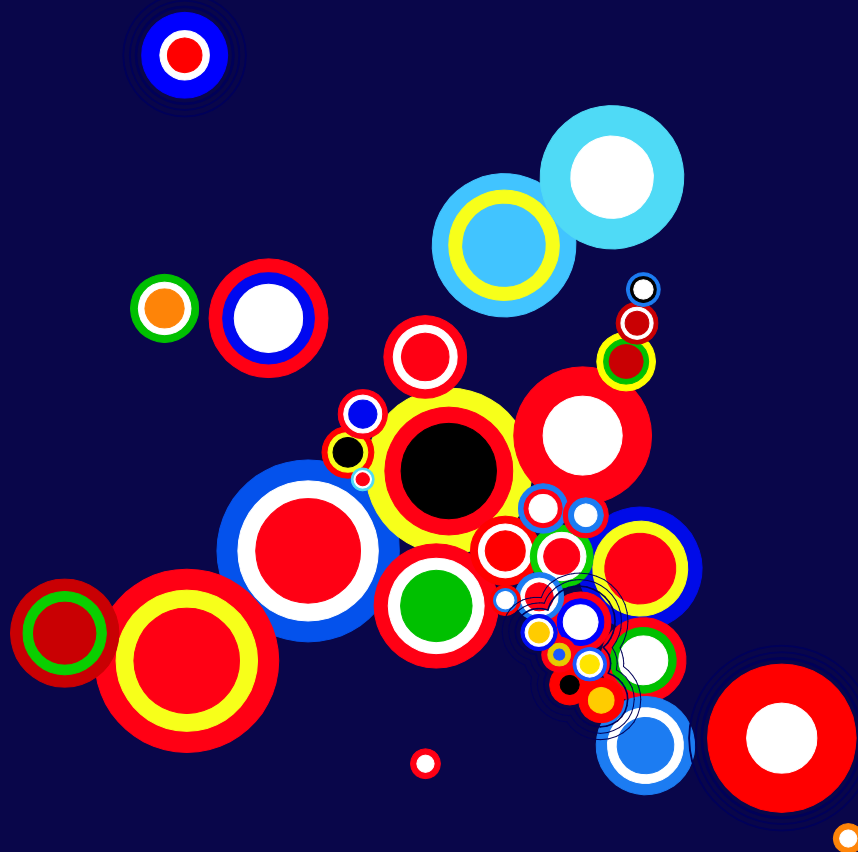




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE
2014-2020



IPA CBC PROGRAMME

MONTENEGRO – ALBANIA

ADOPTED ON 10/12/2014

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Programme synopsis

Programme title	CBC Programme Montenegro - Albania 2014-2020
Programme area	<p><u>Montenegro:</u></p> <ul style="list-style-type: none"> - Andrijevica, Berane, Petnjica, Plav, Gusinje, Rožaje, Podgorica, Cetinje, Danilovgrad, Budva, Bar and Ulcinj <p><u>Albania:</u></p> <ul style="list-style-type: none"> - Region of Shkodra - Region of Lezha - * District of Tropoja
Programme overall objective	To promote/strengthen good neighbourly relations and socioeconomic development of the border regions, through valorising its touristic potentials, an environmentally sustainable and socially inclusive economic development, with respect for its common cultural and natural heritage.
Programme thematic priorities	<p>TP1: Encouraging tourism and cultural and natural heritage;</p> <p>TP2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management</p> <p>TP3: Promoting employment, labour mobility and social and cultural inclusion across the border</p> <p>TP4: Technical Assistance</p>
Programme specific objectives	<ul style="list-style-type: none"> - The competitiveness of the tourism sector is enhanced by the economic valorisation of the cultural and natural heritage - The protection of environmental resources in lake and alpine areas is furthered - Employability and social inclusion is fostered - The effective, efficient, transparent and timely implementation of the programme and awareness raising is ensured
Financial allocation 2014-2020	EUR 11,900,000.00
Implementation	Indirect Management (subject to the entrustment of budget implementation)



method	tasks)
Contracting Authority	<p>Montenegro: Ministry of Finance Central Finance and Contracting Unit (CFCU) Jola Piletica bb, 81 000 Podgorica Tel: + 382 (0) 20 230 630 Fax: + 382 (0) 20 230 657</p>
Relevant authorities in the participating IPA II beneficiaries [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>Albania: Ministry for European Integration Rr. "Papa Gjon Pali II", Tirana, Albania Tele: +355 4 22 286 45 Fax: + 355 4 22 562 67</p>
JTS/Antenna	<p>The JTS will be located in Podgorica, Montenegro.</p> <p>Antenna will be located in Shkodra, Albania</p>

*Wherever the term District of Tropoja is mentioned in the text, it refers to the previous territorial division in Albania which includes Bajram Curri Municipality, Margegaj Commune, Tropoje Commune, Bujan Commune, Bytyc Commune, Fierze Commune, Lekbibaj Commune, Llugaj Commune.

Section 1: Programme Summary

The programme for cross-border cooperation between Montenegro (MNE) and Albania (AL) 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

1.1 Summary of the Programme

The Programme covers a territory of 11,970 km² with a total population of about 749,257 inhabitants. Territory in Montenegro accounting for 52.1 % of programme area covers 12 municipalities spread in three geographic regions. The Albanian part is composed by three administrative units, the regions of Lezha and Shkodra and the district of Tropoja accounting for 47.9 % of the programme area. The length of borderline is 244 km of which 38 km are water border. Overall, the programming area has 23 municipalities and a total of 1,144 settlements – towns and villages. The programme area is characterized by a contrasted geographic and climate profile. It presents sharp contrasts as it alternates mountains, hills, rivers, lakes and sea coastline very close to each other. The programme area is home to several National parks, protected zones and landscapes reflecting the rich biodiversity and environmental differences. The population living in the programme area accounts for almost 61% of total population of Montenegro, and 13.5% of Albania. Population in the programme area is a balanced match with Montenegrin population accounting for 50.63%, and Albanian population with 49.37%. The composition of the population in the programme area shows that 50% of population belongs to the 15-49 years old age segment.

Main findings

Main findings of the analysis rendering the preparation of the document are summarised below:

The programming **area features regional disparities** in terms of socio-economic developments and the structure of economy is different on both sides of the border. While Albanian regions rely on agriculture, services, wholesale and retail markets, Montenegrin regions feature more developed industry, and the



level of tourism is much more developed. Both regions are below their development potential, as they have yet to find ways, and opportunities to benefit from their comparative advantages.

Business competitiveness is low on both sides of the border. The structure of economic operators in the programme area is dominated by small and medium enterprises. Higher productivity and further investment in know-how and use of innovation technologies is a precondition to becoming more competitive both nationally and internationally. Majority of the small and medium enterprises (SME) in both sides operate in the services sector. Strengthening of business support mechanisms remains a challenge.

Agriculture is a major economic potential in both countries, but underutilized, with **low productivity and competitiveness**. In general rural economy is fragmented, to a higher degree in the Albanian programme area. But, small agricultural holdings face difficulties in accessing country and regional markets. Improving access to market and strengthening the food security system and inspection bodies will be important for increasing agriculture sector competitiveness.

Tourism is a great potential for both countries, but unevenly developed. Montenegro is already a popular touristic destination while Albania has yet to become one, as tourism sector in the Albanian part of the programme area is poorly developed despite of the great potential. Obvious synergies, potentially to be supported by the cross-border cooperation (CBC programme), can be built between the regions in Albania and the coastal areas in Montenegro. There is a rich **historic-cultural heritage** in the bordering area that needs to be preserved. Further valorisation of historical and culture heritage could contribute to strengthening the identity of the area, but also as an asset for the economic development.

Unemployment is relatively high in both Montenegro and Albania and still a major economic problem. Unemployment remains a sharp problem especially for the socially sensitive groups such as youth, women and rural population. Poverty has become an urban concern, indicating a sluggish performance of economy over the last years, while the revival of the already exhausted urban potential to lead economic growth has become imperative. Unequal **educational** level is present in the programme area, with illiteracy increasing in remote areas. Highly educated young people have a tendency to leave towards regions that provide more opportunities or abroad. The secondary education system is less attractive and accessible, especially for young rural population in the programme area. **Research & Development** and information and communication technologies (ICT) penetration is at a low level in Albania whereas in Montenegro follows the trend of continuous increase and is currently at the sufficient level. Insufficient investments, governmental, regional or local support activities for research and development (R&D) activities are present. Overall, **health** services in the programme are improving, but more needs to be done to ensure universal access to such services by poor households.

Environment protection needs serious consideration in future development plans of the programme area. With the overall development of the programme area largely relying on natural resources, their environmental protection and preservation is crucial for the sustainable development of the area. Improved waste management, control of pollution, and improved land management are amongst the

key priorities to be addressed. Further valorisation of natural resources in the view of economic development is a key issue for the development of the area.

Main Areas of Interventions

The **overall objective** of this cross-border programme is to promote/strengthen good neighbourly relations and socioeconomic development of the border regions, through valorising its touristic potentials, an environmentally sustainable and socially inclusive economic development, with respect for its common cultural and natural heritage.

Based on the situation analysis and the Political, Economic, Social, Technological, Legal, and Environmental (PESTLE) and strengths, weaknesses, opportunities and threats (SWOT) analysis the following thematic priorities and specific objectives are regarded as instrumental to be supported through CBC initiatives:

(1) Encouraging tourism and cultural and natural heritage:

- The competitiveness of the tourism sector is enhanced by the economic valorisation of the cultural and natural heritage

(2) Protecting the environmental, climate change adaption and mitigation, risk prevention and management:

- The protection of environmental resources in lake and alpine areas is furthered

(3) Promoting employment, labour, mobility and social and cultural inclusion across the border:

- Employability and social inclusion is fostered.

In addition to the three thematic priorities mentioned above, the programmes will include a specific **Technical Assistance priority** aiming at, amongst other purposes, ensuring the effective management and administration of the cross border programme.

1.2 Preparation of the programme and involvement of the partners

The IPA CBC Programme 2014-2020 between Montenegro and Albania is the result of joint programming exercise work carried out by the participating countries' representatives, including relevant stakeholders from the central level institutions, local level institutions of the programme area, Chambers of Commerce and Industry, entrepreneurs, and local organisations. A Joint Task Force has been established to prepare and implement the programming document under the leadership of Operating Structures. (OSs). Thus, the programme is managed by the Operating Structures - for Montenegro in the Ministry of Foreign Affairs and European Integration, and for Albania in the Ministry of European Integration.

The programming process started in beginning of July 2013 and continued until end of May 2014. The programme was designed through a consultation process involving local stakeholders and potential beneficiaries from both sides of the border. Questionnaires were designed by the CBIB+ and disseminated by the OSs with the support of the JTS to institutions at central and local level, CSOs, to

support the PESTLE and SWOT analyses for the programme and provide one of the indicators for the identification of joint priorities for the cross-border area. Out of 140 questionnaires sent (70 in Albania and 70 in Montenegro), 91 were received back. The overall response rate in the survey was approximately 65%. Clarification interviews were also conducted - 34 in Albanian and 9 in Montenegro. The first draft of the Programming Document was submitted to the Commission on 15 November 2013.

During December 2013 two presentation meetings were held with local government representatives in the framework of the Public Consultation Process from the Albanian side in Shkodra and Lezha with 15 participants. . On the other side, in October 2013, public consultations were held in Bijelo Polje and around 15 participants were present.

