloped areas, are very serious and alarming. **The changing development**

**and ecological destiny of those areas are long overdue.** They point to the fact that unequal regional development and large differences are constantly reflecting present structural problems. These manifested tendencies demand a new strategy for regional and economic development in order to balance three vital factors for sustainable development:

- sustainable economy and technology;
- sustainable development based on social balance and succeeding in protecting the environment along with rational use of resources if a dynamic economic development is desired;
- rational valorization of economic and other potentials and the growth of competitiveness of the domestic economy on the road to the European Union.

## 3. Dealing with disproportionate development

Disproportions in the level of development among the northern, central and coastal regions in Montenegro are very pronounced. According to the official statistics, the northern region accounts for 53% of the country's territory, has huge water potential, all the coal, zinc and lead reserves, 67% of arable land, 78% of wood mass, over 70% of livestock, a large potential for developing winter tourism, ecotourism etc. Despite all of this, the region only accounts for 18% of the Montenegrin GDP. The northern region lags behind the rest of the country both economically and technologically, and unemployment and poverty are on the rise, coupled with constant demographic departure. This region proves the interdependence between demographic movements and the economic and regional development, which, for the decision-makers, points out to the need to make a special development scenario for the country as a whole, as well as for the undeveloped areas.

A good starting point for overcoming the inherited regional differences would be: building and developing traffic, communication and other infrastructure, developing a strong power supply, supporting agriculture and tourism, strengthening entrepreneurship and capital markets and changing the configuration of the economy's structure through more small and medium-sized enterprises in manufacturing and services; further strategies would be strengthening the private sector, forcing new technologies and IT, raising the level of education; the country joining wider integration processes, attracting FDI etc. **The idea – of “help and donations”, should be replaced by the idea of “self-sustained development”.** Montenegro's development must be adjusted to the capacities of the environment, and the economy must respect the principles of sustainable development.

## 4. The regions and the neighboring areas

The regions of Montenegro need opportunity to **have more influence on their economic and other types of development** through well prepared decentralization and

the functional grading of authority, law, responsibilities and duties from the local communities to the national level. Regions should become an economically developed union of local communities that are rich in democratic forms. It is in the interest of citizens to have good road infrastructure, good quality education, security and health systems, a clean environment and so on. Ways of overcoming the inherited disproportions (demographic, economic, political, cultural and other) therefore need to be found so that more realistic conditions for more equal regional economic and, therefore, demographic development can be created; conditions for a decent life in those communities; for an easier flow of capital, goods and ideas, for encouraging entrepreneurship through and for more a sustainable relationship with the nature.

As regards development and spatial functioning, the regions need to become **equally developed entities and be coherent with domestic and cross-border surroundings**. They must be part of infrastructural, cultural and other **networks**.

Mutual cross-border projects and international cooperation make it easier to receive the support of the European Union and international financial institutions. Such development projects that are directed at producing harmonized economic and trading areas within the regions are gaining in importance as they provide perspective for economic activity.

## 5. Valorization of the resources in Montenegro

All of the above implies that regional development is a long-term and comprehensive process as part of improving sustainable development of regions and acknowledging their uniqueness at the same time. For the process to speed up and harmonize, a macroeconomic environment is needed that brings Montenegro closer to the European and global economic flows. In addition, there should be a stimulating business environment as well as contemporary education that is enriched with practical skills.

Valuing the natural, tourism and other recourses of the northern region of Montenegro cannot be accomplished without **significant investment, public-private partnership, and urbanization** – the region should be available to investors as well as to potential non-domicile population that would want to live there. This means projects that would revitalize the whole country.

Stimulating policies should also be directed towards investments into existing and new accommodation capacities for winter, congress, rural and religious tourism – the facilities inside the national parks (cycling tracks, sports facilities, children playgrounds etc.) where various cultural, folklore, musical, sports and other events could take place. Besides tourism, development policies should support activities that are easier to organize and will survive as well as quick to form networks – different forms of family businesses, home-crafting, trades, banking, postal and other services, viable agriculture and organic food production, livestock breeding etc.

A detailed regional development policy, supported by entrepreneurs, needs to be coordinated by the national and

banking structures, and supported by investment funds, foundations and other local and international financial institutions.

Investment support has to be reflected in longer grace periods, lower interest rates, longer payment periods etc. Projects that employ local resources and are export-oriented necessitate special support, as well as projects that provide employment, those that are power efficient, use clean technologies etc.

In the process of structural adjustments to the domestic economy, turning it into a dynamic, competitive and efficient economy that is integrated in the EU, there must be a wide collaboration starting with entrepreneurs, regulators to employees. The education level of the population and public responsibility of economic entities also need to be raised to a higher level.

## 6. Conclusion

**Montenegro has pronounced regional inequalities that are currently widening**, which puts great responsibilities on decision-makers of economic and development policies to eliminate the disparities, to revitalize rural areas, to make the country self-sustainable in energy terms and to use new technologies and know-how.

**The territory of Montenegro, which is a rare and valuable resource**, must be functionally valorized to suit the infrastructural, industrial, agricultural, energy, tourism and other aims. Also, the growth of cities is dependent on valuing the qualities of rural areas so that these develop attractive living conditions. **Future development of Montenegro has to be adjusted to the capacities of the environment**, which in other words means that the economic policies must obey the principles of sustainability. Future business models will have to apply only those modern technologies which will not put undue strain on the environment. Strategic directions of the future economic, scientific, technological, social and cultural development must fulfill the needs of future generations by developing its economic base, improving human resources and standard of living, identifying developing projects and their potential, but at the same time focusing on the necessary infrastructure – water, power supply, waste water, telecommunication as well as education, local institutions and so on.. Experiences of other European development policies are always useful and irreplaceable. Montenegro's future depends on its commitment to revitalizing its rural areas and overcoming regional disparities.

## References

- "Brdsko-planinska područja, stanje, perspective i razvoj poljoprivrede, zadrugarstva i sela", Naučni skup Zabljak, 1995.
- "Demografska kretanja i populacioni problem u Crnoj Gori", naučni skup CANU, 2006.

**Field, B. C. and Field, M. K.** (2002): *“Environmental Economics”*, 3th ed., McGraw Hill Irwin.

*“Innovation, Inclusion and Integration”*, The World Bank Report, 2008.

*“Nacionalna strategija održivog razvoja Crne Gore”*, Podgorica, January 2007.

*“Regions of the European Union-Stat. books, A statistical portrait”*, 2009;

**J. Radulovic** (2010): *“Problematika regionalnog razvoja Crne Gore, rad za Projekat SANU: Crna Gora u XXI stoljeću u eri kompetitivnosti, separate – Ekonomski razvoj”*.

*« Selo u Crnoj Gori »*, Naucni skup, SANU, 2004;

*“Sustainable Development-New Bearings for the Nordic Countries”*, Kopenhagen, 2009;

*“The Future of European Union”*, 19<sup>th</sup> Report on Session 2007–2008, July 2008.