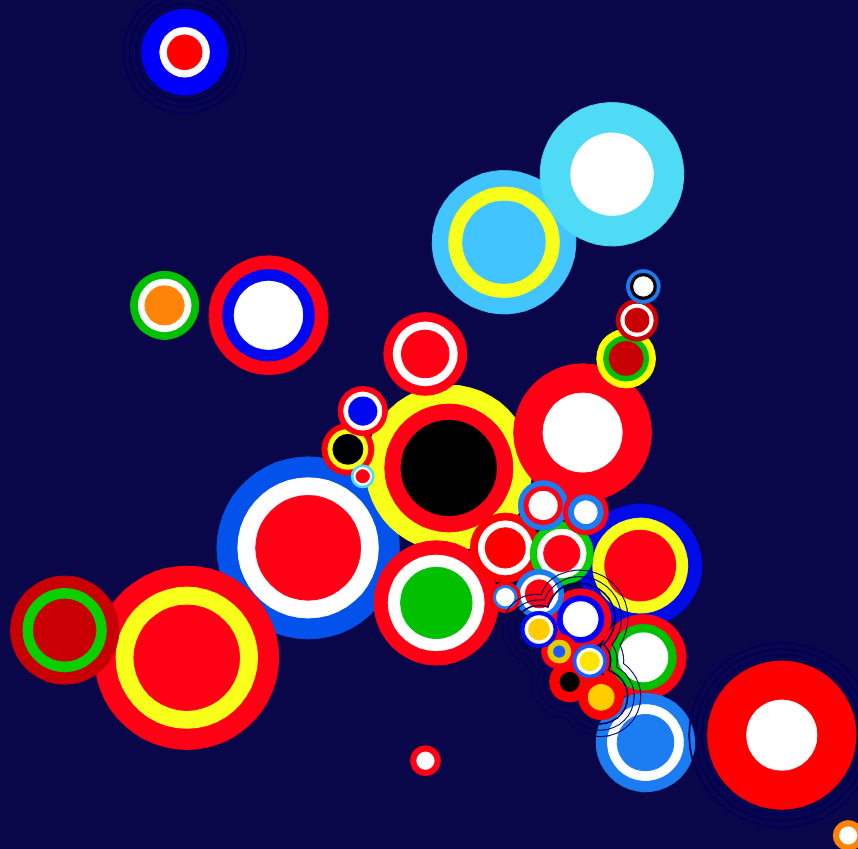




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE

2014-2020



IPA CBC PROGRAMME

MONTENEGRO – KOSOVO*

ADOPTED ON 11/12/2014

* This designation is without prejudice to positions on the status, and in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

Enlargement

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PROGRAMME SYNOPSIS

| | |
|---|---|
| Programme title | CBC Programme Montenegro - Kosovo* |
| Programme area | Montenegro: The municipalities of Andrijevica, Bar, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Podgorica, Rožaje and Ulcinj Kosovo: West Economic Region, which is composed of the municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica; |
| Programme overall objective | Improve the standard and quality of living of the people in the programme area through the environmentally sustainable and socially inclusive economic development of the region, with respect for its common cultural and natural heritage. |
| Programme thematic priorities, (as stated in Annex III to the IPA II Regulation) : | <ol style="list-style-type: none"> 1. Promoting employment, labour mobility and social and cultural inclusion across the border 2. Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management 3. Encouraging tourism and cultural and natural heritage 4. Technical assistance |
| Programme specific objectives | <p>Thematic Priority 1: Promoting employment, labour mobility and social and cultural inclusion across the border :</p> <ol style="list-style-type: none"> 1. Improve the access to the labour market 2. Encourage socially vulnerable groups to participate in society <p>Thematic Priority 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management:</p> <ol style="list-style-type: none"> 1. Improve the environment, waste management and sustainable use of resources 2. Reduce soil erosion and promote soil conservation <p>Thematic Priority 3: Encouraging tourism and cultural and natural heritage:</p> <ol style="list-style-type: none"> 1. Improve the volume, quality and visibility of tourism 2. Promote and improve cultural and natural heritage and values <p>Technical Assistance To ensure the effective, efficient, transparent and timely implementation of the programme and awareness raising</p> |
| Financial allocation 2014-2020 | EUR 8 400 000.00 |
| Implementation method | Indirect Management (subject to the entrustment of budget implementation tasks) |
| Contracting Authority | Montenegro: Ministry of Finance Central Finance and Contracting Unit (CFCU) Stanka Dragojevića 2 Tel: + 382 (0) 20 230 630 Fax: + 382 (0) 20 230 657 |
| Relevant authorities in the participating IPA II beneficiary [Operating Structures] | <p>Montenegro: Ministry of Foreign Affairs and European Integration Stanka Dragojevića 2 81000 Podgorica Tel: (+382 20) 224 439 Fax:(+382 20) - 224 449</p> <p>Kosovo: Ministry of Local Government Administration</p> |

*This designation is without prejudice to positions on the status, and in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

| | |
|-------------|---|
| | Former Rilindja Building Floors: 11, 12 and 13, Prishtinë/Priština Tel: (+381 38) 213 010 Fax: (+381 38) 213 904 |
| JTS/Antenna | The JTS will be located in Podgorica, Montenegro. Antenna office will be located in Prishtina, Kosovo. |

Section 1: Programme Summary

The programme for cross-border cooperation between Montenegro and Kosovo will be implemented under the framework of the Instrument for Pre-accession Assistance (IPA II). IPA II supports cross-border cooperation with a view to promoting good neighbourly relations, fostering union integration and promoting socio-economic development.

The legal provisions for its implementation are stipulated in the following pieces of legislation:

- Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II)
- Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- Commission Implementing Regulation EU no 447/2014 of 2 May 2014 on the specific rules for implementing the IPA II regulation

The document has been designed and drafted by the Ministry of Foreign Affairs and European Integration of Montenegro and the Ministry of Local Government Administration in Kosovo, with support of Cross-border Institution Building Project (CBIB+), in accordance with the provisions of the framework for IPA II.

1.1 Summary of the Programme

Main findings

The document covers an extensive range of subjects that have been analysed and that are considered to be relevant to the future development of the programme area, ranging from the regional economy, unemployment, agriculture, tourism, education, health, culture and nature, civil society, infrastructure, the legal framework and environment. These subjects have all been studied thoroughly using the Political, Economic, Social, Technological, Legal, and Environmental (PESTLE)-analysis methodology, based on which the Political, Economic, Social, Technological, Legal and Environmental aspects of regional development with a cross border impact in the programme area have been analysed. For each of the eight potential thematic programme priorities defined by the European Commission, a SWOT analysis was carried out, therewith identifying the Strengths, Weaknesses, Opportunities and Threats of each potential thematic programme priority. In particular, the issues of employment and social inclusion, environment and tourism were considered to be critical for the development of the programme area.

Main areas of intervention

As a result of the above findings and in close consultation with all stakeholders three thematic priorities have been selected for the 2014-2020 Montenegro-Kosovo CBC Programme, with the following specific objectives:

1. Promoting employment, labour mobility and social and cultural inclusion across the border
 - Improve the access to the labour market
 - Encourage socially vulnerable groups to participate in society
2. Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management
 - Improve the environment, (water and solid) waste management and sustainable use of resources
 - Reduce soil erosion and promote soil conservation



3. Encouraging tourism and cultural and natural heritage
 - Improve the volume, quality and visibility of tourism
 - Promote and preserve cultural and natural heritage and values

In addition a fourth Technical Assistance priority has been added in order to support the initiation, implementation, monitoring and evaluation of the Cross Border Programme.

1.2 Preparation of the programme and involvement of the partners

The actual programming process spanned a period of eight months, from mid September 2013 to mid-May 2014. However, preparations involving both Operating Structures started in June 2013 and continued until May 2014 during which the programme document has been revised two times. The document at hand is the result of close and intensive cooperation between Montenegro and Kosovo in this period.

In order to be able to get this document produced and endorsed, stakeholders were frequently consulted and asked to provide information (e.g. municipal and regional statistics and strategies, national and domestic statistics, policy documents and strategies, donor publications and initiatives, etc.).

In addition the following initiatives were taken and events organized as part of the programme process:

- A Joint Task Force (JTF) was established, consisting of a representation of stakeholders from both Montenegro and Kosovo for the preparation of this CBC programme.
- A survey on Cross Border Cooperation among regional stakeholders in the programme area (municipalities, sector associations/NGOs and SMEs) was developed, disseminated, collected, processed and analysed.
- In-depth interviews with representatives of line Ministries were conducted in October 2013.
- Two workshops were organized for central
- JTF members – on 25 September 2013 in Podgorica for the Montenegrin JTF members and on 1 October 2013 in Pristina for the Kosovar JTF members - to inform them about the objective of Cross Border Cooperation, the technicalities of programming this document and their role as JTF members.
- Three JTF meetings were organized, the first one on 18 October 2013 in Pejë/Peć to review the draft situational analysis of this document, the second one on 15 November 2013 in Podgorica to review the draft programme strategy of this document and the third on 25 February 2014 in Podgorica to present the second draft of the document.
- A Western Balkan Regional Forum was organized on 21 and 22 November in Belgrade, where representatives of Kosovo and Montenegro presented the programming process and the main characteristics of the draft programme document submitted to the EC by 15 November 2013.
- Public consultations were held in both Montenegro (30 October 2013) and Kosovo (13 May 2014), and the feedback was taken into account while preparing the final draft of the document.
- The Commission commented on the first and the second draft of the document and provided suggestion on improvements in preparation of the final version submitted to the Commission on 25 May 2014.

The table below gives an overview of the steps in this programming process.



| Date and place | Activity |
|---|---|
| 18 September 2013, Kosovo | Kick off meeting |
| 20.-21 September 2013, Kosovo | Meetings and clarification interviews with OS and line ministries |
| 23 September 2013 | Introduction meeting with the MNE OS |
| 25 September 2013 | Strategy development and formulation training for the OSs, JTF, JTS of Montenegro |
| 26 September 2013 Podgorica, Montenegro | Kick-off meeting |
| 27 September 2013 Kosovo | Information meetings at central level |
| 01 October 2013 Kosovo | Strategy development and formulation training for the OSs, JTF, JTS |
| 07-11 October 2013 Montenegro | Consultative meetings and clarification interviews with line ministries and OS |
| 18 October 2013 Kosovo | 1 st JTF meeting |
| 30 October 2013 Bijelo Polje, Montenegro | Public consultation with CBC stakeholders |
| 05-06 November 2013 Kosovo | Consultative meetings with the OS |
| 15 November 2013 Podgorica, Montenegro | 2 nd JTF meeting on Programme Strategy |
| 15 November 2013 | Submission of the first draft of the Programming Document to the Commission |
| 21-22 November 2013 Belgrade | Regional CBC Consultative Forum |
| 23 January 2014 Kosovo | Technical meeting on the programming process, |
| 7 February 2014 | Submission of the 2nd draft version to the Commission |
| 25 February 2014 Podgorica, Montenegro | 3rd JTF meeting |
| 13 May 2014 Pejë/Peć, Kosovo | Public consultation, |
| May 2014 | Submission of the draft final version to the Commission |



Section 2: Programme Area

2.1 Situation Analysis

Figure 1: Map of Programme Area



The programme area for the Cross-border Programme between Montenegro and Kosovo covers a territory of 8,725 km² with a total population of about 706,823 inhabitants. The total borderline length is 75.6 km. There are two border crossing points; in Kulla/Kula (on the road Rožaje–Pejë/Peć), which is also a customs point; and in Qakor/Čakor (on the road from Murino linking Plav and Pejë/Peć municipalities) that has been closed to traffic for the last fourteen years.

In **Montenegro** the eligible area covers 6,400 km² and is composed of 12 municipalities or a total of 624 settlements including the capital city and 11 main towns. There are no administrative regions in Montenegro

and the following are the municipalities represented in the programme area:

- The municipalities of Andrijevica, Bar, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Podgorica, Rožaje and Ulcinj;

In **Kosovo** the eligible area covers 2,325 km² and includes the **West Economic Region**, which is composed of the municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica.

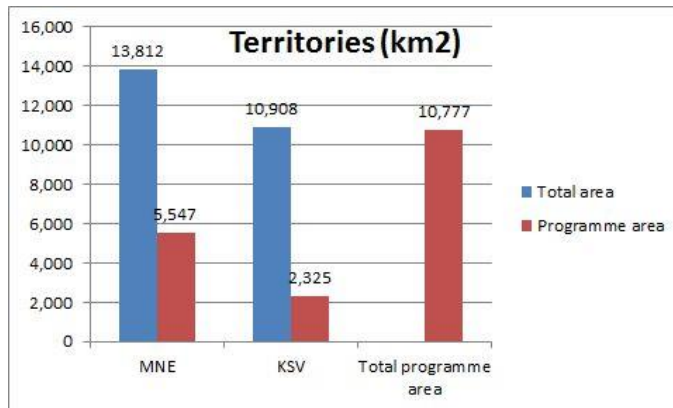
Table 1 – The programme area

| | Area (km ²) | % of the total territory |
|--|---------------------------|------------------------------|
| Montenegro | 13,812 | 100% |
| Programme area | 6,400 | 46% |
| Municipalities of Andrijevica, Bar, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Podgorica, Rožaje and Ulcinj | 6,400 | 46% |
| Kosovo | 10,908¹ | 100% |
| Programme area | 2,325 | 21% |
| West Economic Region (municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani and Gjakovë/Đakovica) | 2,325 | 21% |
| Total programme area | 8,725 | MNE: 73% KOS: 27% |

¹ Source: KAS (2013). Kosovo in a nutshell. Available at: <http://esk.rks-gov.net/eng/>

The territory of the programme area is bigger in Montenegro (73% of the programme area) than it is in Kosovo (27% of the programme area). Six municipalities are directly on the relevant border, Berane, Rožaje and Plav in Montenegro and Pejë/Peć, Istog/Istok and Deçan/Deçani in Kosovo. The border line passes through the high mountain ranges of Bjeshkët e Nemuna/Prokletije (Accursed Mountains) and Hajla also called the Albanian Alps. Border crossing posts are located at high altitude and may be difficult to pass during winter.

Figure 2: Programme area in km²



The West Economic Region of **Kosovo** covers 2,325 km² and is bordering with Albania, Montenegro and Serbia. Pejë/Peć represents the centre of the region which covers six municipalities, Pejë/Peć, Istog/ Istok, Klinë/Klina, Junik, Deçan/Deçani, Gjakovë/Đakovica. The area is covered largely by the Dukagjini Plain that borders the Albanian Alps. The highest peak is Gjeravica Mountain (2,656 m)

which is also the highest peak in Kosovo.

The eligible area of **Montenegro** covers the north-eastern part of the country, a mountainous area bordering with Kosovo, Serbia and the capital city of Podgorica. Mountain peaks reach up to 2,500 meters and the territory is crossed by rivers, like Lim, Morača and Tara, forming canyons and valleys. The region is dominated in the east by Prokletije and Hajla mountains adjacent to Albania and Kosovo. Another mountain range, Bjelasica forms the centre of the northern part of the eligible area. Podgorica is located in the central part of Montenegro, where the population and economic activities of the country are mainly concentrated. The southern part of Podgorica is among the rare territories in the country where intensive agriculture is possible and is reported to have the largest all-in-one piece vineyard in Europe. The municipality stretches to the northern shore of Skadar Lake, the largest lake in the Balkans.

The eligible area also covers two coastal municipalities of Bar and Ulcinj. The municipality of Bar, with its port infrastructure, is an important entry and exit point for large amounts of goods, not only for Montenegro but also for its neighbouring countries. Consequently, it relies less on tourism than the other coastal municipalities. Even though the North-eastern region of Montenegro is directly located on the border with Kosovo, the coastal area has paradoxically a better access to Kosovo via the new highway in North-West Albania.

The situation in the program area could be summarized as follows:

Economy

In **Montenegro**, in order to reduce disparities in economic and social development across the regions, the Northern region is a priority for all national development strategies. Regional economic development plans are based on the protection and preservation of the natural and environmental resources of the region and on a high priority given to sustainable agriculture and food processing, tourism, sustainable forestry and creation of all types of "green jobs" in environmentally friendly sectors.

In **Kosovo** the same priorities are defined for the eligible economic region, to improve efficiency in agriculture and forestry and to develop additional sources of income from preserving natural assets and tourism. Mining is another economic potential in an area that is known for having the richest mineral resources in Kosovo (lignite and bauxite minerals in Istog/Istok and Klinë/Klina municipalities).



Unemployment

Unemployment in the programme area is high by international standards. A decrease in economic activity has been followed by a significant decrease in labour demand. It could be argued that the labour market has yet to absorb the changes in the system related to the transition to the market economy. Unemployment rate could also be associated with the inadequate skills and education of the working age population.

Transition from the old socialist system to the market economy led to the negative trends in terms of equal rights for all, including the right to employment, right to development and other basic human rights. Social stratification caused the emergence of so called “losers of transition” class. Some of the problems of social inequality, however, have deeper and systemic roots. Such are, for instance, the problems related to gender inequality and social exclusion of Roma, recently increased with the emergence of refugees and displaced persons. From the equity standpoint, refugees and displaced persons are particularly vulnerable categories, whose difficult economic situation is frequently related to the issues of social marginalisation.

The official unemployment rate in **Montenegro** in June 2013 was 13.23% in the programme area excluding Bar and Ulcinj where unemployment rate was 16.24%. The unemployment rates of particularly vulnerable groups, such as the internally displaced persons, refugees and Roma are 10-20% higher than the average ones². In **Kosovo** the unemployment rate is 30.9%. A high share of unemployment of women (in Kosovo 40%) and of young people (55.3% of age group 15-23 in Kosovo) is a common feature. Unemployment is one of the main reasons for internal migration and emigration out of the area, negatively affecting the population growth and structure of the programme area. The overall population in the area is decreasing and the emigration is high both Montenegro and Kosovo, especially from the rural and less developed areas where the unemployment rates are high.

The problem with unemployment is so evident that all the stakeholders pointed out that it has to be addressed through the CBC programme, including the activities which will contribute to the upgrade and development of the vocational education and support the self-employment programs. Particular attention will have to be given to the social integration of marginalized groups.

Table 1: No. of unemployed persons

| | Unemployed |
|--------------------------------|----------------|
| Montenegro ³ | 30,372 |
| Programme area | 20,022 |
| Kosovo ⁴ | 226,634 |
| Programme area | 42,703 |
| West Economic Region | 42,703 |
| Total programme area | 62,725 |

Agriculture

Agriculture is an important sector of the economy in the programme area, considering the fact that the majority of the population lives in rural areas and their main revenues come from agriculture-related activities. Kosovo has over 60% rural population. In Montenegro, with the

² Montenegrin Strategy of Sustainable Development

³ Source: Employment Agency, June 2013

⁴ Kosovo Agency of Statistics: Labour market data by municipalities 2011: Final Results of the population census 2011



exception of Podgorica, the share of rural population is also about 60%. Agriculture accounts for 19 % of GDP in Kosovo and about 11% of the GDP in Montenegro.

Due to climate diversity, agriculture in the programme area differs between the regions. The farming systems in the Northern Region in Montenegro and in the programme area in Kosovo have relatively similar features

Tourism

Despite an uneven distribution of the flow of tourists, tourism is considered as an economic opportunity for the whole programme area. Obvious synergies, potentially to be supported by the CBC programme, can be built between the Northern Region in Montenegro and the programme area in Kosovo. They have similar characteristics in terms of environment, wild nature and mountains. These border regions in Montenegro and Kosovo are also sharing the same hinterland location. Some small-scale joint tourism initiatives and packages, for example biking and hiking trails, have already been initiated, but many more initiatives would be needed for tourism to be able to really take off and an integrated tourism development approach backed up with the financial resources required is still lacking.

Table 2: Tourism

| | Visitors 2011 |
|-------------------------------|------------------|
| Montenegro⁵ | 1,373,454 |
| Programme area | 350,987 |
| Kosovo⁶ | 7,907 |
| Programme area | |
| West Economic Region | 7,907 |
| Total programme area | 358,894 |

Education

The education system in Montenegro and Kosovo is managed at central level. Improvement of the educational system and school infrastructure is a major priority for both governments. The main problems in the field of education in **Montenegro** are: school infrastructure needs to be upgraded; Roma and marginalised groups need to be better integrated in the education system; there is an insufficient inclusion of children with special needs; existing curricula do not prepare the young people for the market economy and entrepreneurship and there is a lack of financial resources for scientific research and development. In **Kosovo**, a number of educational indicators worsened over the last decade, caused by the closure of schools, shortage of qualified teaching staff, deterioration of school infrastructure and a shortage of funding. On the one hand, school attendance in rural areas is low due to long travelling times and poverty, while on the other hand classrooms are overcrowded in the main urban areas.