During March-April 2014 a second wider circle public consultation process was organised by the Albanian OS in coordination with the Cross-border Institution Building Project (CBIB+) to present to civil society organisations, universities, civic activists, the second draft document of the programme between Albania and Montenegro in the eligible regions from Albania. Civil society actors and local government representatives strongly supported the thematic priorities selected for this programme and also provided details as regards the needs related to their respective regions that are duly reflected in the programme document.

In addition, in order to coordinate the process at national level, a consultation meeting was also organised with the representatives from line ministries in Albania on the thematic priorities and activities proposed in the programmes.

The following table summarizes the process of preparation of this programme.

Table 1 -Meetings and consultations

Timing and Place	Activities and Scope
20-21 June 2013, Becici, Budva, in Montenegro	Intra Western Balkan programming meeting for the 2014-20
9 July 2013, Podgorica	Programming Steps and requirements for the PESTLE and SWOT analysis with the OS MNE
August – mid September 2013	Distribution of the questionnaires for the collection of data
16 September 2013, Tirana	Kick-off Meeting with CBIB+ team and Coordination for the programming exercise IPA CBC 2014-2020.
25 September 2013, Podgorica	CBIB+ Training on Strategy Development and Formulation (OS, EUD, JTS/A)
27 September 2013, Tirana	CBIB+ Training on Strategy Development and Formulation (OS, EUD, JTS/A)
02 October 2013, Podgorica	Meeting with Montenegrin Operating Structure – Coordination for the Programming exercise of IPA CBC 2014 – 2020, agreement on programming time-table
08 October 2013, Podgorica	Meeting with various Montenegrin Authorities (line Ministries) – discussion on situation and strategic development prospects



14 October 2013, Tirana	Meeting with Albanian Operating Structure – Coordination for the Programming exercise of IPA CBC 2014 – 2020, agreement on programming time-table, discussion on Situation and strategic development prospects
17 September – 24 October 2013, Tirana, Podgorica	Data collection and elaboration, preparation of PESTLE, finalization of Situation Analysis and SWOT
25 October 2013, Tirana	Meeting of the First Joint Task Force, presentation of the Situation Analysis and SWOT
30 October 2013, Bijelo Polje, Montenegro	Public Consultation meeting with more than 15 participants from the programme area
15 November 2013	Submission of the first draft of the Programming Document to DG ELARG
21-22 November 2013, Belgrade, Serbia	Regional CBC Consultative Forum
12 December 2013, Tirana, Albania	Technical meeting of the programming process between OS, the Commission, EUD and CBIB+ - Discussion on the programme strategies for three programmes took place. Some suggestion regarding formulation of objectives, indicators and eligible areas were made by the EC
19 December 2013, Preliminary Public Consultation, Lezha, Shkodra region, Albania	The programme document was presented, as well as the programming process and rationale for selecting the intervention strategy with local government with 15 representatives. The intervention strategy and the thematic priorities selected resulted to be in line with their view towards CBC needs
January 2014	Review of the Programming Document based on the recommendations of the Commission
7 February 2014	Submission the Commission of the 2 nd draft programming document
27 March 2014, Lezha region, AL Wider Public Consultation Meeting with Civil Society and Local Actors with 27 participants	The programming process together with the programme priorities were presented to 27 civil society organisation and local government representatives in Lezha region followed by active discussions on the recommendation and suggestions from participants. The priorities resulted to be in line with their view towards CBC needs.
28 March 2014, Shkodra region AL, Wider Public Consultation Meeting with Civil Society and Local Actors	The programming process together with the programme priorities were presented to more than 32 civil society organisation and local government representatives of Shkodra region followed by active discussions on the recommendation and suggestions from participants. The priorities resulted to be in line with their view towards CBC needs.
30 March 2014	The Commission comments on the 2 nd draft document

16 April 2014, Tirana, AL, Consultation Meeting with the Line Ministries	The programming process and programme priorities for the 3 borders, AL-KSV, MNE-AL, MK-AL were presented to the line ministries covering the priorities and activities in the documents. The aim was to consult with the current national programmes in the respective fields of action and not overlap, including possible synergies. The draft documents resulted to be in compliance also with the national strategies and conceived as highly important for the development of the regions by the participants.
17 April – 1 May 2014	Reflection on comments received from the Commission and the public consultations meetings
30 May 2014	Submission of the draft final version of the Programming Document to the Commission

Section 2: Programme Area¹

2.1 Situation Analysis

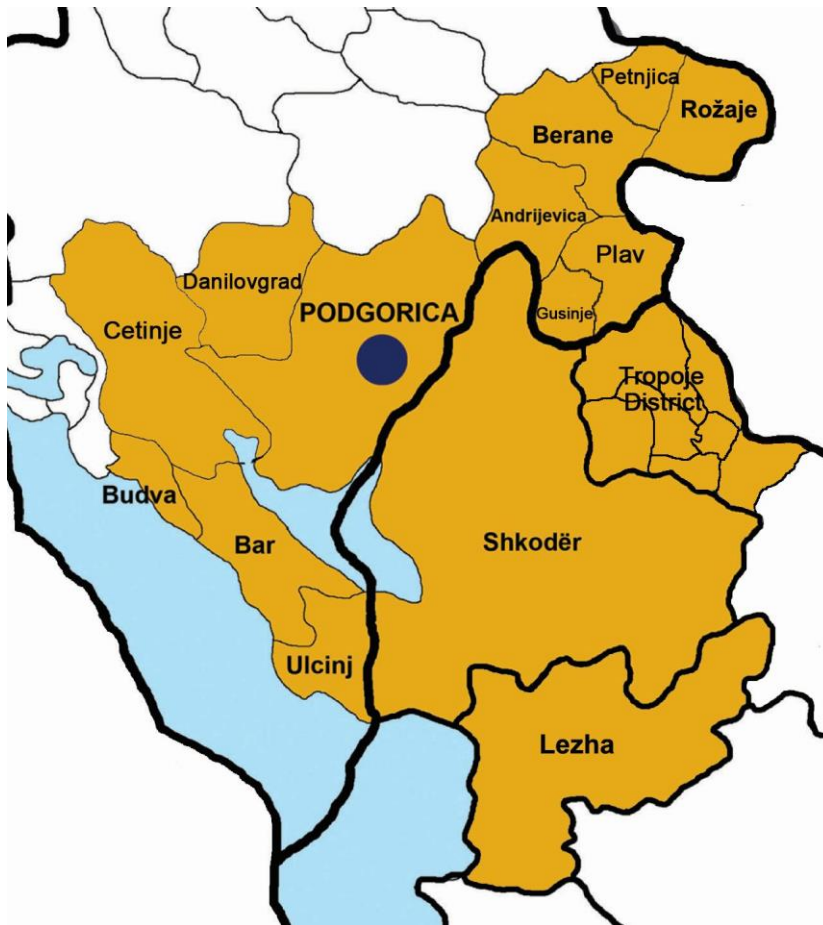
The programme area for the Cross-Border Programme between Montenegro and Albania covers a territory of 11,970 km² with a total population of about 749,257 inhabitants. The territory in Montenegro accounts for 52.1 % as against 47.9 % in Albania. The borderline is 244 km of which 38 km are water border. There are three operational border-crossing points between Albania and Montenegro along this borderline. The programme area in **Montenegro** covers municipalities: Andrijevisa, Berane, Plav, Gusinje², Petnjica³ and Rožaje; Podgorica, the capital of Montenegro and Cetinje, Danilovgrad, Budva, Bar and Ulcinj. The programme area in **Albania** includes the regions of Shkodra and Lezha and the district of Tropoja⁴. Overall, the programming area has 23 municipalities and a total of 1,144 settlements – towns and villages.

¹This section provides a summary of main data from situation, PESTLE and SWOT Analysis. The full version of the analysis is annex to the programme document

²Gusinje is a new municipality, introduced as an administrative division of the municipality of Plav; it is in its early stages of organisation

³Petnica is a new municipality, introduced as an administrative division of the municipality of Berane; it is in its early stages of organisation; Gusinje is also a newly established municipality.

⁴Tropoja district has 1 Municipality of Bajram Curri, and 7 Communes – Bujan, Bytyc, Fierze, Lekbibaj, Llugaj, Margegaj and Tropoja



Geography

The programming area is home to several National parks, protected zones and landscapes reflecting the rich biodiversity and environmental differences. The territory in **Montenegro** is characterized by a contrasted geographic and climate profile, loaded with mountain ranges, plains, valleys, rivers lagoons and lakes. The continental or northern part of the region is a mountainous area. Mountain peaks reach up to 2,500 m and the territory is crossed by rivers, like Lim, Morača and Tara, forming impressive canyons and valleys. The Territory in **Albania**, presents sharp contrasts as it alternates mountains, hills, rivers, lake and sea coastline very close to each other. It has numerous rivers crossing the territory, often causing floods during the rainy seasons. It extends from high mountains (Alps of Albania) in its northern part bordering Montenegro to the coastline (Velipoja and Shengjin) in the north-western part of Albania. The highest peak is Jezerca – 2,694m in the Shkodra region with the lowest -6m in the Lezha region. The programme area has a Mediterranean climate in its coastal area with hot dry summers and autumns and a continental climate in the northern mountainous area of Shkodra and Tropoja with relatively cold winters with heavy snowfalls inland. Such contrasting geographical elements enrich the environment and flora and fauna of the programming area. Its natural resources are stimulating for the



development of tourism and agro-business as the main economic drives to increase the opportunities for the welfare and prosperity of the inhabitants in the programme area.

Demography

The population living in the programme area accounts for almost 61% of total population of Montenegro, and 13.2% of Albania. Population in the programme area is a balanced match as the Montenegrin population accounts for 379,366 or 50.63%, and Albanian population stands at 369,891 inhabitants or 49.37%. In the Montenegrin part the density of population at 65.7inh/km² is higher than national average of 45 inh/km², while in Albania it is 59 inh/km², lower compared to the national average of 97 inh/km². The programme area has a natural increase rate of 1.87%, which is below national average of 2.2%; mortality rate stands at 9.4% equal to the national average. The programme area in **Montenegro** has a predominantly urban population accounting for about 52% of its population, yet lower, compared to 62% living in urban areas at national level. About 49% of the population in the programme area is concentrated in Podgorica. In **Albania** the total number of population living in the programme area is 369,891⁵ inhabitants or about 13.2% of the country's total population. Shkodra region is the sixth largest region of the country with a population of 215,347, or about 7.6% of the total population followed by Lezha which ranks 10th among the regions of the country, numbering a total of 134,027 inhabitants or 4.7% of the total population of Albania. The Tropoja district registers a total population of 20,517 accounting for 0.07% of the Albania's total population. The population is predominantly rural, accounting for an average of 53.2 %. It is Shkodra region determining the average as its rural population accounts for 55.6% of its 119,794 inhabitants. Contrary to that, Lezha region has an urban dominance with about 53.8% of the population. The district of Tropoja has a predominantly rural population, which accounts for about 74% of its population. The composition of the population in the programming area of both countries shows that 50% of population belongs to the 15-49 years old age segment.