Table 3: Primary and Secondary Education

| | Primary education | | Secondary education | |
|-------------------------------|-------------------|------------|---------------------|-----------|
| | students | schools | students | schools |
| Montenegro⁷ | 68,035 | 163 | 31,888 | 50 |

⁵ Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)

⁶ Source: Kosovo Agency of Statistics (2012) Series 3. Economic Statistics: Hotel Statistics Q4-2011

⁷ Source: Ministry of Education, school year 2012/2013



| | | | | |
|-----------------------------|----------------|--------------|----------------|------------|
| Programme area | 42,944 | 96 | 19,879 | 28 |
| Kosovo⁸ | 294,419 | 1,029 | 109,516 | 142 |
| Programme area | 51,855 | 174 | 19,483 | 27 |
| West Economic Region | 51,855 | 174 | 19,483 | 27 |
| Total programme area | 94,799 | 270 | 39,362 | 55 |

Health

The health systems are relatively similar in Montenegro and Kosovo, but different demographics, with a very young population in Kosovo versus a population not old but ageing in Montenegro, affect public health differently.

The National Strategy of Sustainable Development of **Montenegro** deplores the fact that "the health care system is to a great extent geared towards the provision of curative services" and therefore considers prevention and health promotion programmes a priority. In **Kosovo**, the health sector is poorly and unevenly developed and the absence of a legal framework for health insurance is still hampering its development.

Table 4: Health services

| | Total health workers |
|-------------------------------|-----------------------------|
| Montenegro⁹ | 5,138 |
| Programme area | 3,463 |
| Kosovo¹⁰ | 4,453 |
| Programme area | 1,056 |
| West Economic Region | 1,056 |
| Total programme area | 4,519 |

Culture and Nature

In the programme area there are several different religious beliefs, traditions, and cultures. The area is ethnically a mix of communities (Montenegrians, Albanians, Serbs, Bosniaks) that traditionally have been closely connected. There are sometimes strong bonds between the populations on the two sides of the border that are rooted in the common language and commonly shared personal, cultural, commercial and political beliefs and relations throughout history. This cultural heritage and the regional identity at large are an asset for the touristic development of the programme area. Cross-border cooperation could play an important role in protecting and promoting this heritage. The programme area is characterized by rich natural resources, unspoiled nature and mountainous landscapes. The lack of development has helped keep programme area's natural beauty mostly untouched. The main natural features in the programme area in Montenegro are 3 National Parks, water resources and numerous mountain peaks, many of which are above 2,000 meters high. The natural resources in the West Economic Region of Kosovo include the National Park of Cursed Mountains (Bjeshkët e Nemuna/Prokletije), the regional park of the Mirusha Canyons, and other locations along the valleys of the region, which have a great potential for development of winter and summer tourism. The region has potential to offer various sports and recreation activities, health and curative services, as well as to develop eco and agro-tourism¹¹.

⁸ Kosovo Agency of Statistics: Education Statistics 2011-2012.

⁹ Source: Health Statistical Yearbook 2010, Institute of Public Health

¹⁰ Source: Source: Kosovo National Institute for Public Health: State of health of Kosovo population 2010

¹¹ Regional Tourism Strategy for the Western Region of Kosovo, RDA, 2013



Civil Society

Encouraging regional CSO (Civil Society Organisation) networks - including sport, youth and cultural organisations - could contribute to maintaining and strengthening the ties between the communities on both sides of the border in this multi-ethnic programme area.

Infrastructure

Poor infrastructure is a main obstacle to the economic and social development of the programme area. The sustainable development and improvement of transport and public infrastructure could contribute to sustainable economic growth and a general increase of wealth in the programming area. Sustainability could be achieved through the increased use of renewable energy sources and an integrated approach towards improving transport, including non-polluting modes of public and private transport, requiring the involvement of stakeholders from all sectors and at all levels.

Legal framework

Neither in Montenegro nor in Kosovo is there any specific legislation in place, nor any bilateral agreement, that would in some way negatively affect cross border cooperation in the programme areas in particular, differently from how it affects other areas. Of course the legal framework of both IPA II Beneficiaries does regulate - be it prohibit, inhibit, tolerate or stimulate - specific phenomena or developments, like for example measures related to contraband, border safety or human trafficking. But that is what those legal frameworks per definition are for and they do not specifically apply to the programme area.

Environment

With the overall development of the programme area largely relying on natural resources, the environmental protection and preservation of these resources is crucial for the sustainable development of the programme area. Adequate high quality water supplies are necessary both for use by local communities and local ecosystems. Energy conservation and the use of renewable fuels provide cost-effective and more sustainable alternatives to non-renewable sources for power generation. Air quality could be preserved by limiting or eliminating the discharge of harmful chemicals into the air and by minimizing the sources of air pollution. Local communities have to support integrative approaches for managing, protecting, and enhancing wildlife populations and habitats appropriate to their area. While providing a protective covering for soil, water, and the atmosphere, forests are also renewable sources of an endless variety of products. In a healthy ecosystem, policies and programs must balance economic and conservation needs. Land use practices and businesses that both conserve ecosystems and enhance local economies have to be developed. Improved waste management, control of pollution, an efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans. The sustainable production of renewable energy, and in particular in the sector of transport, heating and cooling, is an important issue for the programme area and is in line with the EU objectives of the 2020 "Energy and Climate change package". The conditions in the whole programme area are conducive to the production of renewable energy (production of hydroelectricity but also solar energy, biomass and wind power), which is still at a very early stage of development.

2.2 Main findings

The main findings stemming from the situation analysis carried out in the previous chapter may be summarised as follows:

- **Regional differences** in terms of economic and social development, not only between Montenegro and Kosovo but even within their regions, constitute a characteristic of the programme area.
- In terms of **private sector development** there are clear synergies to be developed within the programme area and to be supported by the CBC programme. The entrepreneurial tradition



identified in the programming area, with a long history of cross-border trade, should be utilized. The challenge will be how to overcome the culture of a short investment horizon, favouring short-term trade opportunities over long-term capital investments.

- **Unemployment** is a major economic and social problem across the programme area. Creation of new jobs and improving the unemployment characteristics (especially reducing gender inequalities, stimulating employment of youth and the disabled) are among the key sustainable development challenges. The employability in the programme area has to improve and the entry of young people to the labour market. Also, a mismatch in the demanded and available labour force qualifications has to be reduced. Adequate retraining measures, by recognising previous education, can improve the ratio between the labour force demand and supply and reduce structural unemployment. Also, very important area of intervention will be the development of employment programs for integration of socially marginalized groups.
- A clear agricultural policy, better land management, the improvement of irrigation schemes and infrastructure and the introduction of a modern agro-processing industry, remain key challenges and pre-conditions for an efficient **development of agriculture** in the programme area. One of the main challenges in this thematic area will be the continuous migration from rural to urban areas, which may impede the development of the rural economy in the program area. Both at central and local levels, the development plans for agriculture are often linked with tourism. Their main development priorities could be easily supported by cross-border initiatives.
- The importance of **tourism** in the economies of Montenegro and Kosovo varies a lot - the share of tourism in GDP could be over 30% in Montenegro while it is still negligible in Kosovo. Nevertheless, tourism is a sector of potential growth for the cross-border area, thanks to rich natural resources, unspoiled nature and mountainous landscapes, traditional folklore and the presence of valuable cultural and historic sites. Tourism development could increase the living standard and contribution to local/regional development, by keeping people in the villages and mitigating the problem of “aging” of the villages through the development of agriculture and forms of tourism related to countryside and agriculture – agro-tourism, eco-tourism and countryside tourism. The development of this type of active outdoor tourism in integrated packages (such as mountaineering, rafting, trekking, biking) represents an opportunity for intervention in the geographical area.
- Improving the **educational system** and school infrastructure is a major priority for the programme area. The CBC programme will have a limited role in addressing this issue but could support exchanges between schools and vocational training centres in the border areas. The presence of higher education institutions and research centres in both sides of the programme area is an asset not only for establishing academic cooperation, but also for initiating cross-border research programmes in sectors such as agriculture or tourism. It is well known that vocational training curriculum is not aligned with labour market demand, but there is certain opportunity to better serve the labour market through upgrading and modernisation of VET services offer in the program area.
- **Health** prevention campaigns and health education are potential activities to be covered within the framework of the CBC programme.
- The **cultural and natural heritage** is a highly prospective asset for the touristic development of the programme area, with National Parks on both sides of the border. Linking cultural and natural heritage promotion with tourism could provide various opportunities for development and for cross-border cooperation initiatives. One of the main challenges will be to overcome the lack of experience in organising joint culture activities between communities across the border. Potential areas of intervention will certainly include the development and strengthening of local institutional capacities related to cultural and traditional values and preservation of cultural heritage sights.
- The local network of **community organisations** both in Montenegro and in Kosovo is diverse and rich and some of them, such as the mountaineers associations, environment protection organisations, conservation of the cultural heritage etc. could play an important role in tourism development.
- The whole programme area is abounding in environmental resources and biodiversity. **Environmental** protection and preservation is therefore the key for a sustainable development of this area. The environment in the programme area, is under pressure through a combination of factors: poor water supply and sewage management, uncontrolled waste disposal, unregulated urbanisation and, in some areas, industrial pollution; there is a risk of



deforestation due to uncontrolled logging; rivers and lakes locally risk pollution from illegal landfills and poor industrial and urban waste management; the intensive use of pesticides is harming agriculture; the fauna in and around the lakes and rivers is suffering from over-fishing and illegal hunting. All these challenges are at the same time the areas of potential intervention, which have to be followed by growing public awareness on environmental protection measures.



Section 3: Programme Strategy

3.1 Rationale

3.1.1 Justification for the selected intervention strategy

The needs and challenges of the programme area as identified in the situational analysis (including PESTLE and SWOT analysis) require an integrated approach that will allow for improving the relatively weak socio-economic situation in the region, with its high **unemployment**, especially among youth and other **vulnerable groups**. This improvement can best be realised by capitalising on the strengths and opportunities of the Montenegrin-Kosovo programme area, which is rich in **natural resources and cultural heritage**, providing opportunities for forestry, agriculture and mining, if carried out in a sustainable way. The beauty of the area provides a good basis for **tourism**, provided that it can capitalize on these cultural and natural assets and is therefore developed in a sustainable way, with respect for the **environment**.

The overall objective of the Montenegro-Kosovo Cross Border Cooperation can thus be summarized as follows:

Overall Programme Objective:

“Improve the standard and quality of living of the people in the programme area through the environmentally sustainable and socially inclusive economic development of the region, with respect for its common cultural and natural heritage.”

In order to achieve this overall objective - fully supported by the situational analysis and in line with the outcome of the survey conducted among regional stakeholders - the following three thematic priorities have been identified:

Thematic Priority 1:

Promoting employment, labour mobility and social inclusion

Justification: The basis of individual wealth is income and the main source of income comes from having a job. Currently unemployment and consequently emigration is high. In order to revert the pattern of migration, the economic situation should improve, especially for younger people. The prospect of attractive forms of (self-) employment available in the region is a key factor for young people and young families to build their future in the region, which will in turn allow the regional economy to become more productive and grow further. This calls for an inclusive economic development, with opportunities not only for the healthy, talented and well-to-do, but also for the most vulnerable groups in society.

Thematic Priority 2:

Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management

Justification: the programme area is blessed with natural beauty, but at the same time suffers from some serious problems (like erosion and pollution) that should be addressed urgently if nature is to remain an asset and an opportunity for the sustainable economic development of the region. As a matter of fact that is not only crucial for the development of the agro- and forestry sector, but also for the well-being of the population at large. Moreover, it becomes a critical success factor for the next thematic priority:

Thematic Priority 3:

Encouraging tourism, culture and natural heritage

Justification: Tourism is still relatively underdeveloped, especially in the border area, and offers a great potential to capitalise on the rich cultural and natural heritage of the region, provided of course that the environment is clean. If people realise that, then tourism development could in return be a driving force for developing cleaner and more sustainable



environment, while offering job opportunities and a source of income to the rural community. Mostly unspoiled natural heritage in the programme area, which includes National Parks, water resources, numerous mountain peaks and other locations along the valleys and rivers of the region, along with preserved cultural heritage, have a great potential for development of winter and summer tourism, various sports and recreation activities, health and curative services, as well as to develop eco and agro-tourism.

Thematic Priority 4: Technical Assistance

In addition to the above three thematic priorities, this CBC programme also includes a fourth, **technical assistance priority** aiming amongst others at reinforcing the administrative capacity of the authorities implementing the CBC programme and of the beneficiaries. This priority will also include the preparatory, management, monitoring, evaluation, information and control activities related to the implementation of the programme.

3.1.2 Coherence and compatibility with policies and projects

Annex 5 gives an elaborate overview to illustrate the coherence and compatibility of the three selected thematic priorities with policy and donor documents and initiatives. To this end the relevant documents and initiatives related to policies and to donor involvement are listed for each thematic priority and per IPA II beneficiary.

The selection of **Thematic Priority 1: Promoting employment, labour mobility and social inclusion** is justified by high unemployment rates and high emigration rates out of the region, which hinder the economic development of the region. Kosovo's Private Sector Development Strategy 2013 – 2017, developed by the Ministry of Trade and Industry underlines the need for a sustainable economic development of Kosovo and defines private investments and further development of entrepreneurship as main generators of economic growth. At the same time, the Montenegrin Strategy for Employment and Human Resources Development 2012-2015 aims to create better conditions for new jobs and investment in human capital in order to achieve higher level of employment and improve the economic competitiveness, while Montenegrin Strategy on Development of Small and Medium Sized Enterprises 2011-2015 aims to achieve a more favourable business environment which would reflect positively in the strengthening of SME competitiveness, innovation and export, as well as lead to an increase in employment and uniform regional development. The European Commission, through the European Office in Kosovo, in its "2013 Annual Programme for Kosovo" formulated the initiative on "Education and Employment", targeted specifically at young people and long-term unemployed people, stressing the need for social inclusion of all groups in society. International organisations supported Montenegro's economic policies and human resources development through numerous projects. In the EU and regional context – this thematic priority is in line with the South East Europe 2020 (SEE 2020), the regional growth and development strategy which aims to address the challenge of unemployment as the major social challenge these countries face in a coordinated manner. The strategy envisages clear targets, indicators and policy measures to guide cooperation in line with IPA II beneficiaries' priorities. The strategy rests on five pillars (integrated, smart, sustainable, inclusive growth and good governance), all of which make an important contribution in stimulating the economy to create new jobs, while ensuring that the right combination of skills is available for those jobs.

Thematic Priority 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management is justified with the undeniable fact that degradation of the environment negatively affects the quality of life and constrains the sustainable economic development of the region. Kosovo's Strategy and Action Plan for Biodiversity 2011 – 2020, prepared by the Ministry of Environment and Spatial Planning, defines the following strategic objectives: development of legal and institutional framework in line with the EU standards and its effective implementation; conservation, protection and improvement of plant and animal species; integrated protection of nature through cooperation with other sectors, sustainable use of biodiversity and equal sharing of benefits and promotion of effective education and communication for biodiversity. Montenegro's Development Directions 2013-2016, a document produced by the Ministry of Finance, defines environmental protection policy as a pre-condition for preserving a healthy environment and



the health of people, sustainable tourism, agriculture, forestry, rural development, transport and energy as priority development sectors in the ecological state of Montenegro. The selection of this thematic priority is in line with the climate policy objectives of the EU. The alignment with EU standards in the environment and climate change sector contributes to strengthening administrative capacities and accelerating integration of Montenegro into and the approximation of Kosovo to the EU's economic and political community. Therefore, it is no surprise that the EU and other international donors were particularly active in the field of environmental protection and funded a number of projects in both IPA II Beneficiaries (non-exhaustive list in Annex 5).

Thematic Priority 3: Encouraging tourism, culture and natural heritage was selected because tourism is recognised as the potential growth sector for this region, with its cultural and natural heritage. Tourism requires a clean environment and offers possibilities to create employment, so this thematic priority clearly complements the other two thematic priorities. Successful development of tourism could ensure employment and income for a sizeable segment of the population. Montenegro Tourism Development Strategy until 2020 defines 5 operational objectives: creation of tourism-related and accompanying infrastructure; creation of unique sale offer; development of all-year-round tourist destination principle; development of an appropriate institutional and legal framework as the basis for creating a successful and sustainable tourism development, and increased participation of the local population in the tourism industry. Kosovo's Regional Development Agency West published a Regional Tourism Strategy for the Western Region of Kosovo and established a thematic Working Group on tourism involving municipal representatives of the region, civil society, businesses and institutions of higher education. Several international donors implemented projects in the field of tourism, cultural and natural heritage in the programme area on both sides of the border.

Against this background, the three thematic priorities are coherent and compatible with policies of both Kosovo and Montenegro, as well as with donor programmes and projects. It should furthermore be noted that the thematic priorities are in full compliance with the "IPA Cross-Border Programme Montenegro – Kosovo 2011 – 2013", which was also focused on the socio-economic development of the programme area, and with special attention for tourism and environment. The Call for Proposals for supporting economic, environmental and social development in the eligible areas under the IPA Cross Border Cooperation Programme Montenegro – Kosovo 2011-2013 was launched early in 2014. As this was the first Call for Proposals and the evaluation process was not concluded when drafting the programme document, no lesson-learned can be concluded from this process. Nevertheless, Montenegro's and Kosovo's experience in other CBC programmes points out to the fact that it is very important to better understand the IPA legal framework and to set up efficient management structures (NIPAC, OS, JMC, JSC, JTS), as well as to run a grant scheme in order to become familiar with EU –funded calls for proposals.

3.2 Description of programme priorities

Below is a tabulated overview of the programme strategy, one table having examples for each thematic priority and a table for the technical assistance priority.



| Specific Objective(s) | Results | Indicators* ¹² | Sources of verification | Indicative types of activities |
|---|--|--|---|---|
| 1.1. Improve the access to the labour market | <p>1.1.1. More people are looking for a job as a result of the programme actions</p> <p>1.1.2. More unemployed people, including students that finished the school, succeed in finding a job</p> <p>1.1.3. The employability of students still attending school is improved</p> <p>1.1.4. More people decide to start their own business</p> | <p>1.1: At least 100 unemployed to benefit from the programme, including women, youth and long-term unemployed, managed to find employment by 2022 (baseline 0)</p> <p>1.1.1.1. At least 20% of the people being final beneficiaries of the actions registered as active job seekers</p> <p>1.1.2.1. At least 10% of the long-term unemployed having been final beneficiaries of the actions found a job</p> <p>1.1.2.2. At least 20% of the students who had finished school being final beneficiaries of the actions found a job within a year after graduation</p> <p>1.1.3.1. At least 20% of the students who went through an internship hired by the host enterprises</p> <p>1.1.4.1. At least 15% of the potential entrepreneurs having been final beneficiaries of the actions set up a new business</p> | <p>Official statistics</p> <p>Registers of employment agencies</p> <p>Registers of Chambers of commerce</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> • Cooperation among and between (vocational) education institutions and the private sector to improve the chances of graduates on the labour market, e.g. through officially recognised internships • Joint research & development activities in labour market and social policies involving research and educational centres of the programme area • The development of continued (e-)learning to improve skills of employed and unemployed people to improve their chances in the labour market • Support initiatives and campaigns for self-employment • Support labour intensive local and regional economic initiatives (like regional food markets) with a cross border outreach • Create employment and career information centres for youth • Support to internships in companies |

¹² All indicators are time bound to up to 2022.



| | | initiative | | |
|--|---|---|--|--|
| <p>1.2. The social inclusion of vulnerable and marginalised groups has been furthered</p> | <p>1.2.1. Increased participation of socially vulnerable groups in sportive and cultural life</p> <p>1.2.2. Increased participation of socially vulnerable groups in education</p> <p>1.2.3. Health of socially vulnerable groups improved</p> | <p>1.2: At least 20% of vulnerable and marginalised groups' population in the programme area benefited from programme activities by 2022 (baseline 0)</p> <p>1.2.1.1. At least 10 new cultural and sports events included socially vulnerable groups as participants</p> <p>1.2.2.1. At least 100 people out of the final beneficiaries of the action (socially vulnerable groups) are enrolled as new pupils or students</p> <p>1.2.3.1. The sickness incidence amongst the socially vulnerable groups being the beneficiaries of the action is reduced by 10%</p> | <p>Official statistics</p> <p>Reports from the relevant authorities/ministries</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> • Support the organization of regional culture, music and sports initiatives and events for vulnerable groups with a cross border outreach • Enhancement of health care facilities, promoting access to health services • Organise youth exchange programs, for example through school exchange programmes or other NGO initiatives • Support initiatives targeted specifically at socially marginalized groups such as Roma, Ashkali and Egyptians (RAE), patients suffering from socially stigmatized diseases, etc. • Support initiatives targeted specifically at emphasizing the importance of human values in cross border cooperation • Organise job fairs/round tables/promotional events and internships for vulnerable groups in existing companies |



*-Most indicators have as a baseline "0". Namely the limited availability of statistical information and resources does not allow defining the indicators precisely at the baseline level. Please note that wherever there are targets these cannot be but tentative since the amounts of programme allocations are still unknown.

| Specific Objective(s) | Results | Indicators | Sources of verification | Indicative types of activities |
|--|--|---|---|---|
| 2.1. Improve the wastewater and solid waste management and sustainable use of resources | 2.1.1. Air, water and soil pollution has been reduced | <p>2.1: At least 10% of the population of the programme area have direct or indirect benefits as a result of the actions undertaken under this specific objective by 2022 (baseline 0)</p> <p>2.1.1.1. At least 10 sites of illegally dumped litter have been permanently cleaned</p> <p>2.1.1.2. The control on the levels of pollution of air, water and soil in urban, rural and industrial areas has become technically more accurate and regular</p> <p>2.1.1.4. The amount of recycled solid waste increased by 10%</p> <p>2.1.1.5. The percentage of houses not connected to the existing sewage system decreased by 10%</p> <p>2.1.1.6. At least 2 platforms established in order to improve the management of river banks and national parks</p> | <p>Official statistics</p> <p>Reports from the relevant authorities/ministries</p> <p>Reports of municipal authorities/institutions</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> Improving public sewage and solid waste collection and processing systems and facilities Exchange of good practices between local authorities and environmentally friendly initiatives Promotional campaigns and activities (e.g. at schools) to raise the public awareness about the need for a cleaner environment Joint environmental management of river banks and national parks Fight against illegal landfills Small scale infrastructure investments and procurement of equipment Transfer of know-how on pollution control systems and |



| Specific objective(s) | Results | Indicators | Sources of verification | Indicative types of activities |
|---|---|--|--|--|
| 3.1. Improve the volume, quality and visibility of tourism related to valorisation of cultural and natural heritage and values | <p>3.1.1. More people become entrepreneur in tourism</p> <p>3.1.2. The hotel industry services enhanced</p> <p>3.1.3. Sites and buildings with a cultural and natural value conserved, revitalised and open to public</p> <p>3.1.4. The offer of active tourism services improved</p> | <p>3.1: The number of tourists visiting the eligible area by 2022 increased by at least 10% (baseline¹³):</p> <ul style="list-style-type: none"> • Kosovo eligible area - 7,907 visitors • Montenegro eligible area - 85,759 visitors) <p>3.1.1.1. The number of registered small business initiatives with a tourism related function (tourist guide, hotel, restaurant, bar, taxi driver) increased by at least 10%</p> <p>3.1.2.1. The number of hotels and restaurants with internationally recognised certificates increased by 10%</p> <p>3.1.2.2. The number of and length of hotel bookings by international tourists increased by 20%</p> <p>3.1.3.1. The number of upgraded cultural and natural sites increased by at least 10%</p> <p>3.1.3.2. The number of visitors to cultural and natural sites and buildings increased by at least 10%</p> <p>3.1.4.1. The number of mountain lodges, and kilometres of developed and upgraded biking and hiking trails increased by at least 10%</p> | <p>Official statistics</p> <p>Reports from the relevant authorities/ministries</p> <p>Reports of central and local tourist organisations</p> <p>Monitoring/project reports</p> | <ul style="list-style-type: none"> • Encourage entrepreneurship in the tourism sector • Support the development and upgrading of small-scale (public) tourism infrastructure • Create and improve training for upgrading hospitality skills in the tourism sector, involving the regional education and private sector • Promote and stimulate the introduction of (international) certifications and standards in order to improve the stable quality of tourism providers • Promote and stimulate joint tourism products (for example: hiking and biking tours etc.) as well as (multi-sector) clusters in the tourism sector • Improve and integrate (web-based) possibilities to find (cross border) tourism information and booking facilities • Support initiatives to preserve, restore and maintain cultural and historical sites • Support the upgrading, |

¹³ The most recent statistical data for both IPA II Beneficiaries are from 2011.



| | | | | |
|--|--|--|--|--|
| | | | | <p>maintenance and promotion of National Parks and other environmentally precious areas</p> <ul style="list-style-type: none"> • Support research on and protection of vulnerable and valuable flora and fauna • Support youth initiatives addressing conservation of cultural heritage and values • Promote the creative industry (e.g. women producing handicraft) • Support joint initiatives to promote, preserve and innovate the cultural heritage in the programme area • Promotion of outdoor tourism services and facilities |
|--|--|--|--|--|



Thematic Priority 4: Technical Assistance

Specific objective:

The specific objective of the technical assistance is to ensure the efficient, effective, transparent and timely implementation of the cross-border cooperation programme as well as to raise awareness of the programme amongst central, regional and local communities and, in general, the population in the eligible programme area. It also supports awareness-raising activities in order to inform citizens in both IPA II beneficiaries. Moreover, as experience has shown under the programming cycle 2007-2013, this priority will also reinforce the administrative capacity of the authorities and beneficiaries implementing the programme with a view to improve ownership and suitability of the programme and projects' results.

The technical assistance allocation will be used to support the work of the Operating Structures (OS) and of the Joint Monitoring Committee (JMC) in ensuring the efficient set-up, implementation, monitoring and evaluation of the programmes as well as an optimal use of resources. This will be achieved through the establishment and operation of a Joint Technical Secretariat (JTS) based on the territory Montenegro and an Antenna Office on Kosovo. The JTS will be in charge of the day-to-day management of the programme and will be reporting to the OS and JMC.

Intended results:

1. The administrative support to the Operating Structures (OS) and Joint Monitoring Committee (JMC) of the programme is enhanced

This priority will secure a smooth programme implementation during all its phases. It includes the availability of the financial means and the deployment of qualified staff in charge of assisting the Operating Structures and the Joint Monitoring Committee, as well as establishing and enforcing management, monitoring and control mechanisms and procedures. If required, it will also contribute to the preparation of the successive financial cycle (2021-2027).

Result indicators:

| Indicator | Unit | Baseline | Target 2022 |
|--|-------------|-----------------|--------------------|
| Average share of beneficiaries satisfied with the programme implementation support ^{14**} | Percentage | No data | 85% |

2. The technical and administrative capacity for programme management and implementation is increased

This priority will also provide opportunities for improving the competences and skills of the management structures of the programmes, as well as of the potential applicants and grant beneficiaries. Specific capacity building activities will be planned and executed on the basis of identified needs in the course of the implementation of the programme. As part of the lessons learned from the programme cycle 2007-2013, (i) an increased participation of the JMC members in the tasks stipulated under the IPA II legal framework will be expected; (ii) the capacity of potential applicants to develop sustainable cross-border partnerships will be

¹⁴ Requires a regular and simple survey using a standard questionnaire with closed types of questions.



enhanced; and (iii) the capacity of grant beneficiaries to satisfactorily meet the obligations of their contracts will be reinforced.

Result indicators:

| Indicator | Unit | Baseline | Target 2022 |
|---|-------------|-----------------|--------------------|
| Average increase in the number of proposals received within each consecutive call | Percentage | No data | No data* |
| Average increase in the number of concept notes that would qualify for further assessment | Percentage | 0 | 10% |

* Please note that in the financial perspective 2014-2020 possible tailored/strategic Calls for Proposals are envisaged with clear focus and/or certain requirements regarding potential beneficiaries. Also, Calls for Proposals might use the rotating principle for the selection of thematic priorities (TP) and their specific objectives and in that respect the number of proposals might not necessarily be increased. For these reasons, the potential expected increase in the number of applications received could be calculated for each consecutive call individually and will be affected by a factor that could be calculated based on: 1) Total financial envelope available, 2) Thematic priorities, specific objectives and results included in the Call for Proposals, 3) Minimum and maximum amounts of grants allowed, 4) Number of applications and grants allowed per applicant/co-applicant/affiliated entity and 5) Any other special provisions influencing various eligibility criteria applicable for a specific call for proposals.

4.1.3. The visibility of the programme and its outcomes is guaranteed.

The CBC programmes have been very popular in the eligible areas thanks, amongst other things, to the visibility actions undertaken during the 2007-2013 programme cycle. Looking at the number of applicants in subsequent calls, it has been noted that there is an increasing interest for cooperation initiatives. These achievements should be maintained and even improved during the implementation of the financial perspective 2014-2020. A variety of communication channels and publicity tools should be developed to ensure regular information between programme stakeholders and a wider audience.

Result indicators:

| Indicator | Unit | Baseline | Target 2022 |
|--|-------------|-----------------|--------------------|
| Increase in the number of people participating in promotional events | Percentage | 500 | 100% |
| Visits to the programme website | Number | 0 | 30,000 |

Type of activities:

A non-exhaustive list of potential activities covered by the technical assistance allocation would include:

- Establishment and functioning of the Joint Technical Secretariat and its Antenna.
- Organisation of events, meetings, training sessions, study tours or exchange visits to learn from best practice of other territorial development initiatives
- Participation of staff of the management structures in Western Balkans or EU forums
- Preparation of internal and/or external manuals/handbooks
- Assistance to potential applicants in partnership and project development (partners search forums etc.)
- Advice to grant beneficiaries on project implementation issues
- Monitoring of project and programme implementation, including the establishment of a monitoring system and related reporting
- Organisation of evaluation activities, analyses, surveys and/or background studies



- Information and publicity, including the preparation, adoption and regular revision of a visibility and communication plan, dissemination (info-days, lessons learnt, best case studies, press articles and releases), promotional events and printed items, development of communication tools, maintenance, updating and upgrading of the programme website, etc.
- Support to the work of the Joint Task Force in charge of preparing the programme cycle 2021-2026

Target groups and final beneficiaries (non-exhaustive list):

- Programme management structures, including the contracting authorities
- Potential applicants
- Grant beneficiaries
- Final project beneficiaries
- General audience

3.3 Horizontal and cross-cutting issues

Horizontal and cross-cutting issues play an important role in the preparation and implementation of this programme. Because of their very nature they are namely per definition a priority.

Protection and preservation of environment, natural resources and cultural heritage is the key to the sustainable development of the program area. Efficient use of energy resources and better waste and land management, as well as the control of pollution are amongst the key priorities of both governments. Better quality of air, water and soil, together with a rich historic-cultural-artistic heritage in the bordering area that needs to be preserved, are the prerequisite for the development of tourism. Both cultural and environmental heritage are assets for the economic development of the programme area. Rich natural biodiversity, untouched and attractive environment, diversity of natural landscapes call for the development of eco-tourism related type of outdoor “experiences” as an integrated tourism package (e.g. mountaineering, rafting, trekking, biking). Favourable natural conditions and resources for diversified and sustainable agriculture created specific culinary tradition where agro-food products contribute to strengthening the identity and tourist experience of the region. Further valorisation of natural resources in the view of economic development is a key issue for the development of the area. Absence of employment opportunities resulting in emigration of young and qualified workers could be best addressed by opening new jobs in the field of agriculture, production of eco food and other related products and tourism.

Development of employment programs for social integration of socially marginalized groups and the issue of equal opportunities will be closely monitored in order to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the preparation, design and implementation of the cooperation programme. Dissemination of information, for example on an upcoming Call for Proposals, will therefore be widespread, without any prejudice or preference for whatever background of eligible participants. And when organising information events it will be made sure that the venue will be accessible for disabled persons also.

Also, the individual thematic priorities themselves have been chosen taking into account horizontal and cross cutting issues, even though it is obvious that selected priorities are tightly integrated throughout and across the supported activities within the programme. Taking an isolated view of the selected priorities, it could be concluded that:



- The selected thematic priority “Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management” **is** a horizontal and cross-cutting issue itself and through a separate financial allocation will therefore be well covered in this programme.
- The selected thematic priority “Promoting employment, labour mobility and social and cultural inclusion across the border” even mentions the aspect of social and cultural inclusion, which means: inclusion for **all**. This is moreover expressed and explicitly covered through its Specific Objective to “Encourage socially vulnerable groups to participate in society”.
- The tourism sector, which is targeted through the selected thematic priority of “Encouraging tourism and cultural and natural heritage” is known to employ a relatively higher percentage of women compared to, for example, the industry sector, thus providing an additional opportunity to address and reduce female unemployment in the programme area.

Projects prepared under the Area Based Development (ABD) approach to facilitate sustainable growth in defined geographical areas in cross-border regions in the Western Balkans, in particular rural areas characterized by specific complex development problems, may be considered for funding under this cross-border cooperation programme. Account will be taken of the preparatory work for the ABD approach already carried out in the cross-border region covering Montenegro and Kosovo.

Double funding must be avoided and complementarity of the activities with other programmes must be ensured.



Section 4: Financial Plan

Table 1 shows the indicative annual amount of Union contribution to the cross-border cooperation programme for the period 2014-2020. Table 2 provides an indicative distribution of the allocations per thematic priority as well as an indication on the maximum amount of Union co-financing

Table 1: Indicative financial allocations per year for the 2014-2020 cross-border cooperation programme

| Year | IPA II CBC PROGRAMME MONTENEGRO – KOSOVO | | | | | | | Total (EUR) |
|---|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2014-2020 |
| CBC Operations (<i>all thematic priorities</i>) | 840 000 | 1 200 000 | 1 200 000 | 840 000 | 1 200 000 | 1 200 000 | 1 080 000 | 7 560 000 |
| Technical Assistance | 360 000 | 0.00 | 0.00 | 360 000 | 0.00 | 0.00 | 120 000 | 840 000 |
| Total (EUR) | 1 200 000 | 1 200 000 | 1 200 000 | 1 200 000 | 1 200 000 | 1 200 000 | 1 200 000 | 8 400 000 |

Table 2: Indicative financial allocations per priority over the 2014-2020 period and rate of Union contribution

| PRIORITIES | IPA II CBC PROGRAMME MONTENEGRO – KOSOVO | | | |
|---|--|----------------------------|---------------------|----------------------------|
| | Union contribution | Beneficiaries co-financing | Total funding | Rate of Union contribution |
| | (a) | (b) | (c) = (a)+(b) | (d) = (a)/(c) |
| 1. Thematic Priority 1 - Promoting employment, labour mobility and social and cultural inclusion across the border | 2 100 000.00 | 370 588.24 | 2 470 588.24 | 85% |
| 2. Thematic Priority 2 - Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management | 2 520 000.00 | 444 705.88 | 2 964 705.88 | 85% |
| 3. Thematic Priority 3 - Encouraging tourism and cultural and natural heritage | 2 940 000.00 | 518 823.53 | 3 458 823.53 | 85% |
| 4. Technical Assistance | 840 000.00 | 0 | 840 000.00 | 100 % |
| GRAND TOTAL (EUR) | 8 400 000.00 | 1 334 117.65 | 9 734 117.65 | |

The Union contribution has been calculated in relation to the eligible expenditure, which is based on the total eligible expenditure including public and private expenditure. The Union co-financing rate at the level of each thematic priority shall not be less than 20% and not higher than 85% of the eligible expenditure.



The co-financing of the thematic priorities will be provided by the grant beneficiaries. Grant beneficiaries should contribute with a minimum of 15% of the total eligible expenditure.

The amount dedicated to technical assistance shall be limited to 10% of the total amount allocated to the programme. The Union co-financing rate shall be 100%.

Funds for the thematic priorities will be committed through Commission Implementing Decisions covering one to three years allocations, as appropriate. Funds for technical assistance will be committed through a separate Commission Implementing Decision.

Section 5: Implementing Provisions

The overall aim of the cross border programme is to implement high quality, result oriented projects with a clear added value and of a strategic nature, relevant for the cross border programme area.

As a main rule, this programme will be implemented through calls for proposals (CfP). The Joint Monitoring Committee will be responsible for identifying the thematic priorities, specific objectives, target beneficiaries and specific focus of each call for proposals which shall be endorsed by the European Commission. It is foreseen that each call for proposals would be focused on two or maximum three specific objectives at the time.

Based on the priorities defined for each call for proposals, specific elements in order to achieve projects with high level cross-border impact will be defined. These elements may include among others:

- a) General calls for proposals (open to all interested operators that are normally eligible for the activity(ies)). In the case of general calls for proposals, the JMC may limit each call for proposals to one or maximum two thematic priorities per call;
- b) Targeted calls for project proposals narrowing the target group of potential project beneficiaries.

Operations selected shall include final beneficiaries from both Montenegro and Kosovo which shall co-operate in the development and implementation of operations. In addition they shall cooperate in either the staffing or the financing of operations or both.

As only four specific objectives were selected it would be easy to rotate selected specific objectives in groups of two to three in subsequent calls for proposal. Furthermore, the call can have a greater impact if it is open to a reduced group of potential beneficiaries, such as municipalities, civil society organisations or similar. The intended results should rotate in subsequent calls for proposals following an example similar to the one illustrated in the table below:

| Round of CfPs | Specific objectives | Type of CfPs |
|---------------|---|--------------|
| First | <p>Specific objective 1.1, result 1.1.1 More people are looking for a job as a result of the actions</p> <p>Specific objective 3,1, result 3.1.1. more people become entrepreneur in tourism</p> <p>Specific objective 3,1, result 3.1.2.</p> | General CfP |



| Round of CfPs | Specific objectives | Type of CfPs |
|---------------|---|--------------|
| | Hotels, pensions and tourism attractions increase and improve their facilities | |
| Second | <p>Specific objective 1.1, result 1.1.2. More unemployed people, including students that finished or still in the school, succeed in finding a job</p> <p>Specific objective 1.1, result 1.1.3. More people decide to start their own business</p> <p>Specific objective 3,1, result 3.1.4. Outdoor tourism activities and facilities created and improved</p> <p>Specific objective 3,1, result 3.1.3. Sites and buildings with a cultural value conserved, revitalised and open to public</p> | General CfP |
| Third | <p>Specific objective 1.2, result 1.2.1. Increased participation of socially vulnerable groups in sportive and cultural life</p> <p>Specific objective 1.2, result 1.2.2. Increased participation of socially vulnerable groups in education</p> <p>Specific objective 1.2, result 1.2.3. Health of socially vulnerable groups improved</p> | Targeted CfP |
| Fourth | Specific objective 1.2, result 2.1.1. Better quality of air, water and soil | Targeted CfP |

Strategic Projects are defined as those which have a significant cross-border impact throughout the Programme area and which will, on their own or in combination with other Strategic Projects, achieve in particular a specific objective. During the preparation of the programme no strategic projects have been identified. However during the programme implementation period it might be considered to allocate part of the financial allocation of the programme to one or more strategic projects. The identification of strategic projects will depend on whether specific interest is demonstrated by both IPA II beneficiaries to address specific strategic priorities which clearly follow common objectives and prove to have a clear cross-border impact.

Strategic projects can be selected through calls for strategic projects or outside call for proposals. In the latter case the programme partners will jointly identify and agree on any



strategic project(s) that will be approved by the JMC at the appropriate moment along the programme implementation. After the identification and confirmation of the strategic approach by the responsible authorities and the JMC, relevant institutions (lead institutions for strategic projects) will be invited to submit their proposals in the form of terms of reference, technical specifications or bills of quantities. In that event, after being proposed and approved by the JMC and endorsed by the Commission, the CBC programme must be amended to incorporate such a strategic project.

In both cases the received proposals will be evaluated on the basis of pre-defined and non-discriminatory selection criteria. Strategic projects shall deliver clear cross border impacts and benefits to the border area and its people and shall produce durable changes and effects that extend beyond the cross border area and beyond current project content. Some general criteria for selecting the strategic projects would be: impact on both sides of the programme area; link with local, regional or other strategies for development of the bordering areas; level of contribution and co-financing from local authorities; number of population benefiting from the intervention; cost effectiveness of the intervention; complementarity with parallel actions, sustainability of intervention.