Poverty

Vulnerability of the Montenegrin population has increased recently as the number of persons below the poverty line did increase from 6.6% of total population to about 9.3% of the population of Montenegro in 2011. The increased poverty rate is much more emphasized in rural areas, averaging 18.4% as against urban areas where it averaged 4.4% in 2011. Inequality has increased in Montenegro as Gini coefficient increased from 24.3% in 2010 to 25.9% in 2011⁶. Vulnerability of the **Albanian** population increased in 2012; the registered number of persons below poverty line rose by 8.4%. Extreme poverty has reached 2.2% in 2012 as against 1.2% registered in 2008. The regions in the programme area are poorer compared to the national average of poverty rate 14.3%. Lezha region registers a 17.5% poverty rate and Shkodra region is slightly better with a 15.7% poverty rate. Tropoja district belongs to the poorest Kukes region in Albania with a 21.8% poverty rate. Poverty has become an urban concern, indicating a sluggish performance of economy over the last years, while the revival of the already exhausted urban potential to lead economic growth has become imperative.

⁵ INSTAT Census 2011

⁶ World Bank, Country programme snapshot



Economy

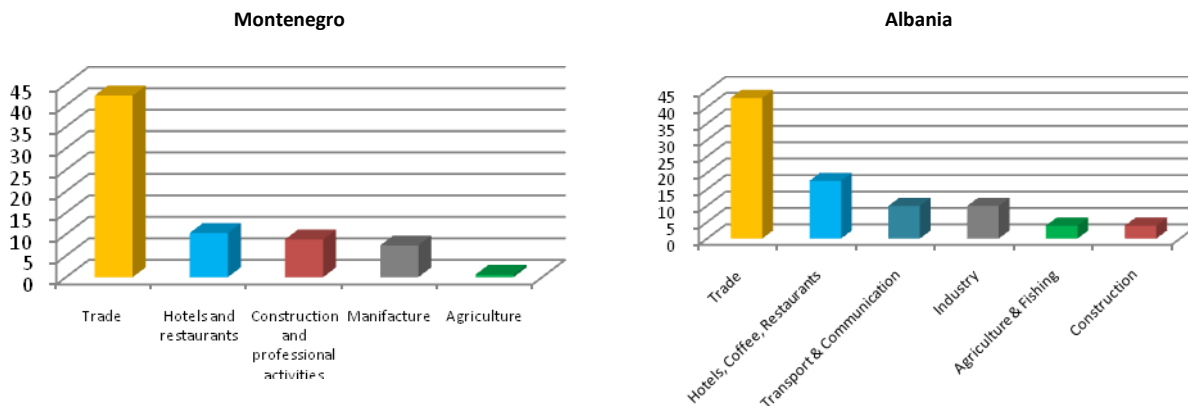
The programming area features all the regional disparities encountered in **Montenegro** in terms of socio-economic developments. It is, as at national level, dominated by Podgorica, which is the economic engine of the country. Each municipality of the programme area is below the national average with the municipality of Plav being the less developed in the country. Unlike Budva which has the highest development index in Montenegro at 362.4 the other two coastal municipalities of the programming area Bar and Ulcinj, are below the national average.

In **Albania** regional disparities are evident too. The socio-economic development of the country leans heavily in favor of the central region. Shkodra is the most developed region in the programme area of Albania. Shkodra Region contribution to GDP amounted to EUR 555 million in 2011⁷, equaling to 6.1% of the total GDP of the country, ranking seventh amongst 12 regions of Albania. The main contributor to the economic activity of the Region is agriculture accounts for about 26 % of GDP's contribution, followed by trade, hotels, transport and communications with 23 %, financial sector and real estate 19 %, industry 11% and construction with 8%. Lezha's region GDP for the year 2011 amounts 3.7% of the country's GDP⁸. Main contributors to Lezha's region GDP are trade, hotels, transport and communication with 26 %, agriculture sector 25 %, financial and real estate sectors 19 %, construction 10 %, while industry is the smallest contributor with 8%. Kukes region contribution to Albania's GDP, where Tropoja represents accounts for 24% of the population, is the lowest in the country with only 2.4%; most important sectors are Agriculture which accounts for 34 % and Trade, Hotels and Tourism with 20%.

Private Sector

The structure of economic operators in the programming area is dominated by small and medium enterprises. SMEs in Montenegro account for 98.6% of the total number of economic operators while in Albania they are 95.4% of the total. Majority of the SMEs in both sides of the border operate in the services sector. Most of the **Montenegro's** economic operators are concentrated in the programme area, accounting for 67.3% of the total number of enterprises at the national level. About 49.2% of these SMEs are located in Podgorica indicating the disparities of regional development.

Graph 1. SMEs by main economic sectors in the programme area



⁷ INSTAT, Regional Accounts 2013

⁸ INSTAT, Regional Accounts 2013

In **Albania** the programme area registers a total of 10,174 enterprises⁹ as of end 2012 or about 9.7% of the total number of enterprises of the country. It has a birthrate¹⁰ of 13%, higher compared to the national average of 12.2%, mainly affected by Shkodra, which at 14.4% indicates a comparatively higher drive of economic activity as against Lezha region and Tropoja district with 10.8 %. The structure of enterprises is dominated by very small enterprises, employing 1-4 persons, which account for 85.7% of the total enterprises in the programming area. Besides the small size of the enterprises, an important factor, which is an impediment to economic development in the programming area, in both sides of the border, is the lack of technological know-how and labour skills. It remains a key challenge as the market demand for high quality services and products is mismatched by the inadequate labour skills. Another key challenge is the SMEs poor access to financing; the overly prudent lending policies adopted by financial institutions in both countries are a serious impediment to the growth of enterprises in the programme area.

Agriculture and Rural Development

The Montenegrins part of the programme area is richer in agricultural resources and has more potential in this sector compared to Albania's part. However, the agriculture sector and its development is equally important for the entire programme area, especially because of the large part of population that lives in rural area where agriculture is the main economic activity. A common feature in the programme area is low productivity and competitiveness of agriculture. It is based on: small-scale holdings which constraints production and profit; production to mostly cover subsistence needs rather than for direct sales on green markets; low level of finalization of agricultural products and underdeveloped food industry.

The programme area covers about 38% of the total agriculture land of **Montenegro**. Employment in agriculture is reported to be around 2.5% of the total employed¹¹, Podgorica is the main Montenegrin lowland region – alone it has about 31.5% of agriculture land in the programme area. It offers optimal conditions for diversified production: vegetable, field crop production, livestock, fruit and wine. Wine, which is the main export oriented production in Montenegro, is produced in Podgorica - about 80% of the total wine production of the country.

The programme area in **Albania** covers about 13.3% of the country's total agriculture land¹². Most of its territory is dominated by forests, pastures (85.2%) whereas the portion of land in use for agricultural purposes is only 14.8% or 92,748 ha. The terrain is mostly mountainous and rugged, significantly restricting the areas where agriculture potential can retain some comparative significance. Such areas are mainly situated in the surroundings of Shkodra Lake where the terrain and climatic conditions are favourable for farming vegetables. Lezha region has a tradition for pig farming as it has 91.7% of the total country's inventory, while agriculture in Tropoja district is mainly oriented towards rye production. Agriculture in the programme area is a family based activity oriented to toward subsistence needs, with a highly fragmented land – farm size is 1.1 ha in Shkodra; 0.89 ha in Lezha, and 0.60 ha in Tropoja which is half of Albania's average of 1.20 ha, as against Albania's average of 1.20 ha.

⁹ INSTAT, Statistical Business Register of Enterprises 2012

¹⁰ The number of new enterprises registered for a given year expressed as % over the total number of enterprises.

¹¹ Industry and occupation of population in Montenegro-Census 2011 MONSTAT release 197

¹² Statistical yearbook, Ministry of Agriculture



Tourism

Tourism is differently important for the economies of Montenegro and Albania. Montenegro is already a popular touristic destination while Albania has yet to become one. In **Montenegro**, tourism is a main sector of economy, which accounts for about 9.9% of the country's GDP in 2012, or about EUR 336 million which is 20.7% higher than in 2011¹³. The coastal region in the programme area accounts for over 69% of the country's total overnight stays in 2012¹⁴, mostly in the holiday period July-August. The coast of the programme area attracts about 67.5% of all 1.44 million tourists that entered Montenegro in 2012. Some 160 seaside accommodation facilities in the programme area account for about 49% of the total accommodation facilities in Montenegro, while it has also about 30% of accommodation facilities of non-coastal areas of the country. Despite the current low level of tourist visits, the continental region has many advantages for developing all kind of tourisms related to mountain sports (skiing, hiking, biking, rafting, etc.), untouched nature and rich biodiversity (two national parks, lakes, canyons, etc.), authentic rural life, traditional and quality food production.

The tourism sector is less important in the **Albanian** part of the programme area (even-though it has a great potential), compared to Montenegrin' side. More specific, Shkodra and Lezha regions and Tropoja district have high individual potential for developing an all-year round tourism. Attractive nature and landscape of the mountainous and hilly nature, as well as the lake of Shkodra, the Valbona valley in Tropoja and other National parks, protected zones; tourist sightseeing (natural landscapes, rare species, etc.); agro-tourism, sites of historical and cultural interest such as prehistoric dwelling places, archaeological sites, cult objects, need to be better promoted along to a faster developing coast tourism in Shkodra (Velipoje) and largely in Lezha (Shengjin).

Infrastructure

Montenegro and Albania are part of the SEETO¹⁵ – core Network. The position of the programme area highlights the importance of a good transport infrastructure in the future development of tourism, trade, cultural exchanges and increase of competitiveness. The **road** infrastructure linking Montenegro and Albania especially through Sukobine - Muriqan and Božaj -Hani i Hotit has been significantly upgraded. The services infrastructure of these border-crossing points has also been improved allowing faster communication between the two areas, thus able to facilitate transport, trade and tourism. The third one in Gercan - Plav is less developed. A fourth border-crossing point in Cijevna Zatrijebačka - Triesh, will be linked with it by about 23 km of road inside Albanian territory, which is under construction with EBRD funding. It will significantly shorten the time of travelling from Plav to Podgorica (expected travel time through the Albanian territory about half an hour). Montenegro and Albania have agreed to integrate procedures of organising **railway** transport between countries. One railway passes through the programme area from Podgorica to Shkodra of about 63.5 km in length; it is used only for freight transport as the line is not electrified. The same railway connects Tirana with Shkodra via Lezha. Future plans include its electrification, at least on the Montenegrin side, and using this railway also for passenger transport, by adopting the urban municipality Tuzi, a subdivision of Podgorica Municipality as the common border station.

¹³ World Travel Tourism Council – March 2013

¹⁴ MONSTAT – Tourist Arrivals and Overnight Stays by Cities 2012

¹⁵ South-East Transport Observatory. Road Corridors & Links involves in: Albania, Bosnia, Croatia, Kosovo, former Yugoslav Republic of Macedonia, Serbia, Montenegro



Telecommunication in the programme area benefits from both land (fixed) and mobile telephony. The fixed telephony in Montenegro is fully digitalized. The number of subscribers corresponds to a 27.55% penetration rate. The mobile telephony market has three telecommunications operators. In 2012 the three mobile companies reported a total of 990,868 users, corresponding to a penetration of 159%. In Albania, the level of penetration of fixed and mobile phones in the programming area stands at 88.15%¹⁶, slightly below the national average of 89.47 %. However, with the exception of the main cities, penetration of fixed telephony in rural areas is low; communication is mostly based on mobile phones. Level of mobile phone penetration in Albania is over 130%.

Computer literacy in Montenegro¹⁷ averages 35% among the population 15 years old and over. About 16% of the population is partially computer literate. In Albania, the level of internet penetration (meaning there is a computer being used to access the internet) in the households in the programming area stands at 9.97%, which is below the national average of 12.35%.