ANNEXES





ANNEX 1: Description and Analyses of the Programme Area

A1.1 Political

In Kosovo, the public administration requires reforming in order to implement its reform policies. These reforms are formulated in the “Public administration reform strategy 2010 - 2013” of the Government and include:

1. Policy management, for a reorganised system and institutional capacity building for the transparent planning, development and debate of public policies
2. Legislative drafting, for a reorganised system and institutional capacity building for the planning, drafting and monitoring of legislation
3. Ethics and transparency, for a public administration that is ethical, transparent, responsible, incorrupt, non-discriminatory and with equal opportunities.
4. Communication with and participation of citizens, for a reorganized communication system and strengthened participation of citizens in the drafting process of policies, legislation and decision-making
5. Budgetary planning, for a planned budget in accordance with the priorities set by the government
6. Budgetary execution, for a better effectiveness (performance) in budget execution and dealing with requests from budgetary organizations in accordance with a set of criteria for controlling revenues and for making budget revisions
7. Internal control and auditing, for the improvement of the internal audit and control system
8. Public procurement, for a modernisation of public procurement procedures in accordance with the international best practices and standards.
9. Organization of the public administration, for the reorganization of the executive and its subordinated organs in accordance with the approved recommendations
10. Human resources management and development, for a civil service which is professional, impartial, independent, merit based, including reform of salary system, oriented towards citizens and businesses
11. Rationalisation of administrative processes through digitalization (e-governance), for improved administrative services that are provided by the government institutions for citizens, businesses and itself, resulting in a modern, transparent, and well performing Government

In Montenegro the national reform process is focused on the efficient and reliable provision of adequate public sector services, essential for achieving a higher level of life quality of citizens and for creating a favourable economic and social environment. In view of the fact that Montenegro is in the advanced stage of EU integration, close attention is paid to the administrative capacities needed for enforcing the EU Acquis communautaire. The alignment with the EU Acquis communautaire means not only the harmonization of laws but also the development of different sector policies related to administrative capacities that are now not qualified enough to cope with new challenges and requirements.

The Strategy for Public Administration Reform for the period 2011 – 2016 has been adopted as well as its implementation Framework Action Plan under which actions are undertaken during the reform of public administration, local self-governments and organizations and holders of public authorisations. This is to result in a “structural adjustment of the public administration system to the best European standards; rationalization of public administration; its increased efficiency and savings; improvement of coordination inside public administration; its openness, accessibility; and the participation of citizens in public duties performance”.

The fiscal policy of the public sector and its effects on the national budget has been an issue since Montenegro regained independence. Measures have been undertaken for ensuring fiscal discipline, among which also the one restricting the wages fund, while at the same time



measures have to be taken and funded to improve the efficiency of public administration and to build capacities for managing the process of accession to the European Union.

As far as the **country status regarding EU accession of Montenegro** is concerned, the decision establishing the Negotiating Structure for the Accession of Montenegro to the European Union was adopted on 2 February 2012. On 29 December 2012 the Government of Montenegro appointed the Chief Negotiator for conducting negotiations regarding accession of Montenegro to the EU. 33 working groups were established to conduct negotiations for certain chapters of the *acquis*, and 12 negotiators - members of the Negotiating Group - were appointed. By the end of 2013 the negotiating structure consists of approximately 1,300 members, including representatives of all social structures, public institutions, the academic community and civil society.

In March 2012, Montenegro initiated the screening process, a detailed analysis of the level of compliance of Montenegrin legislation with EU legislation. The screening of all negotiating chapters was completed on 27 June 2013. In the course of that process 66 explanatory and bilateral screening meetings were held for 33 negotiating chapters. Following the reception of the EC Screening Report (for individual chapters), the Negotiating Structure will work on the negotiating positions and development of reports on the negotiating chapters.

The EU's relations with the Western Balkan countries take place within a special framework known as the **Stabilisation and Association Process**. It has 3 aims:

1. Stabilising the countries politically and encouraging their swift transition to a market economy
2. Promoting regional cooperation
3. Eventual membership of the EU

A country is offered the prospect of membership (it becomes a potential candidate). This means it should be offered official candidate status when it is ready. This process helps the countries concerned build their capacity to adopt and implement EU law, as well as European and international standards. It is based on an ever-closer partnership, with the EU offering a mixture of:

1. Trade concessions (duty-free access to EU markets)
2. Economic and financial assistance
3. Assistance for reconstruction, development and stabilization
4. Stabilisation and association agreements – a far-reaching contractual relationship with the EU, entailing mutual rights and obligations.

Each country moves step by step towards EU membership as it fulfils its commitments in the stabilisation and association process. The Commission assesses progress made in annual progress reports.

On **Kosovo** the European Commission observed in a Feasibility Study In October 2012 that increased alignment of legislation with the *acquis* was recommended in order for Kosovo to meet its obligations under a possible future Stabilisation and Association Agreement. Underlining that the pace of progress depends on Kosovo itself, the European Commission invited Kosovo to intensify reforms and focus on implementation in the areas of *rule of law, judiciary, public administration, electoral reform and the Assembly, human and fundamental rights, protection of minorities, trade and internal market issues, and phytosanitary and veterinary issues*.¹⁵

But a year later, in October 2013, the Commission also observes that Kosovo has made substantial progress in these areas.¹⁶

In the context of the **political criteria**, the Kosovo government has increased its capacity to address priorities of the European approximation process. It has demonstrated this capacity

¹⁵ Source: European Commission - Feasibility study for a Stabilisation and Association Agreement with Kosovo, October 2012

¹⁶ Source: European Commission – Kosovo 2013 Progress Report, October 2013



by its follow-up to the short-term priorities of the feasibility study and the preparations for the negotiations of the Stabilisation and Association Agreement. Steps have also been taken to improve the Assembly's oversight of the government's work. However, the decision of the Assembly to debate the outcome of a judicial case was a setback to Kosovo's efforts to strengthen its institutions of democratic governance.

Kosovo has demonstrated a commitment to deliver results in the fight against organised crime and corruption, including launching investigations and strengthening the legislative framework. First steps have been taken to produce harmonised statistics in this area. Kosovo has also continued its good cooperation with EULEX. The judicial system underwent important reform. Its coherent implementation will be essential for bringing further positive changes and will need to be closely monitored. In January, the laws on courts and on prosecution entered into force, introducing new court and prosecution structures. The new legal framework is expected to contribute to the independence, effectiveness, accountability and impartiality of the judicial system. Kosovo has also continued the readmission of persons from Member States.

Following feasibility study recommendations, the Assembly has modified the articles of the Criminal Code on criminal liability of the media and the protection of journalists' sources. The Implementation Monitoring Council, which brings Kosovo authorities and the Serbian Orthodox Church together, has been established and functions well. Public broadcasting in the Serbian language has also started. A new Language Commissioner was appointed and his office has started to perform its functions. The budget and staff of the Ombudsperson have increased so that this institution can now deliver on its role as protector of good governance and human rights in Kosovo.

Kosovo still needs to ensure that **electoral reform** is completed and the legal framework reflects best practice in the EU. The **Assembly** needs to enhance its oversight of the executive by improved scrutiny of draft legislation and by monitoring the implementation of policies and laws. The government needs to ensure adequate participation in the work of the Assembly. Financial independence of the Assembly has improved, but further steps are needed (for example improving rules of procedure and legislation on the Assembly) to enhance the financial and administrative independence of the Assembly.

On the **rule of law**, Kosovo needs to provide concrete evidence of results in fighting organised crime and corruption as a matter of priority, and strengthen legislation and its implementation. Kosovo needs to improve further the reliability of statistics in these areas. Kosovo needs to actively support EULEX in the implementation of its mandate, including the Special Investigative Task Force. Kosovo is progressively taking on increasing responsibilities from EULEX. The Structured Dialogue on the Rule of Law is an essential forum for Kosovo and the EU to review progress in this regard.

Political interference in the work of the **judiciary** remains a serious concern. The Judicial and Prosecutorial Councils need to strongly respond to attacks against judges, prosecutors and the judicial institutions. The Assembly and the government need to do the same. Appropriate security and protection measures for judges and court staff, as well as prosecutors, witnesses and plaintiffs, are necessary. Kosovo needs to take further measures to reduce the total backlog of cases, including the enforcement of court rulings, and ensure trials are conducted in appropriate premises and in line with court procedures. The recruitment of judges and prosecutors from minorities in accordance with the legislative framework needs to continue. Kosovo needs to ensure that the special prosecution responsible for cases of organised crime, war crimes and corruption maintains its competencies.

As concerns **public administration**, Kosovo needs to focus on the implementation of legislation, the strategy and the action plan, which requires strong political guidance. The professionalism of the civil service needs to be enhanced, and the persons belonging to minorities need to be well represented in line with the legislation. Political interference with recruitment and appointment of public employees needs to stop. In the area of **human and fundamental rights**, the complex and overlapping institutional set-up for their promotion and protection needs to be simplified. More efforts are needed in investigating and prosecuting physical attacks against journalists. The same applies to violent incidents against the lesbian, gay, bisexual, transgender and intersex (LGBTI) community. Progress is also needed in enforcing property rights, for example through decreasing the backlog of cases and improving



enforcement of judicial and administrative decisions. Personal data protection legislation needs to be better enforced. The Assembly needs to design a sustainable long-term funding mechanism for the public broadcaster; appointments to its board still need to be completed.

On the **protection of minorities**, legislation on cultural heritage and the Serbian Orthodox Church needs to be implemented. Local authorities need to be further supported to continue the process of decentralisation. The strategy and action plan for the Roma, Ashkali and Egyptian communities need to be implemented vigorously, as the situation of these minorities on the ground remains a major concern. This is also important in the context of the visa liberalisation process. Attacks motivated by ethnicity or religion have to be investigated, prosecuted and perpetrators brought to justice.

As regards the **economic criteria**, Kosovo has made some progress towards establishing a functioning market economy. Considerable reforms and investments are needed to enable it to cope over the long term with competitive pressure and market forces. The challenging economic situation in the region and the EU has started to affect Kosovo's economy, although less than in other countries of the region. Kosovo's GDP grew by 2.5% in 2012. Fiscal policy has been prudent and budget performance has been on track. A legally binding fiscal rule was introduced, to be implemented in 2014. Unemployment has remained very high. Kosovo has continued significant investments in its infrastructure. Continuous efforts are needed to support macroeconomic stability and improvement in the social situation. Kosovo needs to improve its competitiveness and business environment, and support the private sector so as to reduce unemployment. A sound business environment demands further measures to tackle the weak rule of law and corruption. Privatisation needs to continue. The informal sector remains an important challenge.

The priorities in the area of **European standards** need to be tackled in the context of negotiations on the Stabilisation and Association Agreement. Kosovo has completed the restructuring of the Ministry for Trade and Industry so as to be able to negotiate the trade-related parts of the agreement effectively and it has completed an impact analysis. Kosovo has also undertaken efforts to prepare the agricultural census.

As regards **trade and internal market issues**, improving Kosovo's business statistics is essential. Kosovo needs to continue implementing the legal framework for trade, competition and the internal market. Kosovo needs to step up its efforts in a number of **phytosanitary and veterinary areas** that affect food safety, as defined in the feasibility study. In the energy sector, efforts to decommission the Kosovo A power plant need to be enhanced. The focus on the priorities of the feasibility study, on preparing the negotiations of the agreement with the EU and on the visa liberalisation dialogue has had an impact on progress in other sectors.

So although progress has clearly been made, a lot of work still remains to be done. But 2013 has been a very important year for Kosovo on its path to the European Union. The decisions of the European Council in June 2013 authorising the opening of negotiations for a Stabilisation and Association Agreement (SAA) represented the start of a new phase in EU-Kosovo relations, and the Commission aims to complete these negotiations in spring 2014, to initial the draft agreement in summer 2014 and thereafter to submit the proposals for the Council to sign and conclude the agreement.

The **Stabilisation and Association Agreement with Montenegro (SAA)** entered into force on 1 May 2010, following ratification in all EU Member States. During the ratification process – which lasted just over two and a half years – the so called Interim Agreement was implemented, referring to trade and trade-related issues falling under the competence of the EC. When the Stabilisation and Association Agreement entered into force the Interim Agreement ceased to be valid and a new institutional framework for cooperation between the EU and Montenegro was established.

Although the Stabilisation and Association Committee of Montenegro and the EU jointly concluded that progress was made in all areas of SAA implementation, annual Progress reports also pointed to the need for additional legislative and institutional harmonisation in the following areas:

1. Agriculture and rural development– it is necessary to establish the Payment Agency in the sector of agriculture, and to continuously strengthen the capacities of the Payment Agency which by the day of accession needs to establish the Integrated Administration



and Control System (IACS) for the enforcement, monitoring and control of direct payments, identification of land parcels (Land Parcel Identification System LPIS), and monitoring of the intervention measures for the market management (CMO) – Common Market Organisation;

2. Food safety – Montenegro should establish a working body which would coordinate all activities in the area of food safety, including the control;
3. Taxes and customs – It is necessary to further strengthen IT sectors in the Tax Administration and the Customs Administration. According to recommendations from the last Progress Report, the last Law Amending the Law on Excise (Official Gazette of Montenegro 38/13) was adopted and it envisages the abolition of the coffee excise effective from 1 January 2015;
4. Financial control– It is necessary to make additional efforts in strengthening the independence of the State Audit Institution and the strengthening of the administrative capacities of this institution.
5. Commercial law –it is necessary to establish an independent body for the control of work of auditors;
6. Judiciary and fundamental rights and Justice, freedom and security– The most important recommendations in this area are related to the constitutional reforms, capacity building in the Administration for Anti-Corruption Initiative and the Public Audit Institution, asylum, etc. Some activities have already been carried out regarding the fulfilment of obligations stemming from these two chapters. A detailed set of reform measures has been envisaged by the action plans for Chapters 23 and 24 which were adopted by the Government on 27 June 2013;
7. External relations – It is necessary to clearly define the institution which would deal with the export loans;
8. Environmental protection – the lack of strategic approach in the area of water quality and waste management. It is necessary to strengthen administrative capacities regarding environmental inspectors.

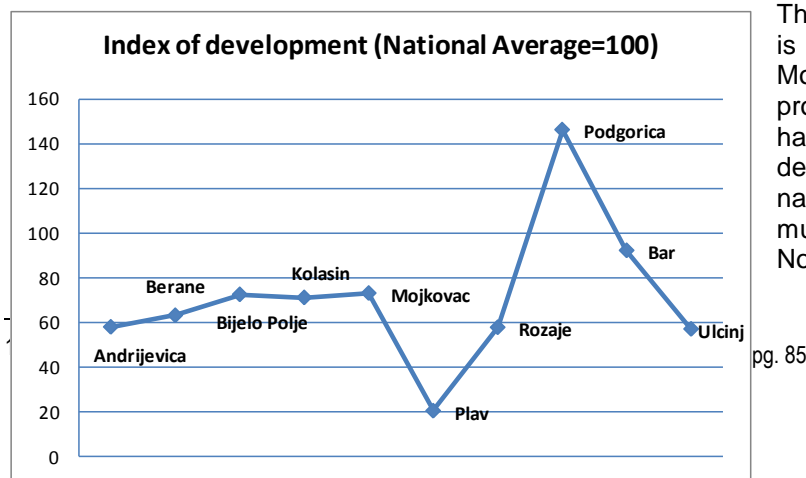
A1.2 Economic

Regional Disparities

Regional differences in terms of economic and social development, not only between Montenegro and Kosovo but even within their regions, constitute a characteristic of the programme area.

The Regional Development Strategy of **Montenegro** measures these differences by calculating a development index, which is a weighted average of basic socio-economic indicators. According to this index, the situation of the municipalities within the programme area in Montenegro is as shown in the *graph 6*.¹⁷

Figure 3: Index of development of municipalities in Montenegro



The capital city of Podgorica is located within the Montenegrin part of the programme area and is having a level of development above the national average. All municipalities of the Northern Region are below

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the national average. The municipalities of Plav and Gusinje, in a landlocked location, have the lowest level of development in the country. The municipalities of Bar and Ulcinj, unlike the other coastal municipalities, are also below the national average. However Bar is in a better situation due to the economic weight of its port.

Relatively industrialised at the time of Yugoslavia, the northern region has faced a major economic decline. The whole northern region contributes to the national GDP with only 18%. The average unemployment rate as well as the poverty rate are significantly higher than in the central and coastal regions. This situation leads to a constant de-population of this region, which may hamper further development plans. However, the region has valuable resources which are mainly linked to its unique environment. This is particularly the case for the agriculture and forestry sectors, for the production of renewable energy and for developing all types of mountain and eco tourism. Small production activities mainly related to food processing (meat, fruit and vegetable) and wood processing are re-developing and a lot of efforts are devoted to develop new tourism products.

The Capital city of Podgorica, having a central position, is concentrating on services and industries. It also benefits from favourable soil and climate conditions for intensive agriculture.

The coastal region, apart from the activities related to the port of Bar, is highly depending on tourism and related activities. However, foreign and national investments in tourism sector were so far mainly concentrated in the western part of the coast. In terms of tourism infrastructure, Ulcinj and Bar are still far from being at the level of the other municipalities of the Montenegrin Adriatic coast.

In Kosovo, the programme area has a predominantly industrial-agrarian based economy. Agriculture, trade, construction and food processing are generating the majority of local turnover and revenues.

Currently, the major strengths of the West Economic Region lie in its geographical location as a gateway to neighbouring countries (Albania and Montenegro) with which it has a long tradition of trade. The quality of its natural environment, the potential for agriculture production and especially tourism, as an attraction for visitors, are also factors favouring the economic development of the area. The region has a relatively developed food industry with enterprises supplying the Kosovo market and exporting to the neighbouring countries. The construction sector (apartment buildings) and the food and beverage industry are particularly expanding. The region is very rich with forest products which are very much required in the external market and the timber industry is reviving. In addition capitalizing on the traditional advantages in these sectors, RDA West (the Regional Development Agency for Western Kosovo) underlines the need and potential for foreign direct investments (FDI) in the innovative sectors of information and communication technology (ICT) and business services.¹⁸

The private sector and its main economic sectors

| Montenegro | No of Active entrepreneurs and SMEs | % of the total Montenegro SMEs | Kosovo | No of registered businesses | % of the total Kosovo registered businesses |
|----------------------|-------------------------------------|--------------------------------|----------------------|-----------------------------|---|
| Total programme area | 12,903 | 57.82% | West Economic region | 18,174 | 17% |

With well over 40,000 businesses in the programme area the private sector is becoming an important factor in job generation in both IPA II Beneficiaries. **In Kosovo** there are currently 18,174¹⁹ registered businesses operating in the programme area, accounting for 17% of total number of businesses registered in Kosovo. The overwhelming majority of companies are

¹⁸ Source: RDA West - Regional Promotion Strategy of investments in the western region of Kosovo, 2013

¹⁹ Source: SME Support Agency : A statistical Overview of Enterprises as of 30.09.2011



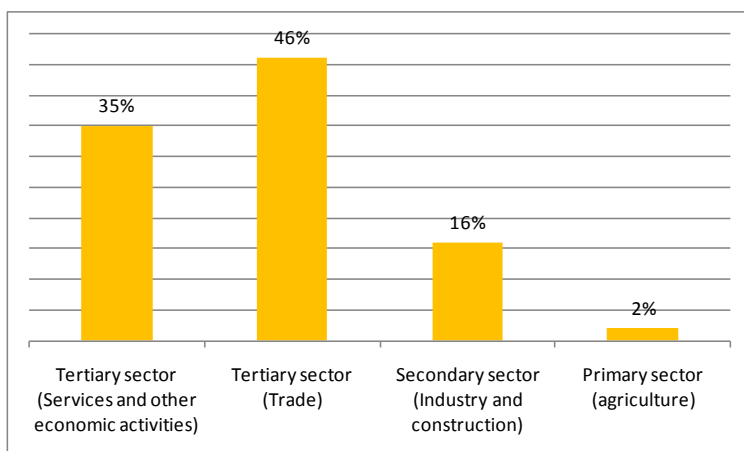
SMEs, just like the overwhelming majority of SMEs are micro companies with less than 10 employees²⁰. In Kosovo for example over 98% of all companies are micro companies.²¹

| Classification by Size | Number of Employees | Number of Enterprises | Percentage of Total |
|------------------------|---------------------|-----------------------|---------------------|
| Micro | 1-9 | 102,070 | 98.37 |
| Small | 10-49 | 1,406 | 1.35 |
| Medium | 50-249 | 221 | 0.22 |
| Large | 250 or more | 58 | 0.06 |
| Total | | 103,755 | 100.00 |

In **Montenegro**, 12,903 active entrepreneurs and SMEs were operating in 2012 in the programme area (counting for 57.82% of the total number of active SMEs in Montenegro) but 54.73% of them are concentrated in the municipality of Podgorica²².