Energy is available to all municipalities in the programming area. Most of the energy needs in both sides are met through imports. The completion of the 400 kv interconnection line between Albania and Montenegro (Elbasan-Podgorica), increases the capacities of energy exchanges between the two countries, thus increasing the security of electricity supply in the country. Although there are large but yet unexploited hydropower resources (especially in Albania) the area is characterized by a low efficiency in the use of electricity. Use of electricity for heating purposes is widely spread.

Most of the households (247,354) in Montenegro use **water** from the public water system, although public water system may be insufficient in rural areas and during summer time. Out of the total number of dwellings¹⁸ 92% of them have access to water supply systems inside their houses and the same number is connected to sewage system inside the house. In the Albanian programme area the water supply, sewage systems and irrigation remains problematic. Access to water inside the dwellings in the programming area is secured to about 55% of them; about 40% has some access to water supply systems, while 4.6% of the household in the programming area have no access to water supply system.

Social

Labour market

Unemployment in both Montenegro and Albania is relatively high by international standards. It is still a major economic problem in both sides of the programme area and is characterised by significant regional differences. In **Montenegro** the labour market has suffered the crisis registering an increase in unemployment which reached 20.45% in 2011¹⁹, lowering at 19.6% in 2012. The programming area is home to about 93.4% of the active labour force of the country; the coastline region and the central region doing better than the poorer and less developed northern landlocked regions. Most of the labour force is employed in the services sector (76.2%), followed by industry with 18.1%, agriculture with 5.6%, of the total employed. The largest employer in the programme is the commerce sector with 20.5 %, followed by public administration with 12.5 %. Females make up for 44.1 % of total employed.

¹⁶Albania, Census 2011

¹⁷ MONSTAT, Population by computer literacy per municipalities in Montenegro 2011, Release No. 156

¹⁸MONSTAT. Dwelling by availability of installations, Release No. 280

¹⁹Montenegro Census 2011

Total labour force in **Albania** amounts to 1,117,082 people as of end December 2012²⁰. It has seen no major shifts, despite the economy has slowed down during the last 2-3 years. Total unemployment²¹ rate stagnated at 13.9%, same as in 2011. Unlike Tropoja, the unemployment in the Shkodra and Lezha regions, mirror the same average unemployment rate as at national level, while all three maintain the same employment structure. As of end 2012, the number of unemployed in Shkodra stands at 19,417 persons, accounting for 13.6 % of the total unemployed, while Lezha with 15,021 unemployed persons accounts for 10.6 % of the total. Whereas Tropoja registers 2,368 unemployed or about 36 % of the total labour forces belonging to the age 15-64 years old in Tropoja district. Unemployment is more present in the urban areas, as those living in rural areas are considered self-employed.

Education

Unequal educational level is present in the programme area, with illiteracy increasing in remote areas. Highly educated young people have a tendency to leave towards regions that provide more opportunities or abroad. The secondary education system is less attractive and accessible, especially for young rural population in the programme area. Private schools and Vocational training are present but unable to match labor market demands for qualified and skilled employees, constituting thus an impediment to the economic development of the programme area. Educational provision at all levels requires improvement in order to meet labour market needs. The education system in the programme area in both countries requires reform, especially practical learning experiences and links with the business sector. Improvement of school infrastructure is a major priority for both governments at central and local level. 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 these issues 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 for the CBC programme and an opportunity not only for further enhancing academic cooperation, but also for initiating research programmes in the border area and in several sectors such as agriculture or tourism.

Research & Development is undeveloped. Insufficient investments, governmental, regional or local support activities for R&D activities are present, in spite of the fact that 4 Universities are present in the programme area. There is no specific data on RDI but there is virtually lack of co-operation between education institutions in both countries, and research, development and innovation area is not explored. Montenegro spends about 0.41% of GDP in Research and Development²², while Albania spends about 0.02% of its GDP²³. Albania and Montenegro have signed an agreement regarding the mobility of researchers and technical experts between partner universities; setting up joint research centres to study hydro resources of Buna river and Shkodra lake; and a joint centre of advanced studies on seismological risks in the Western Balkans.

Health

The organisation of the health system in Montenegro and Albania is similar; it is largely public with a modest (but increasing) private presence, and territorial coverage is duly provided with services of

²⁰ INSTAT, Quarterly Statistic Bulletin, No. 2, 2013

²¹ Unemployment rate represents the percentage of unemployed persons in the total active population.

²² R&D in 2011, Montenegro Statistical Office, release No. 24

²³ Albania, State Budget 2012



primary, secondary and tertiary health care. Overall, health services in both countries are improving, but more needs to be done to ensure universal access to such services by poor households. The next key challenge to guarantee that all citizens are provided with appropriate health services is to remove the economic barrier for accessing quality services, which is aggravated by the lack of total health insurance.

Culture

The culture in the programme area is, overall, characterized by elements of different individual and common traditions. Tourist centres and big cities are rich in cultural heritages that include monuments and religious sites (churches, monasteries and mosques), old towns, archaeological sites and different museums. The programme area is also rich in diversified culinary and handicraft traditions that could play an important role in further promotion and tourism development. Cross-border cooperation could play an important role in protecting and promoting this heritage and further strengthening the regional cooperation ties between the two countries. Limited public investments and subsidies have kept a low level of cultural activities in the programme area despite its rich heritage. Cultural activities and contacts can however be intensified, thus creating a basis for a more active cross-border co-operation. This creates favourable conditions to further develop joint initiatives aimed at adding value to the common heritage to the two sides of the border areas.

Civil Society

There are 5, 843²⁴ CSOs registered in **Montenegro**. Most of them are citizens' associations (5,665), and 175 foundations. The most influential and experienced CSOs are located in Podgorica, active in various sectors (human rights, public policy, environment and rural development, capacity building, disabilities, etc.). Most of them have an experience in defining CBC projects. Human capacities and funding capacities are generally insufficient; partnerships with local authorities as well as regional CSO networking are still weak. However, the local network of community organisations is diverse and rich. Some of them, such as the mountaineers associations, may play an important role in implementing the CBC initiatives.

Albania's CSO sector is small and relatively undeveloped. Officially there are 2,231 registered associations, 311 foundations, and 552 centres²⁵. Most of the CSOs are concentrated in the capital Tirana, or in the central region (which includes Tirana and major towns such as Shkodra, Durrës, Elbasan, Korçë). Civil society is weakly represented in all rural areas. The CSO society sector in Albania as a whole is poorly integrated and represented. There is no sector-wide forum or network dedicated to the coordination of CSO efforts.

Environment and Nature

Environmental protection and preservation are key for a sustainable development of the programme area, which is quite rich in environmental resources and biodiversity on both sides of the border. However there are several factors that threaten the environment resources in the programme area, such as; deforestation due to uncontrolled falling of trees; poor water and sewage management; uncontrolled waste disposal; unregulated urbanization; in some areas industrial pollution; risk of pollution of rivers and lakes from illegal landfills; the intensive use of pesticides is harming agriculture;

²⁴ Montenegro Needs Assessment Report TACSO It is unknown how many of them are active

²⁵ Recent civil society assessments and intensive observations from the TACSO Albania Office estimate that the total number of active CSOs does not exceed 450

the fauna in the lakes and rivers is threatened by over-fishing and illegal hunting. Land degradation is present on both sides of the border. Cooperation between the two countries with regard to protection and rehabilitation of Shkodra Lake has increased in the last decade.

Montenegro has a high biological diversity due to its geological background, climate and the position of sea and mountains in close proximity. Montenegro has two world heritage sites, one biosphere reserve and five national parks. Environmental preservation protection is a pillar of all development strategies of the country. Montenegro's national network of protected areas covers 108,866 ha²⁶ or 7.88% of the total territory. It comprises 5 national parks – Skadar Lake, Durmitor, Lovćen, Biogradska Gora, and Prokletije.

In **Albania**, the programming area offers a rich biodiversity and climate as it includes mountains, hills, plains, lake, rivers and coastline. It has 8 natural parks²⁷, managed nature reserves and protected landscapes, which cover over 13% of the total territory. The most important natural park in the programme area is the Shkodra Lake.

Social and economic changes of recent years, demographic shifts in both Albania and Montenegro have put pressure on protecting and preserving the environment and biodiversity in the programme area. Over the past decade damages are evident in the forests area due to the interventions of the local population. Most of the damage was due to abusive logging and over-grazing. The protection of natural resources with a focus in the forests, protected zones and exploitation of water resources represent economic and environmental values for this area. Although the awareness on environment protection has increased, a higher degree of enforcement of environmental protection standards is required to ensure proper urban development and the expansion of tourism. Reduction of existing pollution, management of urban waste and ensuring the quality of drinking water for purposes of protecting public health and guaranteeing a clean environment, associated with measures to protect the land from natural and man-made destruction and enforcement of a strategic urban planning process are the main challenges to cope with in the programming area.

2.2 Main Findings

The programme area is diverse, but still several common features related to nature, geographic position, demographic trends, economy, human capital etc, could generate synergies and be a good opportunity for developing and implementing CBC initiatives.

- ✚ **Economic features** of both countries indicate similar trends. Both countries are classified as upper-middle income economies by the World Bank. The structure of economy is different on both sides of the border. While Albanian regions rely on agriculture, services, wholesale and retail markets, Montenegrin regions feature more developed industry, and the level of tourism is much more developed. Agriculture is commonly important for both sides. Key challenges include: addressing regional economic disparities; low level of productivity as a result of lack of technological know-how and labour skills and mismatch of market demand for high quality services and products and inadequate labour skills.

²⁶ MONSTAT, Statistical yearbook 2012

²⁷ Albania, Ministry of Environment, Network of Protected areas in Albania September 2013

- ✚ **Competitiveness is low on both sides of the border**, higher productivity and further investment in know-how and use of innovation technologies is a precondition to becoming more competitive both nationally and internationally. In border areas businesses normally exploit across the border and international trade opportunities but trade between both countries and third parties is still constrained by heavy administrative barriers.
- ✚ **Strengthening of SMEs networks and service connections existing in the border areas is an underutilised potential.** Over 97% of registered SMEs employees less than 4 persons. Level of cooperation across the border is minimal. A key challenge is the SMEs poor access to financing. The overly prudent lending policies adopted by financial institutions in both countries are a serious impediment to the growth of enterprises in the programme area. Promotion of *e-business* is a challenge. 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.
- ✚ **Both sides of the programme area are increasingly becoming more attractive to foreign investors**, but there is a need on both sides to improve conditions and especially the infrastructure for doing business. Investments in tourism, renewable energy and agriculture could be potential sectors for attracting more FDIs. Light and food processing industries are also considered as a potential for accelerated economic growth of the programme area.
- ✚ **Agriculture is a major economic potential in the programme area, but underutilised.** In general rural economy is fragmented, to much higher degree in the Albanian programme area, and small agricultural holdings have difficulties in accessing markets. Production is moderately diversified and the range of main agricultural produce on both sides of the border is more complementary than competing. Key challenges include: improving access to market; strengthening the food security system and inspection bodies; and in general increasing agriculture sector competitiveness. Future intervention should aim at improving efficiency in agriculture and forestry and to develop additional sources of income from preserving natural assets and tourism.
- ✚ **Unemployment remains a sharp problem** for the population of the programme area, especially for the socially sensitive groups such as youth and rural population, women. Employment insecurity is considered as the main reason for high migration rate, especially in the rural or less developed areas where the unemployment rates are high as result from subsistence and low-scale agricultural production that provide a form of social security for the bulk of the rural population and work as a buffer against high rates of registered unemployment.
- ✚ **Environment protection needs serious consideration in future development plans of the programme area.** 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 area. Challenges include: need to enhance enforcement of environment regulation and standards to ensure better management of forestry and protected areas to prevent environmental degradation; preventing uncontrolled exploitation of natural resources in the programming area; low awareness of local stakeholders for the better use of

natural resources. Improved waste management, control of pollution, and improved land management are amongst the key priorities to be addressed by governmental and local development plans. Further valorisation of natural resources in the view of economic development is a key issue for the development of the area, especially on the Albanian side of the border.

- ✚ **Poor infrastructure is a main challenge 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 programme area. Development of infrastructure that facilitates business and the diffusion of networks and services to support business development and innovation, could contribute to a general increase of wealth and economy in the area.
- ✚ **The programme area has high tourism potential but these opportunities are utilized mainly in the Montenegrin side**, while tourism in the Albanian side is poorly developed despite of the great potential. CBC initiative aiming to produce a joint touristic offer should be considered. Key challenges remain: the unbalanced tourism development with the prevalence of seaside tourism and the need to develop diverse type of tourism (mountain culinary and agro-tourism) throughout the programming area; poor tourism infrastructure (especially on the Albanian side); low visibility of the rich historical and cultural heritage and traditional peculiarities; need to increasing income in the programming area by promoting activities to preserve tradition, cultural and natural heritage. Obvious synergies, potentially to be supported by the CBC programme, can be built between the regions in Albania and the coastal areas in Montenegro, but also with the “less touristic areas” in north-east of Montenegro which have similar characteristics in terms of environment, wild nature and mountains with north of Albania.
- ✚ **There is a rich historic-cultural-artistic heritage in the bordering area that needs to be preserved.** Further valorisation of historical and culture heritage could contribute to strengthening the identity of the area. Cultural heritage is an asset for the economic development of the programme area. The cooperation among culture institutions is present, but it could be intensified further.
- ✚ **Improving the quality of educational system and school infrastructure is a challenge and priority** for the programme area, particularly in rural areas. The presence of important private and public universities and business research centres in the programme area is an asset for the CBC programme. Further joint action could be undertaken to establish network of vocational training centres as well as higher institutions and research agencies and organisations.
- ✚ Overall, the **health sector is poorly and unevenly developed** and the lack of a proper legal framework for health insurance in rural areas (in Albanian side of the border) is still hampering its development. Given that health sector is centrally managed, perhaps not much can be done under CBC programmes, but certainly there is room for potential joint activities related to health prevention campaigns and health education.

- ✚ **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.
- ✚ **Research & Development and ICT penetration is significantly disproportional between the countries and at the low level.** Insufficient investments, governmental, regional or local support activities for R&D activities are present, in spite of the fact that 4 Universities are present in the programme area. There is no specific data on RDI but there is virtually lack of co-operation between education institutions in both countries, and research, development and innovation area is not explored.
- ✚ **Local and regional governments are in general, financially weak and cannot boost local development.** Unlike Albania, Montenegro does not have regional Governments. Challenges include: lacking skills in management, financial control and budgeting, democratic approaches in decision-making processes. Absorption of EU funds is low. Cooperation between local governments between two countries could be improved. Decentralization process is on-going in both countries.

Based on the situation analysis and the PESTLE or SWOT analysis the following potential interventions are regarded as instrumental for the development of the border region:

- 1) **Tourism and cultural heritage;**
- 2) **Environmental protection, climate change and risk prevention;**
- 3) **Employment, labour mobility and social inclusion;**
- 4) **Technical Assistance.**

Section 3: Programme Strategy

3.1 Rationale - Justification for the selected intervention strategy

The CBC Programme will aim to promote joint cross border initiatives and actions seeking to improve the economy of the border areas in a socially and environmentally sustainable way. Three thematic priorities are selected under this programme, which include:

THEMATIC PRIORITY 1: Encouraging tourism and cultural and natural heritage;

The first priority will promote joint cross-border initiatives and actions aiming to support economic development with focus on tourism (but not exclusively), as it is considered to have a great potential for the programme area as a whole. In addition, cultural and other social exchanges will be supported. This priority of the programme will contribute to improving growth and living standards by providing opportunities for wider partnerships and exchanges of common interest across the border to develop tourism and valorise cultural heritage of the area. Actions to be implemented are expected to affect improvement of quality of services, establishment of networks and partnerships between local government and local stakeholders to promote joint tourist sites, preserve cultural heritage, encourage

entrepreneurship and competition in the tourism sector, promote joint touristic offers, develop and promote new brands of local products, promote the area's image to potential investors and visitors, etc. The expected results will have an impact on promoting tourism entrepreneurial activities across the border and enhancing exchanges of cultural, historical values, and cultural diversity as a unique shared feature of areas on each side of the border.

THEMATIC PRIORITY 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management

With the overall development of the programme area largely relying on natural resources, the environmental protection and preservation of natural resources is crucial for the sustainable development. The action under this priority will support cooperation on environmental protection such as the Shkodra/Skadar Lake and its surroundings, establishing cross-border synergies for the management of the protected areas located in the border area, support to reduction of pollution and integrated protection, and management of sensitive ecosystems, and good use of surface waters, integrated environmental monitoring systems and data bases, actions designed to encourage environmentally-friendly economic activities, etc, with the aim of further valorisation of natural resources in the view of economic development.

THEMATIC PRIORITY 3: Promoting employment, labour mobility and social and cultural inclusion across the border

This priority will aim to address the issues related to high unemployment rates especially among young population and women, low integration of cross border labour markets, and labour mobility. Actions under this priority will aim to promote better linkage of vocational training with labour market demands so as to increase the skills of labour force and enhance employment opportunities, labour intensive economic initiatives with a cross border outreach, cooperation between education institutions and the private sector to improve matching of training curricula with labour market requests, development of continued e-learning to improve skills of employed and unemployed people to increase their chances on the labour market, support utilising ICT technologies to networking and cross-border work force mobility.

The following table provides a summary of the background and justifications that lead to selection of these priorities were selected.

Table 1: Synthetic overview of the justification for selection of thematic priorities

Selected thematic priorities	Justification for selection
	<ul style="list-style-type: none"> ▪ Tourism is the most promising economic sector in Montenegro, while holding a high potential for development in the Albanian programming area as well. ▪ Need to promote the development of diverse type of tourism (mountain culinary and agro-tourism) throughout the programming area as it has an unbalanced tourism development with the prevalence of seaside tourism; ▪ Need to enhance the visibility of the rich historical and



<p>Encouraging Tourism and Cultural and Nature Heritage.</p>	<p>cultural heritage and traditional peculiarities, with a view to increasing income in the programming area by promoting activities to preserve tradition, cultural and natural heritage;</p> <ul style="list-style-type: none"> ▪ Need to increase the level of cooperation between stakeholders in the area of tourism development and cultural and natural heritage preservation.
<p>Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management.</p>	<ul style="list-style-type: none"> ▪ Rich natural biodiversity and existence of several protected areas and national parks in the programme area and the high vulnerability of the region concerning floods. ▪ Need to promote and enhance the enforcement of environment regulation and standards to ensure better management of forestry and protected areas to prevent environmental degradation; ▪ Need to promote joint efforts in the management and control for protection of natural resources and preventing uncontrolled exploitation of natural resources in the programming area; ▪ Need to promote the increase of the awareness of local stakeholders for the better use of natural resources, and the existing high potential in forests and also promoting eco-tourism.
<p>Promoting employment, labour mobility and social inclusion</p>	<ul style="list-style-type: none"> ▪ High unemployment rates especially among young population and women, de-population and outflow of skilled and educated people in rural part of the programming area and a very low integration of cross border labour markets, and low cross border mobility; ▪ Need to increase accessibility in the labour market, especially of rural population by promoting the development of employment programmes for social integration of marginalised groups to mitigate the risk of high migration rates; ▪ Need to promote the better linkage of vocational training with labour market demands so as to increase the skills of labour force and enhance employment opportunities; ▪ Need to promote the turning of multi-ethnicity in the programme area into an advantage for economic, social and cultural inclusion which increases the level of integration of cross border labour markets and labour mobility as well; ▪ Need to promote activities of research and development by using the existing research and high education institutions in areas of common interest which increase the benefits deriving from such of cross-border cooperation.

3.2 Description of programme priorities

The following tables provide a description of each priority supported by specific objectives, results, activities and indicators:

PRIORITY 1 – ENCOURAGING TOURISM, CULTURAL AND NATURAL HERITAGE				
Specific objective(s)	Results	Indicators*	Sources of verification	Types of Activities
<p><u>Specific Objective 1</u></p> <p>The competitiveness of the tourism sector is enhanced by the economic valorisation of the cultural and natural heritage</p>	<p><u>Result 1.1</u></p> <p>The quality of tourism services and products is upgraded</p>	<ul style="list-style-type: none"> - 1.1.1 Contribution of tourism to regional GDP for each side of the programme increased by 20% <i>(baseline 2013, Montenegro 9.9% of GDP, Albania 6.4% of GDP)</i> - 1.1.2 At least 5 new joint touristic offers developed for the programme area <i>(baseline 2013 = 2)</i> - 1.1.3 Touristic offers generated by the CBC initiatives adopted by at least 40% of touristic operators active in the area - 1.1.4 Two Touristic maps and integrated touristic offers introduced for the mountain areas (less advantageous) 	<p>Official statistics</p> <p>Reports from the relevant national authorities/ministries</p> <p>Reports of national and local tourist organisations</p> <p>Monitoring/project reports</p>	<ul style="list-style-type: none"> ▪ Encourage entrepreneurship and competitiveness in the tourism sector ▪ Diversification of touristic offer, upgrade and promote less known tourism attractions in the program area ▪ Increase capacities and introducing new promotion techniques and approaches, including mapping, use of ICT, multi-media, research, etc. ▪ Joint vocational training related initiatives targeting skills related to a competitive touristic offer and market demands ▪ Small scale infrastructure works and provision of equipment to improve standards of tourist offer and restore or preserve the historical heritage

* Based on programme support actions by 2022.

		in both sides of the border		
	<p>Result 1.2</p> <p>Cooperation in the field of cultural and natural heritage preservation is increased (e.g. around the Shkodra/Skadar Lake area)</p>	<p>- 1.2.1 No. of tourists (disaggregated by gender and age) visiting the area such as Shkodra / Skadar Lake increased by 30%</p> <p>- 1.2.2 At 2,000 participants (disaggregated by gender and age) in new cultural events</p> <p>- 1.2.3 No. of visitors (disaggregated by gender and age) in the cultural and natural sites where small interventions have occurred increased by 20%</p>	<p>Official statistics</p> <p>Reports from the relevant national authorities/ministries</p> <p>Reports of national and local tourist organisations</p> <p>Monitoring/project reports</p>	<ul style="list-style-type: none"> ▪ Awareness raising campaigns and educational programmes and curricula targeting tourism and best utilisation of its potentials in the area ▪ Activities to promote the cultural and natural touristic potential of the programme area ▪ Joint activities to promote, but also innovate cultural values and natural heritage through festivals, fairs, competitions ▪ Targeted trainings to increase the quality of services in cultural and natural sites ▪ Actions to increase awareness of people on the importance of cultural and natural heritage, particularly at schools

*-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. The same approach applies for all three thematic priorities. Please note that wherever there are targets these cannot be but tentative since the amounts of programme allocations are still unknown.