As shown in the graphs 7 and 8, the distribution of SMEs per economic sectors is similar in the two IPA II beneficiaries. The main SMEs activity is concentrated in the trade sector (retail and wholesale trade) dominating with 46% in Kosovo²³ and 43% in Montenegro, followed by other activities in the tertiary sector (35% in Kosovo and 39% in Montenegro). SMEs in the primary sector were represented with only 2% and 1 % in both beneficiaries, but the number is believed to be much higher due to the fact that majority of farmers operate as family business not officially registered in the tax offices.²⁴

Figure 4: Businesses by economic sectors in Kosovo



In the **Kosovo** part of the programme area and in the Northern Region in Montenegro, the private sector is dominated by small shops, which sell mostly imported goods. Generally speaking, the manufacturing sector is underdeveloped, there is a flourishing informal economy, and businesses have difficulties in obtaining capital for investment due to high credit interest rates of commercial banks. The

estimated size of the informal economy in **Kosovo** ranges from 40 to 50% of GDP²⁵. This weakens the trust between SMEs and the financial institutions and reduces SMEs' access to credit and ability to make use of formal mechanisms for disputes resolution. It also discourages foreign investment and in that sense cross border cooperation. Amongst the important factors representing a constraint for the economic development of the programme area are the lack of technological know-how and labour skills necessary to respond to the market demand for high-quality services and products. In the food industry, the lack of distinctiveness (packaging, marketing strategy, etc.), poor branding and lack of quality

²⁰ Source: Kosovo Business Registration Agency (KBRA), 2013

²¹ Source: SME Development Strategy for Kosovo 2012 - 2016

²² Source: Directorate for Development of SMEs, 2012

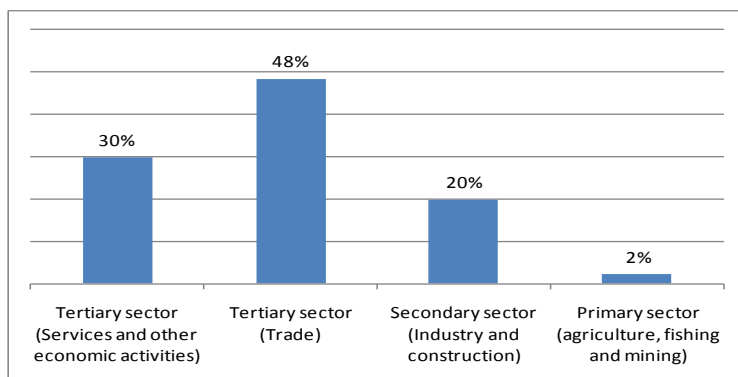
²³ Source: Kosovo MTI/ SMEs Support Agency, "SME Annual Report" 2009

²⁴ Source Monstat "Analysis of businesses by municipality and sector" Sept 2012

²⁵ Source: Government Programme for Prevention of the Informal Economy in Kosovo 2010-2012



Figure 5: Businesses by economic sectors in Montenegro



standards are major constraints not only for export but also for supplying the internal markets.

In **Montenegro**, the national market and the tourist flow in the Coastal Region offer possibilities for marketing local products, something still largely unexploited by the Northern Region. Linking the northern production capacity (e.g. high quality and traditional agro-food

products) with the southern market is a priority emphasized by many stakeholders and could also benefit to Kosovo.

In **Kosovo**, the Ministry of Trade and Industry has launched Industrial Parks and Business Incubator initiatives as a concrete measure to stimulate SMEs development. In the West Economic Region an incubator is established in Deçan/Dečani and another one is planned for Pejë/Peć municipality. In the West Economic Region of Kosovo, and with the support of EU funding, a Regional Development Agency (RDA) is established, aiming to supporting the economic development of the area. RDA has recently prepared a Regional Development Strategy 2010 – 2013. In addition the RDA West is currently, with EC technical assistance, repositioning itself in order to become more active as a business advisory centre in regional private support development.

In **Montenegro** business support mechanisms are in place, but not always up to standard. Chambers of Commerce are present in each region of the programme area but their activity is limited in scope. There is a business centre in each municipality, providing support and advice to the entrepreneurs. Business incubators, under the umbrella of the Directorate for Development of SMEs (SMEDA) are operating in Podgorica and Bar and the opening of another one is planned in Berane.

In **Kosovo** a strategy for regional development, providing an overall and integrated framework for regional and/or cross-regional priorities, is not in place. This issue is currently being addressed, with the support of EC technical assistance and has already resulted in the creation of an association of RDAs, ARDA. Meanwhile the main regional strategy for the West Economic Region is in place, prepared by the RDA West, and in close cooperation with the municipalities in the region and incorporating the municipal strategies.

In **Montenegro**, on the other hand, economic development strategies, although defined by national authorities, local governments and international organisations, are top down oriented and struggle to find relevant interlocutors at the local level. Here the insufficient cooperation between municipal and regional authorities, sector associations and farmers associations is seen by some as an obstacle for developing business activities, particularly in the field of tourism, which requires strong local, national and international interconnections.

In **Kosovo and Montenegro** it is worth noting though that policy reforms to stimulate private sector development are paying off, and that it is becoming easier to develop a business. In the World Bank's ranking of "Doing Business 2014" the situation in both Kosovo²⁶ (going up from rank 96 to 86) and Montenegro²⁷ (going up from rank 50 to 44) improved.

²⁶ Source: <http://www.doingbusiness.org/data/exploreconomies/kosovo>

²⁷ Source: <http://www.doingbusiness.org/data/exploreconomies/montenegro>

KOSOVO²⁸

| Topics | DB 2014 Rank | DB 2013 Rank | Change in Rank |
|-----------------------------------|--------------|--------------|----------------|
| Starting a Business | 100 | 126 | □26 |
| Dealing with Construction permits | 136 | 152 | □16 |
| Getting Electricity | 121 | 120 | □-1 |
| Registering Property | 58 | 75 | □17 |
| Getting Credit | 28 | 24 | □-4 |
| Protecting Investors | 98 | 95 | □-3 |
| Paying Taxes | 43 | 42 | □-1 |
| Trading Across Borders | 121 | 122 | □1 |
| Enforcing Contracts | 138 | 139 | □1 |
| Resolving Insolvency | 83 | 86 | □3 |

Recent business reforms in Kosovo:

1. Starting a business: Kosovo made starting a business easier by creating a on-stop shop for incorporation
2. Dealing with construction permits: Kosovo made dealing with construction permits easier by eliminating the requirement for validation of the main construction projects, eliminating fees for technical approvals from the municipality and reducing the building permit fee.
3. Registering property: Kosovo made transferring property easier by introducing a new notary system and by combining procedures for drafting and legalizing sale and purchase agreements.

MONTENEGRO²⁹

| Topics | DB 2014 Rank | DB 2013 Rank | Change in Rank |
|-----------------------------------|--------------|--------------|----------------|
| Starting a Business | 69 | 57 | □-12 |
| Dealing with Construction permits | 106 | 174 | □68 |
| Getting Electricity | 69 | 68 | □-1 |
| Registering Property | 98 | 114 | □16 |
| Getting Credit | 3 | 3 | No change |
| Protecting Investors | 34 | 32 | □-2 |
| Paying Taxes | 86 | 85 | □-1 |
| Trading Across Borders | 53 | 51 | □-2 |
| Enforcing Contracts | 136 | 134 | □-2 |
| Resolving Insolvency | 45 | 45 | No change |

Recent business reforms in Montenegro:

1. Dealing with construction permits: Montenegro made dealing with construction permits easier by introducing a one-stop shop and imposing strict time limits for the issuance of approvals
2. Registering property: Montenegro made registering property easier by introducing a notary system

²⁸ Source: World Bank - Doing Business 2014, Kosovo (Ranking out of 189 economies)

²⁹ Source: World Bank - Doing Business 2014, Montenegro (Ranking out of 189 economies)



In sum, in terms of private sector development there are clear synergies to be developed within the programme area and to be supported by the CBC programme.

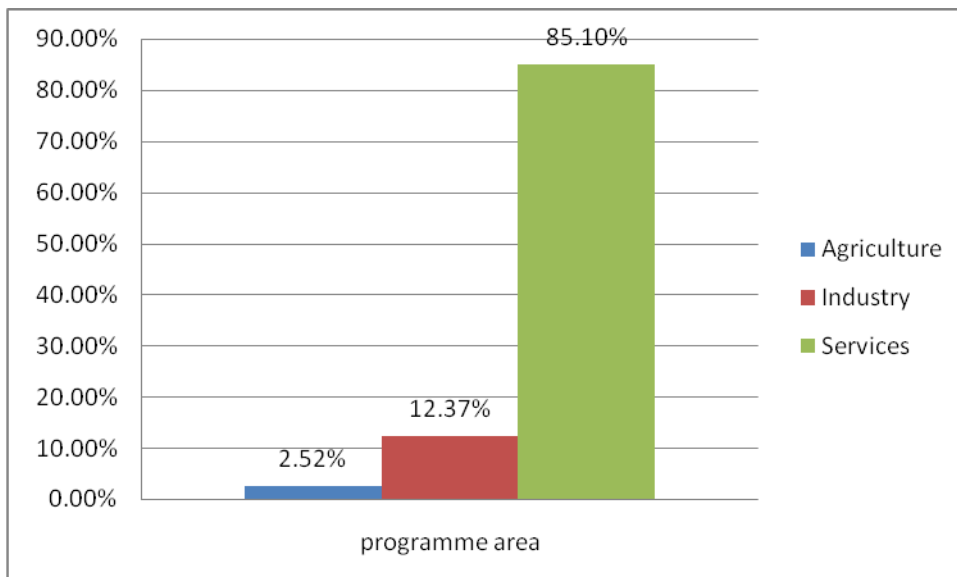
In **Montenegro**, in order to reduce disparities in economic and social development across the regions, the northern region is a priority for all national development strategies. Regional economic development plans are based on the protection and preservation of the natural and environmental resources of the region and on a high priority given to sustainable agriculture and food processing, tourism, sustainable forestry and creation of all types of “green jobs” in environmentally friendly sectors.

The same priorities are defined for the two economic regions in **Kosovo** to improve efficiency in agriculture and forestry and to develop additional sources of income from preserving natural assets and tourism. Mining is another economic potential in an area that is known for having the richest mineral resources in Kosovo (lignite and bauxite minerals in Istog/Istok and Klinë/Klina municipalities).

Labour market and unemployment

In **Kosovo**, with micro companies (i.e. companies with up to 9 employees) representing more than 98% of all companies, it should come as no surprise that private sector employment also in the programme area is largely based on small-scale enterprises and self-employment. But in rural areas the main opportunities for development and creation of employment and for increasing or compensating for limited family income are still in agriculture. The private sector in Kosovo employs about two third of the total number of employees, whilst the public sector employs about one third.

In **Montenegro** agriculture is more important for employment in the rest of the programme area than in the Bar and Ulcinj. Services, mainly in trade and tourism sectors, are predominant. Public services (particularly municipal services), are a major and often main employer. The distribution of employment per region and per economic sector in Montenegro is shown in graph 9.



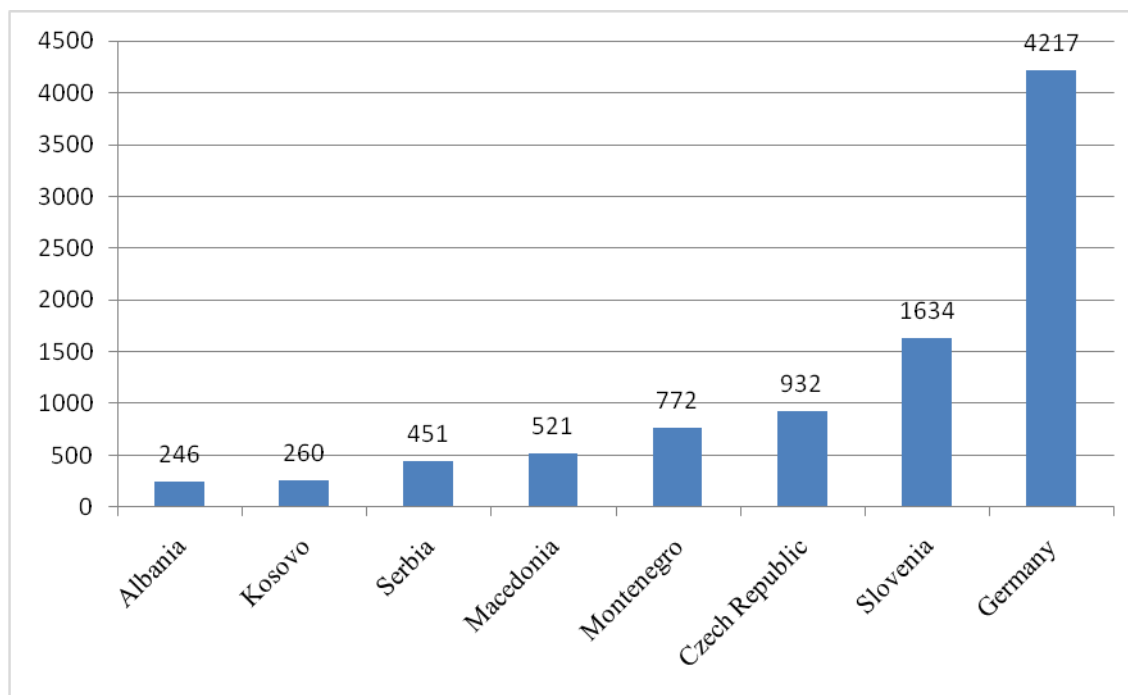
The average net salary per month in Montenegro is reported to be lower in the Northern Region than in than the national average³⁰. As regards the difference in salary level, salaries in Montenegro are according to Eurostat statistics about three times higher than in Kosovo³¹

³⁰ Source: MONSTAT, Official Statement, salaries in September 2010

³¹ Source: UNDP – Kosovo Human Development Report 2012, private sector and employment

where on estimate 34,5% of the population lives in poverty and 12,1 even in extreme poverty.³²

Figure 6: Average monthly salaries (in Euros) in central European and Balkan countries, EuroStat 2010



It should be noted however that in programme area of both Montenegro and Kosovo, considerable number of people work outside the programme area or even abroad and are very active in providing aid to their families. Remittances, thus, play an important role in subsidizing incomes and local consumption.

In Montenegro unemployment is still a major economic problem and is characterised by significant regional differences. The official unemployment rate in June 2013 was 13.58% in the programme area. A high share of unemployed are women and of young people.

In Kosovo unemployment is also a major challenge, and the regions West and North are no exception to this, with an unemployment rate of around 50%. The number of registered employed people in 2011 in the West Economic Region was 42.703, while the total number of registered unemployed then was 45,050 people (unemployment just over 50%), with the majority of them belonging to the age group from 29-35. However, this might not reflect the real situation considering that people involved in agriculture are counted as self-employed and the rate of employment in agriculture is most probably overestimated (hidden unemployment). Approximately 40% of unemployed are women.

In conclusion, regardless of the fact that the statistics may have a relatively big error margin, the consensus is that unemployment in the Kosovo programme area is still extremely high.

Agriculture and rural development

Agriculture is an important sector of the economy in the programme area, considering the fact that the majority of the population lives in rural areas and their main revenues come from agriculture-related activities. Kosovo has over 60% rural population. In Montenegro, with the

³² Source: Economic Statistics 2011 - 2012



exception of Podgorica, the share of rural population is also about 60%. Agriculture accounts for 19 % of GDP in Kosovo and about 11% of the GDP in Montenegro.

Due to climate diversity, agriculture in the programme area differs between the regions. The farming systems in the Northern Region in Montenegro and in the programme area in Kosovo have relatively similar features.

In Montenegro, the agriculture in the Central Region (Podgorica) is more intensive and export oriented; while in the Coastal Region agriculture is oriented by the growing importance of the tourism industry. The Northern Region in Montenegro has the largest share of arable land in the country. The share of population living from agriculture is also much higher than in the Southern Regions (about or over 10% in most municipalities while the national average is only 5.3%). The alluvial soils in lowlands and abundance of water make this region suitable for crop and vegetable production, fruit as well as livestock. Plateaus are adequate for high quality potato production. A large part of the territory is covered with grasslands, proper for summer pasture of cattle. Particularly important for the identity of the region are the summer pastures or “katuni”, temporary settlements for cattle and sheep breeders. A few hundreds are still used, some of which are owned and used by breeders from Kosovo. Small and medium processing units for meat and vegetables are operating in the region. Due to an insufficient production in Montenegro they are often buying a part of the raw material in Kosovo. Forests constitute a major asset for the sustainable development of the country. With 54% of its territory covered with forests, Montenegro is one of the more forested countries in Europe and more particularly of the northern region. One third of forests are privately owned. Forest fruits, medical and aromatic plants are a potential which is still to be developed.

As far as the Central and coastal regions in Montenegro are concerned, Podgorica is the main lowland region and has optimal conditions for diversified production: vegetable, field crop production, livestock, fruit and wine. Wine is the main export oriented production in Montenegro and 75% of the Montenegrin vineyards are located in Podgorica municipality.

The coastal region in Montenegro is especially suitable for subtropical fruit and olive production. Over 80% of the total number of citrus trees in Montenegro grows in Ulcinj and Bar. Olive production is a tradition in Ulcinj and Bar where 50% of the total production in Montenegro is concentrated. The olive oil, known for its quality, is produced in small processing units and almost exclusively sold on site and in local green markets. Considering the demand for domestic olive products, this production has a big potential for development. The hilly relief of the coastal area is also rich with honey plants and medical herbs and is suitable for cattle breeding.

In Kosovo the natural conditions in the programme area are suitable for a diversified development of agriculture. Agricultural productivity is often based on small plots of arable land and small-scale family households. Most agricultural products are for self-consumption, but a good part of the West Region’s production is traded on the Albanian side of the border. The large-scale migration of labour force from rural areas has caused a decline of the utilization of arable land

West Kosovo, with a total agricultural land of 141,287 hectares, of which 100 thousand hectares of arable land, has potential for the further development of the sector. The West Economic Region grows cereals, and has viticulture. Fruit-growing is increasing rapidly, making the region one of the main suppliers of the Kosovo market with apples. The mountain part of the territory is dedicated to cattle-breeding, milk production and forestry. The area is also well-known for the cultivation of trout, truck farming, viticulture and beekeeping. The cattle-breeding sector, including the processing of milk, with one of the biggest milk production plants in Kosovo located in the region, as well as developed small-scale meat processing industries, make the region important for supplying the Kosovo market. The Dukagjini Plain is of particular importance for the agriculture development of the region. Its geographical location, the fertile soil and climatic conditions are ideal for the development of horticulture, fruit production and beekeeping as well as arable and livestock (including poultry) farming. The largest part of the territory is covered by pastures. Agricultural land consists of arable land, gardens, orchards, vineyards, greenhouses, meadows, pastures, and land left fallow.



An overall observation for the whole programme area is that a clear agricultural policy, better land management, the improvement of irrigation schemes and infrastructure and the introduction of a modern agro-processing industry, remain key challenges and pre-conditions for an efficient development of agriculture in these regions. At the governmental and local levels, the development plans for agriculture are often linked with tourism.

Tourism

The importance of tourism in the economies of Montenegro and Kosovo varies a lot. On estimate³³, by including the grey market, the share of tourism in GDP could be over 30% in Montenegro while it is still negligible in Kosovo.

In Montenegro, the Coastal Region is a very popular tourist destination, in contrast to the Northern Region where tourism is still in an early stage of development. The whole Coastal Region makes up over 95% of all overnight stays in the country, mostly during the holiday months of July and August. Within the programme area, in 2011, Ulcinj and Bar made up almost a quarter of all overnight stays in the country. It was only just over 1% for Podgorica and even less than 1% for the programme area in the Northern Region³⁴.

Under the brand “Montenegro-Wild Beauty”, all efforts are now oriented towards “integrating all regions into a single high quality destination”³⁵. This integrated approach includes improvement of public infrastructures, environmental protection and preservation of traditional agriculture and handicrafts. Promoting “quality instead of quantity”, the goal is to decrease the pressure on the coast by extending the tourist season and by including the northern municipalities in the tourism offer.