PRIORITY 2 – PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE				
ADAPTATION AND MITIGATION, RISK PREVENTION AND MANAGEMENT				
Specific objective(s)	Results	Indicators	Sources of verification	Types of Activities
<u>Specific Objective 2</u>		- 2.1.1 At least 40% of the population (disaggregated by gender and age) of the programme area has been	<p>Official statistics</p> <p>Reports from the relevant national</p>	<ul style="list-style-type: none"> ▪ Actions designed to deal jointly with environment protection and promotion in the programme area, ▪ Support to integrated protection and

<p>The protection of environmental resources in lake and alpine areas is furthered</p>	<p>Result 2.1</p> <p>Awareness of the sustainable use of environmental resources in lake and alpine areas is advanced</p>	<p>target of environment awareness raising activities</p> <ul style="list-style-type: none"> - 2.1.2 The control on the levels of pollution in the area such as Shkodra/Skadar Lake has become technically more accurate and regular - 2.1.3 Shkodra/Skadar Lake Basin fulfils conditions to become part of UNESCO Biosphere Reserve List protected areas - 2.1.4 At least one harmonised environmental education curricula and/or an extra-curricular programme introduced in secondary education on both sides of the border- 	<p>authorities/ministries</p> <p>Reports of municipal authorities/institutions</p> <p>Monitoring/project reports</p>	<p>management of sensitive ecosystems giving priority to protected areas, giving priority to the protection of programme area</p> <ul style="list-style-type: none"> ▪ Actions designed to encourage environmentally-friendly economic activities in the programme area ▪ Actions designed to prevent and manage natural disasters and man-made environmental hazards affecting the programme area ▪ Support to awareness raising of the population about the importance, protection and promotion of the environmental resources of the programme area
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PRIORITY 3 – PROMOTING EMPLOYMENT LABOUR MOBILITY AND SOCIAL INCLUSION				
Specific objective(s)	Results	Indicators	Sources of verification	Types of Activities
<p>Specific Objective 3</p> <p>Employability and social inclusion is fostered</p>	<p>Result 3.1</p> <p>Access to the labour market</p>	<ul style="list-style-type: none"> - 3.1.1. At least 5 new business initiatives promoting labour mobility across the border - 3.1.2. At least 20% of the unemployed people (disaggregated by 	<p>Official statistics</p> <p>Reports from the relevant national authorities/ministries</p>	<ul style="list-style-type: none"> ▪ Support cooperation among and between (vocational) education institutions and the private sector to improve the matching of training curricula for vulnerable groups with the labour market demand, including e-learning programmes and



	<p>improved, especially for vulnerable groups</p>	<p>gender and age) going through CBC initiatives manage to get a job</p> <ul style="list-style-type: none"> - 3.1.3. At least 300 young people (disaggregated by gender) trained through new life-long learning services - 3.1.4. At least 10% of the new SMEs established in the cross border areas are owned by young people and members of marginalised groups (disaggregated by gender and vulnerable group) 	<p>Registers of employment agencies</p> <p>Registers of Chambers of commerce</p> <p>Monitoring/project reports</p>	<p>the use of ICT</p> <ul style="list-style-type: none"> ▪ Supporting initiatives and campaigns for self-employment, especially in the rural areas, including support to start up business for vulnerable groups ▪ Support strengthening capacities of labour promotion institutions, sharing of experiences and best models to increase employability (especially of vulnerable groups) within and across the borders ▪ Actions aiming at creation of job opportunities and skills for disadvantaged groups of the society ▪ Research work to promote employment, labour mobility and social inclusion ▪ Encourage local government – CSO partnership on social inclusion (local actions plans on disadvantaged groups, increase capacities of local government to manage social programmes and provide for the sustainability of actions) ▪ Organise youth exchange programmes, for example through school exchange programmes or other NGO initiatives
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The implementation of the thematic priorities and specific objectives of the programme shall be, where applicable, in compliance with the objectives set up by the EU Strategy for the Adriatic and Ionian Region (COM(2014) 357)",

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 national, regional and local communities and, in general, the population in the eligible programme area. It also supports awareness-raising activities at country level 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 national 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 of Montenegro and an Antenna Office in Albania. 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 ^{28**}	Percentage	No data	80%

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

²⁸ Requires a regular and simple survey using a standard questionnaire with closed types of questions.

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

Result indicators:

<i>Indicator</i>	<i>Unit</i>	<i>Baseline</i>	<i>Target 2022</i>
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, including the participating on events related to the EU Strategy for the Adriatic and Ionian Region.

Result indicators:

<i>Indicator</i>	<i>Unit</i>	<i>Baseline</i>	<i>Target 2022</i>
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Indicator	Unit	Baseline	Target 2022
Increase in the number of people participating in promotional events	Percentage	1,682	20%
Visits to the programme website	Number	3,244	50,000

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
- Participation in the annual fora and other events related to the EU Strategy for the Adriatic and Ionian Region

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

Cross-cutting issues are laid down in a number of international conventions, declarations and treaties on development that are binding on EU countries and most beneficiary countries. They must be taken into account at all stages of the funding cycle.

Therefore, in accordance with EU objectives and policies, the programme will incorporate the horizontal principles of cross-border partnership, local ownership and equal opportunities, and will ensure that cross-cutting issues, such as non discrimination of minority and vulnerable groups, participation of civil society organisations, environment protection, gender rights, and good governance are respected and encouraged in the design and implementation of projects. All the above issues are targeted through the 3 priorities underlined by the programme.

The current EU Cohesion Policy framework makes environment and sustainable development one of horizontal themes that should be integrated across all priorities, measures and projects. The programme directly targets environmental protection as being one of the major issues of concern for the cross-border targeted areas through priority 2: Protecting the environment promoting climate change, adaptation and mitigation, risk prevention and management. Projects arising within this priority should be designed in such a way as to ensure that the environment is not harmed but turned into an opportunity for regional development.

The EU has repeatedly recognised that gender equality is key to achieving development objectives. Moreover the gender equality is a priority for the EU. The programme targets directly promotion of employability and opportunities under the gender perspective through priority 3 “promoting employment, labour mobility and social inclusion”, but gender perspective and mainstreaming should also be tackled under the other 2 priorities of the programme in terms of balanced participation and contribution.

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 Albania.

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 - ALBANIA							Total (EUR)
	2014	2015	2016	2017	2018	2019	2020	2014-2020
CBC Operations (all thematic priorities)	1 190 000	1 700 000	1 700 000	1 190 000	1 700 000	1 700 000	1 530 000	10 710 000
Technical Assistance	510 000	0	0	510 000	0	0	170 000	1 190 000
Total (EUR)	1 700 000	1 700 000	1 700 000	1 700 000	1 700 000	1 700 000	1 700 000	11 900 000

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

PRIORITIES	IPA CBC PROGRAMME MONTENEGRO - ALBANIA 2014-2020			
	Union contribution	Beneficiaries co-financing	Total funding	Rate of Union contribution
	(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)
1 Encouraging tourism, culture and natural heritage	4 165 000.00	735 000.00	4 900 000.00	85%
2 Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management	3 570 000.00	630 000.00	4 200 000.00	85%
3 Promoting employment, labour mobility and social and cultural inclusion across the border	2 975 000.00	525 000.00	2 800 000.00	85%
4 -Technical Assistance	1 190 000.00	0	1 190 000.00	100 %
GRAND TOTAL (EUR)	11 900 000.00	1 890 000.00	13 790 000.00	



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

Calls for proposals:

As a general rule, this programme will be implemented through calls for proposals (CfP) to be launched covering one or more thematic priorities or specific objectives of the CBC programme. 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.

The responsible authorities in the participating countries are planning to implement the majority of interventions through grant schemes based on public calls for proposals. They will ensure full transparency in the process and access to a wide range of public and non-public entities

The dynamics of publication of calls for proposals depends on a number of factors, including logistics, timing of the evaluation and level of interest from the potential applicants. It cannot be therefore defined at this stage how many calls for proposals will be published during the programme period. The responsible authorities are anyway committed to publish calls for proposals avoiding overlapping of TPs between different CBC programmes. The calls for proposals will in principle use the rotating principle for selection of TPs and their specific objectives.

Strategic projects:

During the preparation of the programme, no strategic project to be funded outside a call for proposals has been identified. However during the programme implementation period the responsible authorities might consider to allocate part of the financial allocation of the programme to one or more strategic projects. The identification of such projects will depend on whether specific interest is demonstrated by both countries to address specific strategic priorities.

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. 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.

Strategic projects are defined as interventions that have a significant cross-border impact in the whole programme area which, independently or in combination with other strategic projects greatly contribute to the achievement of major objectives at priority level. Some general criteria for selecting the strategic projects would be: impact on both sides of the programme area; link with regional strategies for development of the bordering areas; level of contribution and co-financing from regional authorities; number of population benefiting from the intervention; cost effectiveness of the intervention; complementarity with parallel actions and sustainability. Furthermore, these projects must have a complete tender documentation and, in case of infrastructure investments, apart from the necessary environmental impact assessments and all the necessary permits for location and construction.

Macro-regional strategies:

As the two countries are participating in the EU Strategy for the Adriatic and Ionian Region (COM(2014) 357)", the definition and development of the strategic projects can be made in the framework of the priority areas or the topics identified in both, communication and action plan of those strategies. The same also applies for the call for proposals which can be launched in relation to the priority areas or topics of the macro-regional strategy where the programme is a part.



ANNEX 1 – Situation Analyses

Situation Analysis

IPA CBC Programme Montenegro - Albania 2014 – 2020

**Draft final version
20 May 2014**

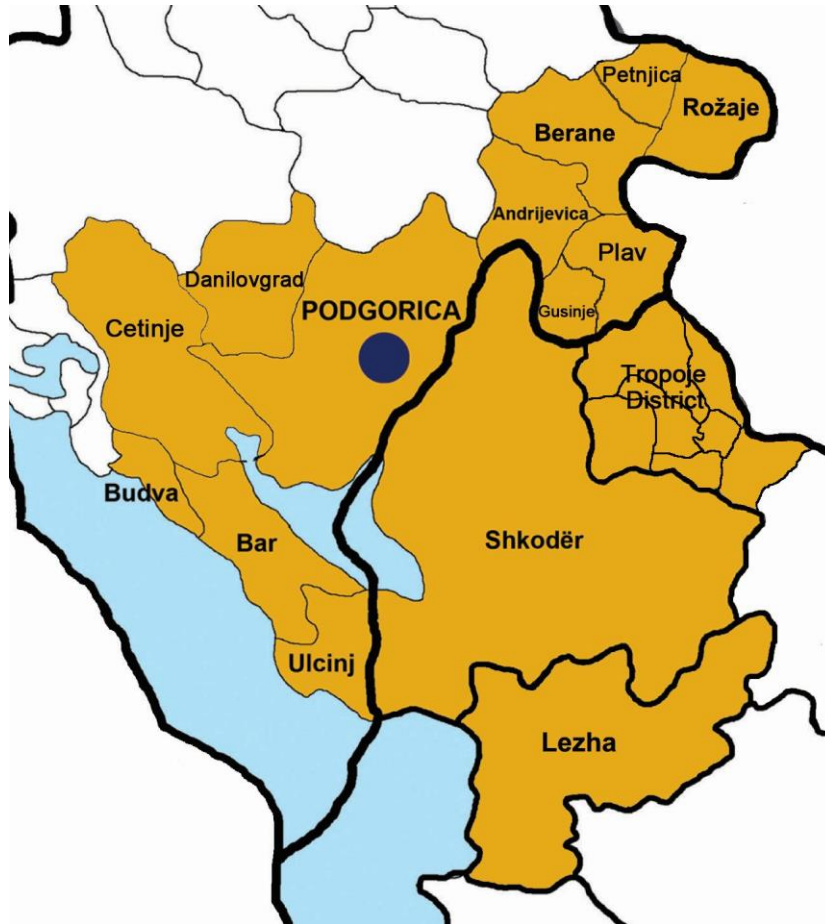
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1. INTRODUCTION

The programme area for the Cross-Border Programme between Montenegro and Albania covers a territory of 11,970 km² with a total population of about 749,257 inhabitants. The territory of the programme area is somewhat bigger in Albania accounting for 52.1 % as against 47.9 % in Montenegro. The length of borderline between two countries is 244 km of which 38 km are water border composed of Scadar-Shkodra lake, Adriatic sea and rivers. There are three operational border-crossing points

between Albania and Montenegro along this borderline, namely Murriqan -Sukobine, Hani i Hotit -Božaj, and Vermosh -Gercan.