Despite the current low level of tourist visits, the Northern Region of Montenegro has a potential for developing tourism related to mountain sports (skiing, hiking, biking, rafting, etc.). Donors’ initiatives and private investments in hotels already succeeded to increase tourism in the North and new hiking and biking trails are being developed. And Kolašin (the only ski centre in the programme area) is becoming a tourist centre for the region. In spite of the intended integrated approach there is a tendency however for municipalities in the region to develop their own facilities and capacities.

The Central Region, Podgorica, is not relying on tourism for its further economic development, but nevertheless in particular wine tourism is developing.

The Coastal Region is a popular tourist destination during the summer period. In 2011 as much as 1,130,387 overnight stays were registered in Bar and 878,305 in Ulcinj³⁶. In Ulcinj about two third of the tourists are reported to originate from Kosovo. However, both municipalities are suffering from insufficient investment in the tourism sector. Particularly, the hotel industry is less developed than in the other coastal municipalities and private accommodation is predominant (often not registered, which reduces tax income of the municipalities). In addition, the municipal infrastructure and urban planning are not adapted to this seasonal influx, adding pressure on the environment and quality of life of the inhabitants.

In Kosovo the tourism industry is still in an early stage of development in both economic regions and dominated mainly by daily tourism. A main reason for this is that, contrary to Montenegro, Kosovo is landlocked and lacks the coastal line that Montenegro avails of. Tourism infrastructure is therefore much less developed, which in turn is a cause for attracting less tourists.

Nevertheless, tourism is a sector of potential growth for programme area in Kosovo, thanks to natural resources, unspoiled nature and mountainous landscapes, traditional folklore and some the presence of valuable cultural and historic sites. Pejë/Peć's, with the renowned Rugova Valley for example, could be of interest to mountain tourists. And it has been

³³ Source: Montenegro Tourism Development Strategy to 2020 (2008)

³⁴ Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)

³⁵ Source: Montenegro Tourism Development Strategy to 2020 (2008)

³⁶ Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)



proposed that a joint area in Albania, Montenegro and Kosovo will form the Cursed Mountains (Bjeshkët e Nemuna/ Prokletije) National Park. And the Deçan/Deçane Monastery is a world heritage site, under protection of the UNESCO. It comes as no surprise then that it is widely agreed that “the sustainable development of the tourism sector should be based on natural resources and cultural heritage, which represent a competitive advantage of this region”.³⁷

In conclusion, despite an uneven distribution of the flow of tourists, tourism is considered as an economic opportunity for the whole programme area. Obvious synergies, potentially to be supported by the CBC programme, can be built between the Northern Region in Montenegro and the Economic Region West in Kosovo. They have similar characteristics in terms of environment, wild nature and mountains. These border regions in Montenegro and Kosovo are also sharing the same hinterland location. Some small-scale joint tourism initiatives and packages, for example biking and hiking trails, have already been initiated, but many more initiatives would be needed for tourism to be able to really take off, requiring an integrated tourism development approach backed up with the financial resources required.

A1.3 Social

Demography

| | Inhabitants | Density |
|---|------------------|------------|
| Total Montenegro ³⁸ | 620,029 | 45 |
| Total Montenegro programme area | 386,072 | 60 |
| Total Kosovo ³⁹ | 1,815,606 | 166 |
| Total Kosovo programme area | 320,751 | 138 |
| West Economic Region (municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Deçani and Gjakovë/Đakovica) as eligible area | 320,751 | 138 |
| Total programme area | 706,823 | 99 |

The population living in the programme area accounts for almost 18% of the total population of Kosovo and 62% of Montenegro. Kosovo's estimated population in the programme area is slightly lower than the population of Montenegro. Generally, on Kosovo's territory, the population density is relatively high while it is low in Montenegro, particularly in the mountainous Continental Region which constitutes more than half of the programme area in Montenegro. There is a tendency of internal and outward migration, negatively affecting the growth and structure of the population in the programme area in Kosovo and in the northern region in Montenegro.

In Montenegro the population of the programme area is predominantly urban with almost half of it concentrated in Podgorica. However, in the Northern Region and even in the Coastal Region, the majority of the population is still living in rural areas.

In Kosovo there is a low urbanisation level in the programme area: around 70% of the population is rural. The area is demographically young, with over half of the population younger than 29. Albanians make up the majority of the total population, and the rest is

³⁷ Source: RDA West - Regional Tourism Strategy for the western region of Kosovo, 2013

³⁸ Source: MONSTAT, Census 2011

³⁹ Source: Statistical Office of Kosovo "Key Indicators of Population" <http://esk.rks-gov.net/eng/>, with correction for North



composed of Serbs, Roma, Ashkali, Egyptians, Bosniaks, Turks, Croats, Gorani, Montenegrins.

In Montenegro the age distribution in the programme area is similar, although less extreme, with almost half of the population younger than 29 years old. However, in many mountainous localities, the ageing of the inhabitants is a major constraint for economic development that relies heavily on tourism and traditional agriculture. The majority of the population is composed of Montenegrins and Serbs. However, in the coastal municipalities as well as in the municipalities of Plav and Gusinje in the North, Albanians form a strong minority community and even constitute a majority in the municipality of Ulcinj. In the northern region the Bosniak population is also very important and reported to be traditionally active in trading with Kosovo. The situation of over 10,000 displaced persons from Kosovo residing in Montenegro, in particular those from Roma, Ashkali and Egyptian community, is still an issue. Most of them left Kosovo for Montenegro because of the war in 1999. In addition to this group, the number of asylum-seekers has increased significantly since 2011, but according to UNHCR for them Montenegro is mainly a transit country.⁴⁰

Education

The education system in Montenegro and Kosovo is managed at the central level. Improvement of the educational system and school infrastructure is a major priority for both governments.

In Kosovo a number of educational indicators worsened over the last decade, caused by the closure of schools, shortage of qualified teaching staff, deterioration of school infrastructure and a shortage of funding. Also demographic changes (due to migration and high birth rates) have influenced the functioning of schools. On the one hand, school attendance in rural areas is low due to long travelling times and poverty, while on the other hand classrooms are overcrowded in the main urban areas. In many cases there are 40-50 pupils per classroom, compared to the Kosovar general norms of 30-32 pupils per classroom and a lot of schools operate in shifts. Primary and secondary education in Kosovo is free and financed by the governmental budget. Education is obligatory for all from the age of 6 to 15. In addition to public education in Kosovo, the offer of private education is limited, but increasing. Primary and secondary education is provided in Albanian and Serbian languages through separate curricula.

In the West Economic Region there are 174 primary schools offering education to around 51,855 pupils. As far as secondary schools are concerned, there are 27 high schools for 19,483 pupils, while tertiary education is provided at the two public universities: the university “**Haxhi Zeka**” in Pejë/Peć and the “**Fehmi Agani**” university in Gjakova/Đakovica. Although private university institutions have proliferated in Kosovo, the public university system is still the predominant provider of education at that level⁴¹. In order to upgrade the level of skills and to better link the educational system to the requirements of the labour market and investment opportunities, the central government has proposed the establishment of a Competence Centre. RDA West argues this would be beneficial for the development of the region and that this plan should therefore get more active support from local authorities in the region⁴².

In Montenegro primary and secondary schools are considered to be well distributed over the territory and are basically covering the education needs, including in the rural areas. The main problems in education are: school infrastructure needs to be upgraded; Roma and marginalised groups need to be better integrated in the education system; there is an insufficient inclusion of children with special needs; existing curricula do not prepare the

⁴⁰ Source: UNHCR, www.unhcr.org/pages/49e48d986, 2013

⁴¹ Source: Center for National Policy – Education, the Key to Kosovo’s future, March 2013, <http://cnponline.org/ht/d/ViewBloggerThread/i/41895/pid/35636>

⁴² Source: RDA West - Regional Promotion Strategy of investments in the western region of Kosovo, 2013



young people for the market economy and entrepreneurship; and there is a lack of financial resources for scientific research and development⁴³.

In the programme area there are 96 primary schools for around 42,944 pupils and 28 secondary schools for 19,879 students (at least one in each municipality)⁴⁴. Education is provided in the Montenegrin language, but also in the Albanian language in municipalities predominantly inhabited by ethnic Albanians. As in Kosovo, education is obligatory for all from the age of 6 to 15 and is directly administrated by the Ministry of Education.

There are three universities based in Podgorica: the public University of Montenegro (19 faculties and 3 institutes) and two private universities, the Mediterranean University (6 faculties and 1 research centre) and the University Donja Gorica. The University of Montenegro and the Mediterranean University have branches in Bijelo Polje, Berane (Faculty for Management in Transport and Communication) and Bar (Faculty for Business Management / Faculty for Business and Economics).

There is no formal cooperation agreement between the universities in Montenegro and the universities in Kosovo, but the two universities in Montenegro have initiated discussions and exchanges with the public and private universities in Pristinë/Priština. They are also collaborating within the framework of several Tempus projects.

In conclusion, improving the educational system and school infrastructure is a major priority for the programme area, particularly in Kosovo. The CBC programme will have a limited role in addressing this issue but may support exchanges between schools and vocational training centres in the border areas. The presence of universities and research centres in both sides of the programme area is an asset and an opportunity not only for establishing academic cooperation, but also for initiating research programmes in the border area and in several sectors such as agriculture or tourism.

Health

The health system is relatively similar in Montenegro and Kosovo, but different demographics, with a very young population in Kosovo versus a population not old but ageing in Montenegro, affect public health differently.

In Montenegro, primary health care services are provided at municipal level and all municipalities have a primary health centres. Private health care centres are rapidly expanding in the urban areas. There are three general hospitals providing secondary health care in the programme area (in Berane, Bijelo Polje and Bar) and the Clinical centre of Montenegro in Podgorica providing secondary health care for the municipality and tertiary health care for the whole country. Health workers are known to be well trained but the health centres are often under-equipped. Some health indicators (e.g. infant mortality rate, maternal mortality rate) show a regular improvement in public health in Montenegro⁴⁵. The National Strategy of Sustainable Development of Montenegro deplores the fact that "the health care system is to a great extent geared towards the provision of curative services" and therefore considers prevention and health promotion programmes a priority

In Kosovo, Public Health Houses and Family Health Centres are established in all towns. A General Hospital and a Mental Health Centre in Pejë/Peć and a Regional Hospital in Gjakovë/Đakovica are the main hospital centres offering hospital services to the population in the West Region. All inhabitants enjoy full and equal access to the health care system. Municipal health care faces difficulties however because of poor infrastructure inadequate funding. In the West Region there are four hospitals. Private health care units have recently been expanding. Overall, the health sector is poorly and unevenly developed and the

⁴³ Source: National Strategy of Sustainable Development of Montenegro

⁴⁴ Source: Ministry of Education

⁴⁵ Source: Institute of Public Health, Montenegro Health Statistical Yearbook 2010



absence of a legal framework for health insurance in Kosovo is still hampering its development.

In conclusion, health prevention campaigns and health education are potential activities to be covered within the framework of the CBC programme, along with smaller interventions related to provision of medical equipment.

Culture

In the programme area there are several different religious beliefs, traditions, and cultures. The area is ethnically a mix of communities (Montenegrians, Albanians, Serbs, Bosniaks) that traditionally have been closely connected. There are sometimes strong bonds between the populations on the two sides of the border that are rooted in the common language and commonly shared personal, cultural, commercial and political beliefs and relations throughout history. This cultural heritage and the regional identity at large are an asset for the touristic development of the programme area. Cross-border cooperation could play an important role in protecting and promoting this heritage.

In Montenegro there is cultural centre in each municipality in the programme area, in charge of organising, together with numerous cultural associations, the local cultural life which is relatively diverse. It includes musical and literary events, theatre festivals, art exhibitions, etc. Podgorica is the main centre for international events but a few festivals in the northern region have also an international dimension (e.g. “Mojkovac Film Autumn” at which movies from former Yugoslavia are shown; the international festival of children songs in Rožaje, etc.). The programme area is rich in archaeological sites and ancient monuments (monasteries, churches, mosques). Local handicrafts and specific culinary traditions are also featuring the identity of each region of the programme area. This cultural heritage is endangered by the lack of financial resources and adequate expertise for ensuring its protection. A National Programme of Cultural Development (2011-2016) and a new Law on the Protection of Cultural Heritage were approved in 2010. They contain a plan for improving the protection of this heritage and for decentralising its management and financing⁴⁶.

In Kosovo the programming area is rich on religious and historical sites and monuments, as well as traditions and folklore and cultural events and festivals that are organised throughout the year. Cultural life in Pejë/Peć is particularly rich, but also in other parts of the region there are several museums, theatres and other cultural attractions worth visiting. These institutions and NGOs play an important role in feeding, representing and promoting the culture and artistic life of the communities in the whole bordering area..

In conclusion, the cultural heritage is an asset for the touristic development of the programme area. Linking cultural and heritage promotion with tourism could provide various opportunities for development and for cross-border cooperation initiatives.

Civil Society

In Montenegro, the most active and influential Civil Society Organisations (CSOs) are located in Podgorica, addressing human rights, public policy, environment and rural development, capacity building, disabilities, etc. Some of them already established cooperation with Kosovo’s CSOs, through international networks (e.g. the Balkan Civil Society Development Network) or through bilateral initiatives and have experience in defining CBC projects. In the other regions, and particularly in the northern region, CSOs are much less present however. The local network of community organisations is nevertheless diverse and rich and some of them, such as the mountaineers associations, could play an important role in tourism development.

⁴⁶ Source: National Programme of Development of Culture 2011-2016



In **Kosovo**, the CSOs network is also quite active in the programme area. The majority of organisations are established in the main urban areas such as Pejë/Peć and Gjakovë/Đakovica. CSOs are working on a variety of fields including democratisation issues, advocacy, environment, conservation of the cultural heritage etc. The CSOs are mainly dependent on foreign donors.

In conclusion, encouraging regional CSO networks (including sport, youth and cultural organisations) could contribute to maintaining and strengthening the ties between the communities on both sides of the border in this multi-ethnic programme area.

A1.4 Technological

The geographical position of the programme area makes it a regional crossroad providing a trading interface between West, North and South. Presently, both sides of the border face challenges with their underdeveloped infrastructure, inefficient public transport networks and frequent power cuts (the latter mainly on the Kosovo side). A good transport and energy infrastructure is considered critical however for the sustainable expansion of trade and enhanced competitiveness.

Roads

In Montenegro there is no highway in the programme area and all roads are two-lane. Podgorica is well connected to the coastal region (less than an hour) with the road going through the Sozina tunnel. In the North, the road from Podgorica to Bijelo Polje and Serbia through the Morača canyon is dangerous in winter and crowded in summer. There is a project to build a highway in order to bypass the canyon, which would highly contribute to opening up the country and to boosting the regional importance of Port of Bar. The secondary and rural road network is managed by local governments and is sometimes in a poor condition, which is considered by the municipalities in the northern region as a major obstacle for the economic development and particularly for developing tourism in the area.

In Kosovo, the roads are ranked in highways, regional roads and local roads. Highways and regional roads are in the competency of the central level institutions, while local roads which are ranked at the lowest category are managed by local government authorities. As of lately there have been considerable investments from the central Government to improve the road infrastructure, and the highway Prishtinë/Priština – Pejë/Peć is under reconstruction.

There are two roads connecting Montenegro and Kosovo. Only the road Rožaje-Kulla/Kula-Pejë/Peć is open while the road Murino (in Plav Municipality) – Qakor/Čakor –Pejë/Peć has been closed since 1999. On both roads, the border is located at high altitude and the passage in winter can be difficult. Re-opening of the border cross point of Qakor/Čakor is of course a priority for the communities living in the area. The Coastal Region in Montenegro has a good connection to Pejë/Peć via the popular new Albania – Kosovo highway. Most often people from central and coastal regions take this road to go to Kosovo, despite the extra kilometres saving time by avoiding the two-lane mountain roads.

Railway

In Montenegro the only railway which passes through the programme area is the line Bar-Belgrade, calling at Podgorica, Kolašin and Bijelo Polje. Connecting Montenegro and Serbia, this railway is of crucial importance for the further development of the Port of Bar. It might also play an important role for the development of the Northern region by improving the connection and trade with Podgorica and the coastal region (as well as with Serbia). However, this railway needs to be modernised in order to be an attractive alternative for road transport. In Montenegro, the reconstruction of some parts of the line will be carried out under EU funding. The railway runs through an impressive mountainous landscape in the Northern region of the Montenegrin programme area and could become a tourism attraction as well.

In Kosovo the railway infrastructure (single-trac) was built in the 1960s. Given the low level of investment and maintenance since then it is nowadays in a poor condition. The maximum



speed allowed in just a couple of places is 80 km per hour. In the West Economic Region however there are daily trains riding between Pejë/Peć and Prishtinë/Priština. But a modernized nationwide railway system is so far not policy priority in Kosovo.

Airports

In Montenegro Podgorica airport is the only airport in the programme area. However, Tivat airport, which serves the coastal region, has an important role during the summer period. People living in the border area also often use Prishtinë/Priština International Airport. An old military airport is located in Berane and there are discussions for re-opening it for civil use.

In Kosovo the nearest airport for both economic regions is Prishtinë/Priština International Airport located in Fushë Kosovë/Kosovo Polje. In West Kosovo, there is an airport located near Gjakovë/Đakovica, but it is used mainly by KFOR.

Seaport

Port of Bar is the only seaport in the whole programme area and is connecting Montenegro with other Adriatic countries, thus potentially playing a major role in the economic development of the country. It is currently however operating below its capacity and with a financial loss. The projects of building the Bar-Boljare highway and of modernising the Bar-Belgrade railway could give an impulse to the future development of the port.

Electricity

In Kosovo the electrical network is not fully reliable. The power cuts create problems for business in general and production companies in particular. Although useful and promising the contribution of alternative sources of energy to the total energy production and consumption is currently still negligible. Nevertheless, especially in remote rural areas and natural resorts, renewable energy certainly has a future as a clean alternative to fossil energy, therewith also enabling the development of eco-friendly tourism.

In Montenegro all regions in the programme area in Montenegro are connected to the electrical network. However, the National Strategy for Sustainable Development of Montenegro identifies some weaknesses of the energy sector: a low level of energy efficiency; high electricity losses in the distribution system; a high import dependence and a low level of use of domestic natural energy resources, especially of hydro energy.

Water

In Kosovo, just over one third of the area is covered by the public water supply system and the coverage of sewage public networks is even lower, in some areas even below 10%. Although the majority of the villages do have some kind of water supply system, the quality of water is often poor due to contamination caused for example by an old local sewage system.

In Montenegro, over $\frac{3}{4}$ of households use water from the public water supply system.⁴⁷ The level of coverage with public water systems is particularly insufficient in rural areas. The quality of the water is generally good and in line with EU standards. With the exception of the municipality of Mojkovac and a part of the municipality of Podgorica, there is no waste water treatment system in Montenegro, which is considered as a major environmental and public health problem.

In conclusion, poor infrastructure is a main obstacle to the economic and social development of the programme area. The sustainable development and improvement of transport and public infrastructure could contribute to sustainable economic growth and a general increase of wealth in the programming area. Sustainability is to be achieved through the increased use

⁴⁷ Source: National Strategy of Sustainable Development of Montenegro



of renewable energy sources and an integrated approach towards improving transport, including non-polluting modes of public and private transport⁴⁸, requiring the involvement of stakeholders from all sectors and at all levels.

A1.5 Legal

In Montenegro insufficient financial and human capacities as well as high number of staff working in local administrations, particularly in the small municipalities, are often considered as an obstacle for an optimal use of the existing funding opportunities. This is why the development of municipalities is supported by the state. In addition, inter-municipal cooperation is a key issue for the development of the programme area, but not yet common practice. There have been several initiatives however, amongst other supported by the EU, to promote inter-municipal cooperation and there are some organisations participating in strengthening inter-municipal and regional cooperation.

In Kosovo over the past years there has been an institutional and fiscal decentralisation process based on the Local Self Government Law, adopted in 2008 as part of the “Ahtisaari Plan”. Kosovo is divided in five economic regions, although it should be noted that this is merely a conceptual division. Formally (i.e. by law) Kosovo does not have a regional policy level represented by regional governmental bodies with regional responsibilities and regional budgets. But with the signature of the Inter-municipal Agreements in December 2008, five economic zones (Centre, East, North, South, and West) and five Regional Development Agencies (RDAs) were established based on the municipal association and cooperation principle outlined in the Local Self Government Law. The Western region is covered by the RDA in Pejë/Peć. But the municipality is the basic unit of local-self government in Kosovo. However, in the future, there could be a law on regional development for economic development purposes.

In absence of a legally formal regional policy level in Kosovo, the establishment of RDAs (Regional Development Agencies) aimed to address the socio-economic development of Kosovo at the regional level, as well as promoting inter-ethnic integration and reconciliation. One of the tasks of the RDAs, in cooperation with local government units and other stakeholders, was to develop Regional Economic Development Strategies. RDAs are also instrumental in preparing, implementing calls for proposals related to grant schemes that contribute to regional development, as well as monitoring and evaluating the projects funded through those grants. And lately, as of 2013 in particular, the RDAs have become more involved and active in private sector development, either directly or by linking with initiatives and funds that support private sector development, and in particular SME development, in their region. RDA West works very closely with and as it were incorporate the municipal strategy into a regional strategy, which is safeguarded by the fact that the municipal mayors are in the board of the RDA. The strategy directly address the opportunities and needs in place, with different but also similar priorities. In the West these are: Creating the conditions for sustainable economic growth; stimulating an innovative and competitive business base; developing West Kosovo’s human capital; and community based sustainable development. As far as legislation in the form of bilateral agreements, the table below lists the most recent ones, since 2010. They are all somehow related to the border.

Bilateral agreements signed between Kosovo and Montenegro:

⁴⁸ Source: RDA West - Regional Tourism Strategy for the western region of Kosovo, 2013



| Bilateral Agreement | Date |
|--|------------|
| Memorandum of Understanding between Attorney General of Montenegro and Chief Attorney General of Kosovo in the field of combat against terrorism, smuggling and serious cross-border crimes | 26/06/2009 |
| Agreement between Governments of Montenegro and Kosovo on mutual assistance on customs' issues | 17/03/2010 |
| Memorandum of Understanding between Ministry of Defence of Montenegro and Ministry of Security Forces of Kosovo on cooperation in the field of security | 03/11/2010 |
| Agreement between Government of Montenegro and the Government of Kosovo on Later Registration of Displaced Persons from Kosovo residing in Montenegro in Basic Registers and in the Register of Citizens of Kosovo | 29/06/2011 |
| Protocol between Customs Administration of Montenegro and Kosovo Customs on electronic exchange of data | 04/07/2011 |
| Agreement between Governments of Montenegro and Kosovo on Readmission (return and acceptance) of persons without residing permit along with relevant protocol on the implementation of Agreement | 29/06/2013 |

In neither Montenegro nor in Kosovo there is any specific legislation in place that would in some way affect cross border cooperation in the programme areas in particular apart from other areas. Of course the legal frameworks of Montenegro and Kosovo regulate, be it prohibit, inhibit, tolerate or stimulate specific phenomena or developments, like for example measures related to contraband, border safety or human trafficking. But that is what those legal frameworks per definition are for and they do not apply to the programme area at hand only.

A1.6 Environmental

The whole programme area is rich on environmental resources and biodiversity. Environmental protection and preservation is therefore the key for a sustainable development of this area. The environment in the programme area, is under pressure through a combination of factors: poor water and sewage management, uncontrolled waste disposal, unregulated urbanisation and in some areas industrial pollution; there is a risk of deforestation due to uncontrolled logging; rivers and lakes locally risk pollution from illegal landfills and poor industrial and urban waste management; the intensive use of pesticides is harming agriculture; the fauna in the lakes and rivers is suffering from over-fishing and illegal hunting.

Montenegro is defined in its constitution as an “ecological state”. Environmental protection is therewith a main pillar of all development strategies. There are three National Parks in the Montenegrin eligible area:

Skadar Lake, located in the municipalities of Podgorica and Bar. One third of the lake belongs to Albania. The Montenegrin part (about 40,000 hectares) was listed as a National Park in 1983. Biggest lake in the Balkans, it is exceptionally rich in birds and fish as well as in marsh vegetation.

Biogradska Gora, surrounded by the municipalities of Kolašin, Berane and Mojkovac. The National Park was proclaimed in 1952 and covers 5,400 hectares. It is known for its untouched forests (among the last primary forests in Europe), the great diversity of flora and fauna and for its six glacial lakes including the famous Biogradsko Lake.

Bjeshkët e Nemuna/Prokletije (Accursed Mountains) in Kosovo, a mountain range that extends from northern Albania, to south-western Kosovo and eastern Montenegro. Exceptional and untouched natural site, it was proclaimed a National Park in Montenegro in 2009 (the Park covers about 21,000 hectares' mainly in Plav municipality). In addition, the management unit of the park lies within the Plav municipality..



Industry and agriculture are not the big polluters in the Montenegrin part of the programme area. Main threats for the environment there are related to poor waste water treatment systems (only Mojkovac and partly Podgorica are equipped with proper wastewater treatment plants) and adequate solid waste management and treatment facilities. Several planned investment projects (i.e. on waste water and sanitary landfill) are aimed at improving this situation.

In Kosovo the programme area is also very rich in environmental resources and biodiversity. Bjeshkët e Nemuna/Prokletije (Accursed Mountains) (Prokletije in Montenegro), at the border with Montenegro and Albania, is to become tri-border national park (38,000 hectares). The West region of Kosovo is known for its water resources, thanks to the high density of its rivers (e.g. Drini i Bardhë, Ibri, Sitnica, Bistrica of Peja, Ereniku). The area is surrounded by mountains that are part of a mountain range covering the entire Western Balkans. This range contains a number of the highest mountain peaks in Kosovo, such as Kopaonik (2,460 m), Mali Zhlep (2,352 m), Hajla (2,460 m), and Gjeravica (2,656 m), which is the highest peak in Kosovo.

In conclusion, with the overall development of the programme area largely relying on natural resources, the environmental protection and preservation of these resources is crucial for the sustainable development of the programme area. Adequate high quality water supplies are necessary both for use by local communities and local ecosystems. Energy conservation and the use of renewable fuels provide cost-effective and more sustainable alternatives to non-renewable sources for power generation. Air quality could be preserved by limiting or eliminating the discharge of harmful chemicals into the air and by minimizing the sources of air pollution. Local communities have to support integrative approaches for managing, protecting, and enhancing wildlife populations and habitats appropriate to their area. While providing a protective covering for soil, water, and the atmosphere, forests are also renewable sources of an endless variety of products. In a healthy ecosystem, policies and programs must balance economic and conservation needs. Land use practices and businesses that both conserve ecosystems and enhance local economies have to be developed⁴⁹. Controlling flooding and landslides due to soil erosion, improved waste management, control of pollution, an efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans. The sustainable production of renewable energy, and in particular in the sector of transport, heating and cooling, is an important issue for the programme area and is in line with the EU objectives of the 2020 "Energy and Climate change package".

⁴⁹ www.sustainable.org



ANNEX 2: Survey

In order to involve stakeholders in the programme area and give them the opportunity to provide their input in the initial stages of the programming process, three types of questionnaires were developed and disseminated:

1. A questionnaire for local authorities
2. A questionnaire for bodies other than local authorities (Chambers of Commerce, Chambers of Crafts, Local Development Agencies, Professional or Business Associations)
3. A questionnaire for companies (SMEs)

The questionnaire for SMEs was disseminated with the support of Chambers of Commerce in the programme area.

In total 58 filled out questionnaires were returned, divided as follows over the two IPA II Beneficiaries and the target groups:

| | Kosovo | Montenegro |
|---------------------|--------|------------|
| Municipalities | 9 | 6 |
| Sector Organization | 13 | 22 |
| SMEs | 4 | 4 |
| Total | 26 | 32 |

It should be noted that this is a relatively small survey sample. Nevertheless, in view of the total number of municipalities and sector organisations in the programme area, those samples can be considered as representative for the entire population of municipalities and sector associations. We do not consider the sample of 4+4 SMEs to be representative for the entire population of SMEs in the programme area (please note that there are over 40,000 SMEs in the programme area, see the ECONOMIC paragraph of the PESTLE analysis above). Instead we presume the answers of the sector associations to be representative for the SME sector in the programme area.

In the framework of this programme document it is of particular importance what in the view of the respondents the priorities for cross border cooperation in the programme area are. To that end respondents were asked to score eight pre-defined priorities, a score of 1 being the highest and a score of 5 being the lowest. It should be noted that such a type of questionnaire with these eight thematic priorities has been disseminated for all 8 borders for which a similar programme document like the one at hand has been prepared. They are in other words generic thematic priorities and do not apply specifically to Kosovo and Montenegro only.

First the local authorities. They score the eight pre-defined priorities as follows, in order of importance: (1 highest, 5 lowest):

| | KSV | MNE | Total |
|--|------|------|-------|
| Tourism and cultural heritage | 2.25 | 1.50 | 3.75 |
| Environmental protection, climate change and risk prevention | 1.89 | 2.00 | 3.89 |
| Local and regional governance, planning and administration capacity building | 1.86 | 2.40 | 4.26 |
| Transport and public infrastructures | 2.00 | 2.67 | 4.67 |
| Competitiveness, business and SME development, trade and investment | 2.29 | 2.67 | 4.96 |
| Employment, labour mobility and social inclusion | 2.00 | 3.40 | 5.40 |
| Youth and education | 2.25 | 3.67 | 5.92 |
| Research, technological development and innovation and ICT | 2.75 | 4.50 | 7.25 |



This is consistent with the specific priorities defined under the previous CBC programme between Kosovo and Montenegro: tourism and the environment score high.

Sector associations (including private sector representatives and NGOs) score the thematic priorities as follows, ranked from top to bottom according to level of importance:

| | KSV | MNE | Total |
|--|------|------|-------|
| Youth and education | 2.25 | 3.00 | 5.25 |
| Local and regional governance, planning and administration capacity building | 3.00 | 2.33 | 5.33 |
| Tourism and cultural heritage | 2.54 | 3.00 | 5.54 |
| Competitiveness, business and SME development, trade and investment. | 3.46 | 2.67 | 6.13 |
| Employment, labour mobility and social inclusion | 2.83 | 3.33 | 6.16 |
| Transport and public infrastructures | 2.50 | 4.67 | 7.17 |
| Environmental protection, climate change and risk prevention | 3.08 | 4.33 | 7.41 |
| Research, technological development and innovation and ICT | 3.15 | 4.50 | 7.65 |

Here we see that the difference in scores is much smaller and in particular that the thematic priority of “Youth and education” score much higher, which is related also to the type of NGOs participating in the survey.

If we aggregate the scores into one overall table, then the result is as follows (from top to bottom, ranked according to level of importance):

| | Municip. | Sector organis. | Total |
|--|----------|-----------------|-------|
| Tourism and cultural heritage | 3.75 | 5.54 | 9.29 |
| Local and regional governance, planning and administration capacity building | 4.26 | 5.33 | 9.59 |
| Competitiveness, business and SME development, trade and investment. | 4.96 | 6.13 | 11.09 |
| Youth and education | 5.92 | 5.25 | 11.17 |
| Environmental protection, climate change and risk prevention | 3.89 | 7.41 | 11.30 |
| Employment, labour mobility and social inclusion | 5.40 | 6.16 | 11.56 |
| Transport and public infrastructures | 4.67 | 7.17 | 11.84 |
| Research, technological development and innovation and ICT | 7.25 | 7.65 | 14.90 |

In conclusion, based on the outcomes of this survey the thematic priorities “Tourism & cultural heritage” and “Local and regional governance, planning and administrative capacity building” are considered to be most important for the regional development of the programme area. “Research, technological development and innovation and ICT” is considered to be least important.





ANNEX 3: SWOT

| PROMOTING EMPLOYMENT, LABOUR, MOBILITY AND SOCIAL AND CULTURAL INCLUSION ACROSS THE BORDER | | | |
|---|--|--|--|
| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
| <ol style="list-style-type: none"> 1. Existence of traditional labour force skilled in industrial processes 2. Relatively low cost labour force 3. Relatively young population 4. University branches present, to support and focus closely on local knowledge and skills needs 5. Multi-ethnicity as an advantage for economic, social and cultural inclusion | <ol style="list-style-type: none"> 1. De-population and outflow of skilled and educated people in rural parts of the programme area 2. High unemployment rate 3. Curricula not always aligned with potential employment and deficient employment-oriented vocational training 4. Underdeveloped system of lifelong education 5. Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc. | <ol style="list-style-type: none"> 1. Improvement of the level of vocational education in view of better serving the labour-market situation. 2. Expansion of research & development activities by using existing research and high educational centres 3. Developing employment programs for social integration of socially marginalized groups 4. Supporting the opportunities for self-employment | <ol style="list-style-type: none"> 1. Concentration of people in urban areas generating local unemployment 2. Absence of employment opportunities accelerating the vicious circle of emigration and migration, especially of young and qualified workers 3. The presence of non-registered and informal labour distorting the formal labour market 4. An increase of unemployment that would particularly affect the low educated and vulnerable groups 5. Limited access of the rural population to the formal educational system, due also to poverty, limiting their access to the labour market |

PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE ADAPTATION



AND MITIGATION, RISK PREVENTION AND MANAGEMENT

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|---|---|---|--|
| <ol style="list-style-type: none"> 1. Rich natural biodiversity, untouched and attractive environment, diversity of natural landscapes. 2. Wide forest areas and quality of the forests. 3. Favourable natural conditions and resources for a diversified and sustainable agriculture 4. High potential for using renewable energy sources (hydroelectricity, wind power, solar energy and biomass) | <ol style="list-style-type: none"> 1. Inadequate solid waste management and lack of waste water treatment systems 2. Institutional and legal frameworks on environmental protection still weak or incomplete. 3. Inappropriate land management 4. Natural resources insufficiently or not properly exploited and without adequate control 5. Low awareness of environmental issues | <ol style="list-style-type: none"> 1. Better management of forestry 2. Existence of National Parks and protected areas, including potential cross-border initiatives and joint management of such areas 3. An increase in programmes and projects on environmental protection, forestry, sustainable agriculture, solid waste and waste water, etc. 4. Local interest for producing green energy 5. Increased public awareness on environmental protection measures under the pressure of eco-tourists demands | <ol style="list-style-type: none"> 1. Pollution of land and water resources due to inadequate or absent solid waste and waste water treatment system 2. Uncontrolled urbanisation and pressure on agricultural land 3. Uncontrolled exploitation of natural resources (timber, river gravels, forest fruits) 4. Pressures on the coastal environment due to high tourist frequentation 5. Slow development of environmental related infrastructure and the required legal framework |



| PROMOTING SUSTAINABLE TRANSPORT AND IMPROVING PUBLIC INFRASTRUCTURES | | | |
|--|---|---|--|
| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
| <ol style="list-style-type: none"> 1. Strategic geographic position in the wider region 2. Easy connections by road and railway networks 3. Relative proximity in the entire programme to the airports in Podgorica, Prishtinë/Priština and Tivat 4. Sufficient water resources 5. Port of Bar, as an important economic asset for the region | <ol style="list-style-type: none"> 1. Limited and under-equipped border crossing points are an obstacle to trade flows by land and cross-border cooperation 2. Secondary road network and railways infrastructure needs upgrading 3. Need for the improvement of public infrastructures (quality water, sewage and solid waste), particularly in rural areas) 4. Shortage and unreliability of electricity supply in Kosovo | <ol style="list-style-type: none"> 1. Programmes for a sustainable improvement of road and rail networks in Montenegro and Kosovo 2. Existing plan and funds (EU, European banks, etc.) for improving solid waste management and waste water systems 3. Easier movement of people and goods through improved roads and new (including re-opened) cross-border points | <ol style="list-style-type: none"> 1. Limited financial resources delaying investments in public infrastructure 2. High cost of road infrastructure project in mountainous areas 3. Unresolved property issues could hamper investments development plans to improve public infrastructure. 4. Underdeveloped urban planning, including planning for sustainable means of public and private transport |



| ENCOURAGING TOURISM AND CULTURAL AND NATURAL HERITAGE | | | |
|---|--|---|---|
| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
| <ol style="list-style-type: none"> 1. Rich and diverse nature, well suited for outdoor leisure and activities 2. Rich cultural and historical heritage 3. Numerous community associations involved in activities to preserve culture and nature 4. High potential for developing diverse types of tourism throughout the programme area | <ol style="list-style-type: none"> 1. Insufficient efforts and funding for the protection and preservation of nature and of historical and archaeological heritage 2. Limited recognition of the potential of historical and cultural heritage as a source of income through tourism and culture activities 3. Underdeveloped tourism infrastructure in view of international standards | <ol style="list-style-type: none"> 1. On-going and upcoming initiatives for including the cultural heritage in the tourism offer 2. Specific culinary tradition and agro-food products may contribute to strengthening the identity and tourist experience of the region 3. Developing and strengthening local institutional capacities related to cultural and traditional issues 4. The development of eco-tourism related type of outdoor “experiences” as an integrated packages (e.g. mountaineering, rafting, trekking, biking) | <ol style="list-style-type: none"> 1. Insufficient public funds, both at central and regional levels, for proper tourism promotion 2. Lack of experience in organising joint culture activities between communities across the border 3. Lack of public/private partnership initiatives for protecting culture and historical heritage 4. Environmental pollution in areas with a high potential for eco-tourism 5. A lack of cultural modernization and innovation in case of a focus on heritage historical only |



| INVESTING IN YOUTH, EDUCATION & SKILLS | | | |
|--|---|--|---|
| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
| <ol style="list-style-type: none"> 1. Relatively young population 2. Regional university branches that can support and focus on local needs and that can prevent youth from migrating 3. Multi-ethnicity as an advantage for social and cultural development 4. The eagerness and motivation of youth to learn | <ol style="list-style-type: none"> 1. Curriculum not aligned with potential employment and deficient employment-oriented vocational training 2. Underdeveloped system of lifelong education 3. Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc. | <ol style="list-style-type: none"> 1. Improvement of the level of vocational education in view of better serving the labour-market situation with skills needed 2. Development of research & development actions by using existing research and high educational centres 3. The use of internet in order to improve the access to education in rural areas and virtual cross border contacts and cooperation 4. An increased cooperation among and between educational institutions and NGOs to cover the needs and aspirations of youth | <ol style="list-style-type: none"> 1. An increase in private school in a way that it would result in a division in education facilities, with an impoverished public education system 2. Limited access of rural population to the formal educational system, due to poverty 3. A poor or absent rural ICT infrastructure, resulting in a digital divide between the rural and urban areas in the programming area |



PROMOTING LOCAL AND REGIONAL GOVERNANCE, PLANNING AND ADMINISTRATIVE CAPACITY BUILDING

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|---|--|--|--|
| <ol style="list-style-type: none"> 1. Existing protocol of cooperation between the IPA II Beneficiaries . 2. Existence of Regional development strategy 3. Existence of Regional development plan, incorporating municipal development plans 4. Decentralisation process on-going | <ol style="list-style-type: none"> 1. Limited capacities of the local government units to implement development policies 2. Insufficient financial resources to finance development goals 3. Lack of proper knowledge by the local administration to obtain and implement EU funds. | <ol style="list-style-type: none"> 1. Participation of Local government units into joint initiatives or programs to enhance institutional capacities 2. Training programmes for strengthening capacities of local actors | <ol style="list-style-type: none"> 1. Financially weak local government units 2. Lack of funding for training of Local government administration to increase their policy making and implementing capacities 3. Lack of cooperation between proper regional structures. |



ENHANCING COMPETITIVENESS, BUSINESS AND SME DEVELOPMENT, TRADE AND INVESTMENT

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|---|---|--|---|
| <ol style="list-style-type: none"> 1. A programme area rich on natural resources for economic exploitation, be it woods for forestry or precious metals for mining 2. An entrepreneurial culture, with a long tradition of cross-border trade 3. Participation of both IPA II Beneficiaries in CEFTA 4. The existence of support programmes and subsidies for agriculture and agro-business | <ol style="list-style-type: none"> 1. Poor competitiveness of businesses, due to limited formal capital, insufficient knowledge of modern technologies and lack of market information 1. Small scale organisation of farming and low productivity of agribusiness activities; 2. Limited technical support for development of agriculture activities in rural areas 3. Depopulation of rural areas, hampering the development of tourism and agriculture 4. An entrepreneurial culture with a relatively short investment horizon, favouring short-term trade opportunities over long-term capital investments | <ol style="list-style-type: none"> 1. Potential for sustainable agriculture and agro-food processing 1. Improved competitiveness and trade resulting from the introduction of international norms, standards and certifications 2. A legal framework fully harmonized with EU regulations, further fostering foreign direct investments 3. Local businesses capitalizing on regional development trends related to environmental care, tourism development and innovation 4. Improvement of business management and entrepreneurship skills 5. The extensive investment capacity of the diaspora | <ol style="list-style-type: none"> 1. Limited access to credit system for farmers and SMEs may slow down the economic development 2. Continuous migration towards urban areas may decrease the attractiveness of rural areas and hamper development of the rural and regional economy 3. Sustained illegal logging and contraband at large, hindering the development of legal business. |