The programme area in **Montenegro** covers a territory of 5,745 km². It comprises 12 municipalities and 615 settlements – towns and villages – with a total population of 379,366 habitants. It borders with Albania to the east, and Kosovo and Serbia in the north-east. Montenegro has established division into regions corresponding to NUTS classification, which is approved by EUROSTAT and according to the aforementioned division, Montenegro is one region in all three NUTS levels. For the purposes of strategic planning the country is divided into three geographic regions, northern, central and southern. Municipalities from the programming area:

- Andrijevica, Berane, Plav, Gusinje²⁹, Petnjica³⁰ and Rožaje;
- Podgorica, the capital of Montenegro, Cetinje and Danilovgrad and;
- Budva, Ulcinj and Bar.

The programme area in **Albania** includes the regions of Shkodra and Lezha and the Tropoja district with a total territory of 6,225 km² and a population of 369,891 inhabitants. Shkodra region has the largest

²⁹ Gusinje is a new municipality, introduced as an administrative division of the municipality of Plav; it is in its early stages of organisation

³⁰ Petnjica is a new municipality, introduced as an administrative division of the municipality of Berane; it is in its early stages of organisation; Gusinje is also a newly established municipality.

population of 215,347 inhabitants followed by Lezha with 134,027 inhabitants and Tropoja district with only 20,517 inhabitants. Albania has an administrative division equivalent to the NUTS II ³¹ but not yet implemented.

Table 1 – Area covered by the programming area

Country	Area km ²	% of the Total territory
Montenegro	13,812	100
Rozaje	432	3.12
Berane*	544	3.94
Petnjica	173	1.25
Andrijevisa	283	2.04
Plav	329	2.38
Gusinje**	157	1.13
Danilovgrad	501	3.62
Podgorica	1,441	10.43
Bar	598	4.32
Ulcinj	255	1.84
Cetinje	910	6.58
Budva	122	0.88
Total Montenegro	5,745	41.59
Albania	28,748	100
Shkodra	3,562	12.39
Lezhe	1,620	5.63
Tropoja	1,043	3.62
Total Albania	6,225	21.6
Total programming area	11,970	MNE: 47.9 % AL: 52.1 %

*Data from <http://www.trpezi.eu/BIHOR%20I%20STUDIJA.html>

**Data from <http://www.plav.me/uploads/dokumenta/odluke/GUSINJE%20-%20studija.pdf>

Overall, the programming area has 23 municipalities and a total of 1,114 settlements – towns and villages. Seven municipalities are directly on the border, Plav, Andrijevisa, Podgorica, Gusinje and Ulcinj in Montenegro and Shkodra and Koplík in Albania. The borderline crosses through the high mountain ranges of Prokletije/Bjeshket e Nemuna (Albanian Alps) and the Shkodra Lake to end up in the Adriatic sea. Border crossing point, especially those of Sukobine -Muriqan and Božaj -Hani iHotit are easily accessible throughout the year, whereas improvement are being made to the road infrastructure of the Vermosh-Gercan border crossing point which is at high altitude and difficult to pass during winter.

³¹Albania has 12 regions which include 36 districts, 64 municipalities and 309 communes, containing an overall number of 74 cities and 2980 villages. The regions of this programming area are divided into 7 districts comprising 11 municipalities, 54 communes, containing 16 cities and 484 villages.

The programming area in **Montenegro** is characterized by a contrasted geographic and climate profile, loaded with mountain ranges, plains, valleys, rivers lagoons and lakes. The programming area is home to several National parks, protected zones and landscapes reflecting the rich biodiversity and environmental differences. The continental or northern part of the region is a mountainous area. Mountain peaks reach up to 2,500 m and the territory is crossed by rivers, like Lim, Morača and Tara, forming impressive canyons and valleys. The region is dominated in the east by Prokletije and Hajla mountains adjacent to Albania. Prokletije is listed as a National Park since 2009. The coastal municipalities of Bar and Ulcinj follow the tradition of cultivating citrus and olive trees and production of olive oil.

The programming area in **Albania**, presents sharp contrasts as it alternates mountains, hills, rivers, lake and sea coastline very close to each other. It has numerous rivers crossing the territory, often causing floods during the rainy seasons. It extends from high mountains (Alps of Albania) in its northern part bordering Montenegro to the coastline (Velipoja and Shengjin) in the north-western part of Albania. The highest peak is Jezerca – 2694m in the Shkodra region with the lowest -6m in the Lezha region. The territory of Shkodra region is dominated by mountains, accounting for 80% of the area; and forests making up for about 30%.

Shkodra region is also rich in water resources. Drini, Buna, Shala, Cemi, Kiri are the main rivers that flow in the area, with Drini being the most important river of Albania – hydropower plants build on it produce over 60 % of total electricity production in Albania. Lezha region has its share of high mountains and hills, which cover about 65 % of its territory, while the plains cover the rest. Rivers of Mati, Ishem which flow into the Adriatic sea make the Lezha region rich in water resources, together with several lagoon areas. It has a 38 km coastline, which starts at Kepi i Rodonit in the south and borders with Velipoja-Shkodra in the north. Tropoja district is dominated by mountains, with forests accounting for 62% of its total territory; it is rich with water resources being home of the Fierza lake and is crossed by Drini, and Valbona rivers.

The programme area has a Mediterranean climate in its coastal area with hot dry summers and autumns and a continental climate in the northern mountainous area with relatively cold winters with heavy snowfalls inland. Such contrasting geographical elements enrich the environment and flora and fauna of the programming area. Its natural resources are stimulating for the development of tourism and agrobusiness as the main economic drives to increase the opportunities for the welfare and prosperity of the inhabitants in the programme area.

The Scadar-Shkodra Lake



The most distinctive geographical and environmental feature of the programming area is the SkadarShkodra Lake. It is the biggest Lake in the Balkans with a surface of 384 km², shared by Montenegro (2/3) and Albania (1/3); both countries have it listed as a National Park – the lake is also listed as a Ramsar site. The lake is a crypto depression, filled by the Morača River and drained into the Adriatic by the 41 kilometer-long Bojana/(Buna) River, which forms the international border on the lower half of its length. It is home to one of the largest bird reserves in Europe, having 270 bird species, among which are some of the last pelicans in Europe. The lake also contains habitats of seagulls and herons and is abundant in fish, especially in carp, bleak and eel. Cooperation between the two countries with regard to protection and rehabilitation of Shkodra Lake has increased in the last decade.

2. PESTLE ANALYSIS

2.1 Policy reforms and EU integration process

Both Montenegro and Albania are committed to become members of the European Union. Montenegro has already obtained the candidate country status, while Albania it is expecting it in June 2014.

Transforming into functional democracies and market economies has been the rationale of deep institutional and restructuring national reform processes in Montenegro and Albania.

Montenegro has made progress as regard improvement of the country's legislative, institutional and policy framework, strengthening of the functioning of the parliament, the judiciary, anti-corruption policy, human rights and protection of minorities³². The on-going constitutional and public administration reforms have further advanced. Macroeconomic stability has been broadly maintained. Further improvements have been made in market entry procedures and bankruptcy recovery, together with market liberalization reforms. Good progress has been made in the areas of public procurement, transport policy, statistics and science and research.

Restructuring the economy to ensure an efficient allocation of resources remains a key challenge, together with tackling with a large informal sector, which continues to hamper the business environment; these are major risks to the ability of pursuing appropriate macroeconomic policies to ensure that macro-financial stability is maintained.

Relations with the European Union have seen substantial progress since the European Partnership for Montenegro was signed by the European Council on January 22nd, 2007. A year later, on 15 October 2007 Montenegro signed the Stabilization and Association Agreement (SAA) and an Interim Agreement on trade and trade-related issues. The latter entered into force on 1st of January 2008 while the SAA entered into force on 1st of May 2010. Confident with its progress of reforms, Montenegro applied for EU membership on December 15th 2008. After a year, the EU lifted visa requirement for Montenegrins visiting EU on December 19th 2008. Since December 17th, 2010, Montenegro has received the status of a Candidate Country for EU membership. Negotiations for EU accession negotiations have started on June 29th 2012 as the Council endorsed the Commission's assessment which recognizes that Montenegro complies with EU membership criteria.

Overall, Montenegro continues to implement its obligations under the Stabilisation and Association Agreement (SAA) smoothly.

*Montenegro's National Strategy of Sustainable Development 2007 (NSSD)*³³ is one of the main policy development documents of the country. It defines five long-term goals for the achievement of sustainable development:

- Accelerate economic growth and development and reduce regional development disparities;
- Reduce poverty; ensure equitable access to services and resources;
- Ensure efficient pollution control and sustainable management of natural resources;
- Improve governance system and public participation; mobilise all stakeholders and build capacities at all levels;

³²EU Enlargement strategy and main challenges 2012-2013 (page 12)

³³National Strategy of Sustainable Development of Montenegro 2007



- Preserve cultural diversity and identities

In recognition of **Albania's** progress with political and economic reforms, the European Union signed the Stabilization and Association agreement with Albania in June 2006, which entered into force on April 2009. Albania joined NATO in April 2009. The Visa liberalization for citizens of Albania entering the Schengen states entered into force on December 15th 2010.

The entry into force of the Stabilisation and Association Agreement marked a qualitatively new stage in bilateral relations, entailing significant new obligations and engagement for the country in the areas of justice, freedom and security, free movement of workers, right of establishment and free movement of capital and services as well as on transport, audiovisual field and telecommunications. The SAA continued to be overall smoothly implemented and Albania, continuing aligning its legislation to the requirements of the EU legislation in a number of areas and enhancing its ability to take on the obligations of membership. Essential improvements were made in areas such as internal and economic market reforms, public order and border management, legal reforms and public administration, public procurement, statistics, justice, freedom and security, and customs.

In view of Albania having achieved the necessary progress, the *European Commission recommended in October 2013 that the European Council should grant Albania the status of EU Candidate Country*³⁴.

However, key challenges remain in the completing the reforms in the public administration and the judiciary in order to strengthen the country's institutions. Implementation of property reform and public administration reform are also important as one would give way to the establishment of a land market and the other will improve the service delivery to citizens. Completion of economic restructuring – large scale privatization and maintaining macroeconomic stability while further improving the business climate to attract private direct investment are future key priorities, together with tackling with the large informal economy. It is essential to maintain reform momentum, particularly concentrating into implementing the adopted legislation and ensuring the rule of law.