STRENGTHENING RESEARCH, TECHNOLOGICAL DEVELOPMENT, INNOVATION AND ICT

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|--|---|--|---|
| <ol style="list-style-type: none"> 1. Presence of public and private Universities in the programme area 2. Increasing percentage of population actively using ICT technology | <ol style="list-style-type: none"> 1. Poor research and innovation practices of universities and other operators in the programme area 2. Modest Internet penetration 3. Poor computer literacy 4. Poor ICT used by Universities, Schools and businesses. | <ol style="list-style-type: none"> 1. Developing and implementing cross-border ICT projects 2. Investment in ICT and R&D programmes that would fit private sector development needs 3. Strengthening research, technological and innovation in the programme area 4. Student exchange programmes | <ol style="list-style-type: none"> 1. Lack of strategies promoting ICT and R&D 2. Limited of financing for the Research and development and 3. Insufficient interest of private sector for technological development and modernisation of production processes |

ANNEX 4: Main Statistical Data

Table 1. Territory and population

| | Area (km ²) | % of the total territory | Population | % of overall population |
|--------------------------------|-------------------------|--------------------------|------------------|-------------------------|
| Montenegro⁵⁰ | 13,812 | 100% | 620,029 | 100% |
| Programme area | 6,400 | 46% | 386,072 | 62% |
| Kosovo⁵¹ | 10,908 | 100% | 1,815,606 | 100% |
| Programme area | 2,325 | 21% | 320,751 | 18% |
| West Economic Region | 2,325 | 21% | 320,751 | 18% |
| Total programme area | 8,725 | | 706,823 | |

Table 2: Municipalities and Settlements

| | No of municipalities | No of settlements |
|--------------------------------|----------------------|-------------------|
| Montenegro⁵² | 23 | 1,305 |
| Programme area | 12 | 624 |
| Kosovo⁵³ | 38 | 1,467 |
| Programme area | 6 | 311 |
| West Economic Region | 6 | 311 |
| Total programme area | 18 | 935 |

⁵⁰ Source: Census 2011

⁵¹ Kosovo Cadastral Agency, 2013 and Kosovo Agency of Statistics: Estimation of Kosovo Population 2012 <http://esk.rks-gov.net/>

⁵² Source: Census 2011

⁵³ Source: Agency for Real Estate Cadastre and Kosovo Agency of Statistics: Kosovo in figures 2012



Table 3: Number of registered SMEs

| | No of registered SMEs |
|--------------------------------|-----------------------|
| Montenegro⁵⁴ | 22,313 |
| Programme area | 12,903 |
| Kosovo⁵⁵ | 109,794 |
| Programme area | 18,174 |
| West Economic Region | 18,174 |
| Total programme area | 31,077 |

Table 4: Primary and Secondary Education

| | Primary education | | Secondary education | |
|--------------------------------|-------------------|--------------|---------------------|------------|
| | students | schools | students | schools |
| Montenegro⁵⁶ | 68,035 | 163 | 31,888 | 50 |
| Programme area | 42,944 | 96 | 19,879 | 28 |
| Kosovo⁵⁷ | 294,419 | 1,029 | 109,516 | 142 |
| Programme area | 51,855 | 174 | 19,483 | 27 |
| West Economic Region | 51,855 | 174 | 19,483 | 27 |
| Total programme area | 94,799 | 270 | 39,362 | 55 |

⁵⁴ Source: Monstat

⁵⁵ Source: SME Support Agency : A statistical Overview of Enterprises as of 30.09.2011

⁵⁶ Source: Ministry of Education

⁵⁷ Kosovo Agency of Statistics: Education Statistics 2011-2012.



Table 5: No. of unemployed persons

| | Unemployed |
|--------------------------------|----------------|
| Montenegro⁵⁸ | 30,372 |
| Programme area | 20,022 |
| Kosovo⁵⁹ | 226,634 |
| Programme area | 42,703 |
| West Economic Region | 42,703 |
| Total programme area | 62,725 |

Table 6: Demographic Data

| | Population | Population density |
|--------------------------------|------------------|---------------------------|
| Montenegro⁶⁰ | 620,029 | 45 |
| Programme area | 386,072 | 60 |
| Kosovo⁶¹ | 1,815,606 | 177.4⁶² |
| Programme area | 320,751 | 138 |
| West Economic Region | 320,751 | 138 |
| Total programme area | 706,823 | |

⁵⁸ Source: Employment Agency, June 2013

⁵⁹ Kosovo Agency of Statistics: Labour market data by municipalities 2011 : Final Results of the population census 2011

⁶⁰ Source: Census 2011

⁶¹ Kosovo Agency of Statistics (2013) Demographic data by municipality

⁶² Kosovo Agency of Statistics (2013). Kosovo in a nutshell. <http://esk.rks-gov.net/eng/>



Table 7: Age structure of population

| | Age | | |
|--------------------------------|----------------|------------------|----------------|
| | 0-14 | 15-65 | 65+ |
| Montenegro⁶³ | 118,751 | 421,693 | 79,585 |
| Programme area | 78,875 | 261,505 | 45,692 |
| Kosovo⁶⁴ | 487,577 | 1,135,463 | 116,785 |
| Programme area | 84,652 | 206,718 | 23,524 |
| West Economic Region | 84,652 | 206,718 | 23,524 |
| Total programme area | 163,527 | 468,223 | 69,216 |

Table 8: Vital indicators

| | Births | Deaths | Natural increase | Vital Index |
|--------------------------------|---------------|--------------|------------------|---------------|
| Montenegro⁶⁵ | 7,418 | 5,633 | 1,785 | 131.69 |
| Programme area | 4,939 | 3,235 | 1,704 | 152.67 |
| Kosovo⁶⁶ | 27,651 | 7,510 | 20,141 | 368.18 |
| Programme area | 7,988 | 2,240 | 5,748 | 326.83 |
| West Economic Region | 4,592 | 1,405 | 3,187 | 326.83 |
| Total programme area | 9,531 | 4,640 | 4,891 | 313 |

⁶³ Source: Census 2011

⁶⁴ Kosovo Agency of Statistics: Demographic data by municipality Published March 2013.

⁶⁵ Source: Health Statistical Yearbook 2010, Institute of Public Health

⁶⁶ Source: Kosovo Agency of Statistics(2012). Vital Statistics <http://esk.rks-gov.net>



| <i>Table 9: Tourism</i> | | Visitors 2011 |
|--|--|----------------------|
| Montenegro⁶⁷ | | 1,373,454 |
| Programme area | | 350,987 |
| Kosovo⁶⁸ | | 72,393 |
| Programme area | | 7,907 |
| West Economic Region | | 7,907 |
| North Economic Region as adjacent area | | 2,646 |
| Total programme area | | 358,894 |

| <i>Table 10: Health services</i> | | Total health workers |
|----------------------------------|--|-----------------------------|
| Montenegro⁶⁹ | | 5,138 |
| Programme area | | 3,463 |
| Kosovo⁷⁰ | | 4,453 |
| Programme area | | 1,056 |
| West Economic Region | | 1,056 |
| Total programme area | | 4,519 |

⁶⁷ Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)

⁶⁸ Source: Kosovo Agency of Statistics (2012) Series 3. Economic Statistics: Hotel Statistics Q4-2011

⁶⁹ Source: Health Statistical Yearbook 2010, Institute of Public Health

⁷⁰ Source: Source: Kosovo National Institute for Public Health: State of health of Kosovo population 2010



ANNEX 5: IPA II beneficiaries and donor policies and projects

Thematic priority 1: Promoting employment, labour mobility and social inclusion

1.1 Kosovo

1.1.1 Policy documents & initiatives

- “Strategic Development Plan 2012-2014” and “Vocational Training Strategy” (both documents of the Ministry of Labour and Social Welfare), which links the increase of employment to the development of vocational skills based on labour market demands.
- “Kosovo Education Strategic Plan 2011 – 2016” (Ministry of Education, Science and Technology) which emphasis the importance of improved links among educational institutions, between VET-curricula and the needs of the labour market and of research and development programmes related to the economy (food processing and mining)
- “Private Sector Development Strategy 2013 – 2017” (Ministry of Trade and Industry), aiming to create a globally competitive private sector to increase employment and reduce poverty
- “Labour and Employment, 2011” (Ministry of Labour and Social Welfare), which underlines the seriousness of the unemployment problem, especially among youth (15-25 years) and long-term employed (> 12 months).
- “Strategy for the Integration of Roma, Ashkali, and Egyptian Communities in the Kosovo 2009 – 2015” (Office of the Prime Minister), which underlines the necessity for an inclusive society, with equal opportunities in education and on the labour market.

1.1.2 Donor documents & initiatives

- In 2009 the World Bank launched the Sustainable Employment Development Policy Program (SEDPP) for Kosovo. As result the shift from social welfare to regular employment was stimulated and the linkage between higher and vocational education and the labour market was improved⁷¹
- The ETF (European Training Foundation) through several projects supports the Kosovo Government and the European Commission in the framework of the sector wide approach for education, training and labour market and ETF will continue to contribute to the implementation of the Kosovo Education Strategic Plan (2011-2016) and the Employment Strategy.
- In its “Kosovo Human Development Report 2012, on private sector and employment”, UNDP stresses the need for an inclusive and labour intensive growth in Kosovo and for the economic development of Kosovo.
- In the “USAID/Kosovo Strategic Plan 2010-2014”, USAID formulates as objective of its assistance in Kosovo: making youth more productive and engaged with an increased private sector-led growth economic growth.
- The European Commission, through the European Office in Kosovo, in its “2013 Annual Programme for Kosovo” formulates the initiative on “Education and Employment”,

⁷¹ Source: www.worldbank.org/en/results/2013/04/08/kosovo-sustainable-employment-development-policy-program-project-brief



targeted specifically at young people and long-term unemployed people, stressing the need for social inclusion of all groups in society.

- In partnership with the Danish Refugee Council the European Union Office in Kosovo has implemented the “Beautiful Kosovo” project, aimed at fostering economic development and reducing poverty in selected municipalities by enhancing economic opportunities for Kosovo’s population, especially marginalized groups.

1.2 Montenegro

1.2.1 Policy documents & initiatives

- “National Strategy for Employment and Human Resources Development 2012-2015.” The overall objective of the Strategy is to create better conditions for new jobs and investment in human capital in order to achieve higher level of employment and improve the economic competitiveness of Montenegro.
- “Strategy for Development of Vocational Education in Montenegro 2010-2014.” The Strategy aims at a better responsiveness of vocational educational training to the labour market needs, development, of better qualifications and skills based on learning, and on the improved accessibility and retention in education for youngsters and adults, people who drop out of schools, vulnerable groups and people without qualifications.
- “The National Strategy for Lifelong Career Orientation 2011-2015”, which identifies priorities and defines education measures to ensure lifelong career development for the citizens, in accordance with their capabilities, interests, capacities, as well as with the labour market needs.
- “Strategy for Integration of People with Disabilities (2008-2016)”. This Strategy, apart from the measures and activities envisaged in the area of health care, social protection and education, formulates also special measures for professional rehabilitation and employment for disabled people, in close cooperation between local Employment Offices and Centres for Social Work.
- “Strategy for Improving the Situation of Roma and Egyptians (2012-2016)”, on improving the legal status of the Roma and Egyptian population, education, preservation of culture and traditions, information, employment and labour relations, health and health care, social and child protection, violence against women and domestic violence, improving living conditions and participation in public and political life.
- “Strategy on Development of Small and Medium Sized Enterprises 2011-2015” aims to achieve a more favourable business environment which would reflect positively in the strengthening of SME competitiveness, innovation and export, as well as lead to an increase in employment and uniform regional development.

1.2.2 Donor documents & initiatives

- Harmonization and Implementation of the Regulations of Labour Inspection and Safety at Work, IPA 2009. Beneficiary: Ministry of Labour and Social Welfare
- Identifying Durable Solutions for IDPs and Residents of Konik Camp, IPA 2011. Beneficiary: Justice and Home Affairs
- Support to the Human Resources Management Authority, IPA 2011. Beneficiaries: Ministry of Interior, Human Resources Management Authority
- Economic Development and Employment Promotion in Montenegro, GIZ Montenegro. Beneficiary: Ministry for Economic Development.
- Strengthening Vocational Training in North-East Montenegro, Luxemburg Development. Beneficiaries: Ministry of Education and Science and the Centre for Vocational Education.



- Support to the Inclusive Vocational Training, Austrian Development Agency. Beneficiary: Ministry of Education and Sport.
- Economic Development and Promotion of Employment, GIZ. Beneficiary: Ministry of Economy.

Thematic priority 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management

2.1 Kosovo

2.1.1 Policy documents & initiatives

- “Agriculture and Rural Development Plan 2009 – 2013” (Ministry of Agriculture, Forestry and Rural Development), of which one of the main pillars is the environmentally responsible use and management of land
- “Energy Strategy 2009 – 2018” (Ministry of Energy and Mining) which proposes to stimulate new forms of sustainable energy
- “Kosovo Agriculture Rural Development Project” (Ministry of Agriculture, Forestry and Rural Development, 2010), with the goal of enhancing investments to promote sustainable rural development
- “Strategy and Action Plan for Biodiversity 2011 – 2020” (Ministry of Environment and Spatial Planning), which advocates the preservation of biodiversity and a sustainable economic development based on the sustainable use of natural resources
- “Policy and Strategy Paper on Forestry Sector Development 2010 – 2020” (Ministry of Agriculture, Forestry and Rural Development), which underlines the need for a sustainable forestry sector, which is so important in the programme area, both economically and environmentally.
- “Kosovo Heating Strategy 2011 – 2018” (Ministry of Economic Development), which proposes measures to reduce the use of energy especially in public buildings (i.e. through improved isolation)

2.1.2 Donor documents & initiatives

- In its “Strategy for Kosovo (2013)” the European Bank for Reconstruction and Development outlines how its involvement in Kosovo has three top priorities. Apart from private sector development these are: upgrading of public infrastructure, including the management of the water and waste-water and solid waste utilities, and the sustainable development of the energy and mining sector.
- UNDP has been assisting the Ministry of Environment and Spatial Planning (MESP) in environmental policymaking in Kosovo, in environmental protection, and in addressing the climate change challenges
- The World Bank in 2013 approved a 5-year project to support KEK (Kosovo Energy Cooperation) and the Ministry of Environment and Spatial Planning to tackle the problem of open dumping of ashes on land, to free land for community development purposes currently taken by waste material and introduce good environmental practices in the mining and energy sector and is
- The EU has been very active through a range of initiatives on “Improving the Environment”⁷², in particular in the field of water quality, waste water management, solid waste management and energy efficiency

⁷² Source: http://www.eeas.europa.eu/delegations/kosovo/documents/press_corner/improving_the_environment_en.pdf



- During a conference on 14 May 2013 in Pristina all main donors pledged many millions of Euro's for the development of a sustainable energy sector in Kosovo.

2.2. Montenegro

2.2.1 Policy documents & initiatives

- "Energy Development Strategy of Montenegro until 2030", which includes the sustainable development of an energy sector mainly based on the use of own energy resources in compliance with the principles of environment protection, increased energy efficiency and increased use of renewable energy sources.
- "Master Plan for Waste Water of Central and Northern Region 2004-2028", on addressing sewage and wastewater issues in the Central and Northern region of Montenegro.
- "Strategy for waste management in Montenegro 2013-2018", on controlling and reducing the pollution from solid waste and assisting municipalities in preparing and implementing local waste management plans to strengthen their capacities.
- "Action Plan for Fighting Illegal Activities in Forestry (2009-2013)", outlining the need and way to combat illegal activities in forestry and to monitor its implementation.
- "Strategy on planned development of forests and forestry under development 2013-2023", on improving the condition of the forests.

2.2.2 Donor documents & initiatives

- The National Biodiversity Strategy with the Action Plan 2010-2015, funded by the Global Environment Facility with the UNDP as the implementing agency, identifies the areas, species, measures and resources required to preserve biodiversity in Montenegro.
- Implementation of Air Quality Control in Montenegro, Italian Government. Beneficiary: Ministry of Sustainable Development and Tourism.
- Support for Capacity Building in the Forestry Sector, Luxemburg Development. Beneficiary: Ministry of Agriculture Forestry and Water Management.
- Integral Management of Skadar Lake Ecosystem, Global Fund for Environment. Beneficiary: Ministry of Sustainable Development and Tourism.
- Strengthening Sustainability of Protected Areas in Montenegro, UNDP Global Environment Facility. Beneficiary: Ministry of Sustainable Development and Tourism.
- Raising Environmental Awareness, IPA 2010. Beneficiary: Ministry of Sustainable Development and Tourism.
- Energy Efficiency in Public Buildings, GIZ. Beneficiary: Ministry of Economy.
- Renewable Energy Promotion Program, GIZ. Beneficiary: Ministry of Economy.

Thematic priority 3: Encouraging tourism, culture and natural heritage

3.1 Kosovo

3.1.1 Policy documents & initiatives

- Through the Law on Tourism (2013) the government of Kosovo underlines the importance of tourism development and the policy priority it has by providing "the legal basis and institutional framework, principles and rules for tourism development and promotion and the establishment and development of tourist services standards". A similar law has been adopted on cultural heritage.



- The Ministry for Trade and Industry is primarily responsible for supervising and coordinating the implementation of this law, but most of its other competencies in the field of tourism, including promotion, have been transferred to the Investment Promotion Agency of Kosovo, indicating the need and potential for investments.
- The Regional Development Agency West already for years has been an active promoter of sustainable tourism development in the region. The RDA established a thematic Working Groups on tourism involving municipal representatives of the region, civil society, businesses and institutions of higher education and in 2013 published its “Regional Tourism Strategy for the Western region of Kosovo”

3.1.2 Donor documents & initiatives

- USAID, through its Kosovo private Enterprise Program (KPEP), has been active in supporting the tourism sector in the region, primarily focusing on income generation activities.
- The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has been active in supporting the development of a cross-border hiking trail connecting Kosovo, Montenegro and Albania.
- The European Union (EU) Office in Kosovo has also supported a number of activities in the tourism sector in the Pejë/Peć region, including the ‘Dear West’ project to increase local tourism capacities and the develop and promote local tourism products.
- Cultural Heritage without Borders is an example of an independent (Swedish) organisation that is active in organising (cross border) regional events and projects to preserve the cultural heritage of the Western Balkan region, with support of the international donor community

3.2 Montenegro

3.2.1 Policy documents & initiatives

- “National Program for development of culture 2011 – 2015”, on preserving, protecting, developing and promoting all segments of culture.
- “Tourism Development Strategy 2008 – 2020”, on tourism development based on natural, historical and cultural attractions.
- “Human Resources Development Strategy for the Tourism Sector in Montenegro 2007”, on developing the human capital necessary to support growth of travel and tourism.

3.2.2 Donor documents & initiatives

- Kolasin Municipality Master Plan for Sustainable Development of Tourism, Italian Ministry for Protection of Environment, Land and Sea. Beneficiary: Municipality Kolasin
- Support to Tourism Destinations in Central and Mountain Region of Montenegro, Austrian Development Agency and Norwegian Ministry of Foreign Affairs. Beneficiary: Ministry of Sustainable Development and Tourism.
- Tourism Based on Natural Heritage, Norwegian Government. Beneficiary: Ministry of Agriculture and Rural Development
- Revitalization of Cultural Heritage in the Frame of Sustainable Development in Besac, IPA 2009. Beneficiaries: Ministry of Culture, Bar, Republic Institute for the Protection of Cultural Monuments, State Institute for the Protection of Nature
- Tour-Reg, Support to Education in Tourism, Austrian Development Agency.
- Sustainable Regional Development of Bjelasica, Komovi and Prokletije – Mountain Tourism, Austrian Development Agency. Beneficiary: Ministry of Sustainable Development and Tourism.



- Montenegro and Natura 2000, Norwegian Ministry of Foreign Affairs. Beneficiary: Ministry of Sustainable Development and Tourism.