Albania's National Strategy for Development and Integration 2014-2020 (NSDI) is considered as the overarching policy framework for the country in the context of EU integration. It defines four strategic policy pillars that lay down foundation for sectoral and place-based interventions³⁵:

- *Strengthening democracy and the rule of law that addresses aspects like:* election system, justice and home affairs, human rights and media, effective governance and foreign and defence policies;
- *Creating conditions for competitive and sustainable economic development* through efficient use of resources that covers: macroeconomic stability and sustainability, competitive market economy, efficient use of resources, integrated regional development and sustainable development;
- *Fostering social inclusion, welfare and development of labour market* that aim to promote: employment and social inclusion policies, social policy;
- *Development of society based on knowledge, innovation and digital technology* that includes interventions in the following areas: higher education, research and innovation, information and communication technology.

³⁴A decision expected to be taken in June 2014

³⁵Draft National Strategy for Development and Integration 2014-2020 (NSDI)



Albania's Regional Development Cross-cutting Strategy distinguishes border areas as a cross-cutting policy planning subject and introduces cross-border issues into development policy planning at county level.

Country` Economic Context

Montenegro is striving to ensure economic reinforcement and financial stability through fiscal consolidation and structural reforms. Montenegro's structural reforms in the public sector, the financial sector, and the investment climate have enabled the country to make progress in recent years in increasing per capita income and reducing poverty, advancing structural reforms, and preparing for EU membership. GDP per capita is EUR 5,063 in 2012³⁶, slightly lower compared to EUR 5,211 registered in 2011, yet higher than the six countries of the region.

Montenegro's economy entered into recession in 2008, to recover partly in 2010 and 2011 to an average of 2.9%. However, growth has halted again as GDP registered a negative growth of 2.5%³⁷, while unemployment has reached about 19.7% in 2012 from 16.5% in 2010³⁸. The main economic drives of the country remain tourism, followed by manufacturing, while other sectors such as construction and industry have contracted during 2012. Inflation has increased from 0.5% in 2010 to about 3.6% in 2012 and public debt rose from below 30% of GDP in 2007 to over 54% of GDP in 2012. On the other hand credit to economy continues to remain at very low levels while some banks have ceased to lend to private sector.

Key challenges ahead remain the strengthening of competitiveness of Montenegrin economy, by improving productivity and attracting further FDIs into more sectors than tourism and real estate. Business environment will be further improved by continuing to fight corruption and enforce the rule of law. The gap between supply and demand of labour skills needs to be bridged by allowing more independent wage setting at company level. Strengthening of public finances together with the reduction of informal economy are also important challenges to properly cope with.

Montenegro became a full member of the World Trade Organisation in April 2012. Member of the Southeast European Cooperation Process (SEECP), since May 11th, 2007, Montenegro has signed the CEFTA membership in July 26th, 2007, and also a free trade agreement with EFTA countries has entered into force on July 2012.

Albania has performed comparatively well over the last decade. The country has steered clear of recession, maintaining positive growth rates despite its economic exposure to the crisis hard-struck Greece and Italy, and also being surrounded by contracting regional economies. Its GDP growth has slowed down from a peak of 7.5 % growth rate in 2008, to a lower 1.6 % growth rate in 2012³⁹. The services sector is the main GDP contributor accounting for more than half of the country's GDP. Albania qualifies as a lower middle income country with a GDP per capita which in 2012 stands at EUR 3,415⁴⁰. Unemployment rate at an average of 13% is one of the lowest in the region. The total Albania's public

³⁶MONSTAT, GDP of Montenegro, Release No. 246, September 2013

³⁷MONSTAT, GDP of Montenegro, Release No. 246, September 2013

³⁸MONSTAT, Labour Force Survey 2012

³⁹INSTAT, GDP quarterly 2012

⁴⁰World Bank, Country data 2008 - 2012



debt has reached to 60.6 % of GDP by the end 2012⁴¹. The economy remains vulnerable to both domestic structural weaknesses and global economic volatility.

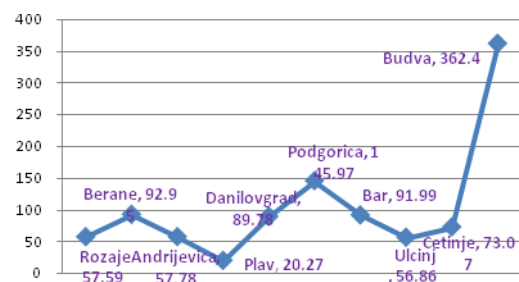
Key challenges ahead remain ensuring long term sustainable growth by pursuing prudent fiscal and monetary policies and structural reforms. Albania has to cope reducing the high levels of budget deficit and public debt. It will have to improve fiscal predictability by abandoning the overestimation of revenues and by significantly improving tax compliance. Further improvement of the business and investment environment is essential for diversifying the economy and boosting its long-term growth potential. Reinforcing the rule of law, tackling corruption and addressing payment arrears, as well as developing infrastructure and enhancing human capital are thus the main areas where much effort needs to be concentrated. Reducing of the grey economy remains an important challenge.

Albania has Free Trade Agreements with all countries of the region, including Montenegro, and is a CEFTA member since 2006.

2.2 ECONOMIC FEATURES OF THE PROGRAMME AREA

The programming area features all the regional disparities encountered in **Montenegro** in terms of socio-economic developments. It is, as at national level, dominated by Podgorica which is the economic engine of the country. The Regional Development Strategy of Montenegro 2010-2014 provides a clear picture of the socio-economic situation in the programme area through its development index, which sees only the municipality of Budva and Podgorica having a level of development above national average. Each municipality of the programme area is below the national average with the municipality of Plav being the less developed in the country. Unlike Budva which has the highest development index in Montenegro at 362.4 the other two coastal municipalities of the programming area Bar and Ulcinj, are below the national average.

Graph 1. Regional Development Index, Montenegro



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%⁴², while the average unemployment and the poverty rate are significantly higher than in the central and coastal regions. This situation might lead to a constant depopulation 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.

⁴¹ Ministry of Finance, 2012

⁴² The National Strategy of Sustainable Development of Montenegro

The municipality 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. 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 **Albania** regional disparities are evident too. The socio-economic development of the country leans heavily in favor of the central region. The Tirana region contributes with more than one third to the country's GDP, and is by far the most developed region compared to all other regions of Albania. It indicates clearly that all other regions are below their development potential, as they have yet to find ways and opportunities to benefit from their comparative advantages. Shkodra and Lezha regions reflect broadly these bottlenecks as regards socio-economic development.

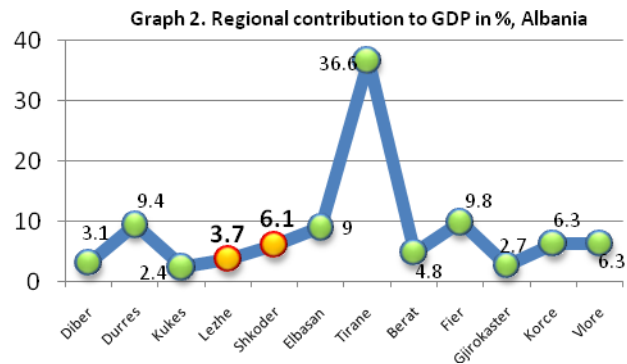
Shkodra is the most developed region in the programme area of Albania. Shkodra Region contribution to GDP amounted to EUR 555 million in 2011⁴³, equalling to 6.1% of the total GDP of the country, ranking seventh amongst 12 regions of Albania. The main contributor to the economic activity in the Shkodra Region is agriculture sector which contribution to the region's GDP accounts for about 26 %, followed by trade, hotels, transport and communications which share in the region's GDP for 2011 is 23 %. The share of the financial and real estate sector amounts to 19 %, followed by other services accounting for 13% of the regions GDP. The contribution of industry in the region's economy accounts for 11%, similar to the national average which is estimated at 11.2 %. The sector with the lowest level of contribution in the Shkodra region's economy is construction which accounts for 8% of the region's GDP.

Lezha's region GDP for the year 2011 amounts to EUR 334 million or about 3.7% of the country's GDP⁴⁴. Main contributors to Lezha's region GDP are trade, hotels, transport and communication accounting for 26 %, and agriculture sector accounting for 25 %.

The share of the financial and real estate sectors is calculated at 19 %, followed by other services accounting for 13% of the regions GDP. The contribution of the construction sector is measured at 10 %, below the national average estimated at 12.8 %, while industry is the smallest contributor to Lezha's region economy, accounting for 8% of GDP in 2011.

Kukes region contribution to Albania's GDP, where Tropoja accounts for 24% of the population, is the lowest in the country with only 2.4%; most important sectors are Agriculture which accounts for 34 % and Trade, Hotels and Tourism with 20%.

Beside the services sector which is the main contributor to the country's GDP, the agriculture sector retains a high degree of importance for the economic development and employment in the



⁴³ INSTAT, Regional Accounts 2013

⁴⁴ INSTAT, Regional Accounts 2013

programming area as a large portion of the population still resides in rural areas, despite significant movements towards urban areas registered by the last Census 2011.

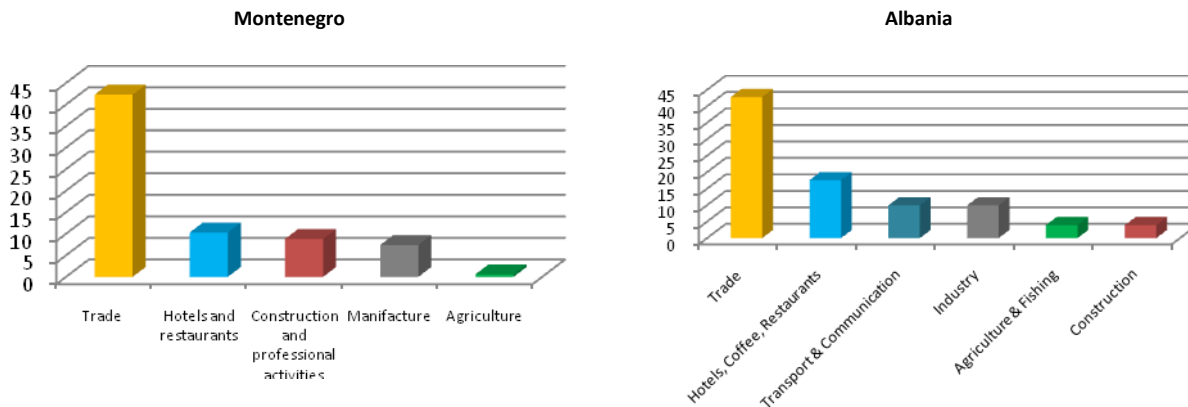
2.2.1 Private Sector

The structure of economic operators in the programming area is dominated by small and medium enterprises. SMEs in Montenegro account for 98.6% of the total number of economic operators, while in Albania they are 95.4% of the total. Majority of the SMEs in both sides of the border operate in the services sector.

Most of the **Montenegro's** economic operators are concentrated in the programme area, which has a total of 14,215 enterprises⁴⁵, accounting for 67.3% of the total number of enterprises at the national level. About 49.2% of these SMEs are located in Podgorica indicating the disparities of regional development. Other important municipalities in the programming area are Budva with 16% and Bar with 14.5% of SMEs of the programme area. Andrijevica and Plav are two municipalities with the lowest number of enterprises with less than 1% of the total enterprises. About 83% of the total 34 enterprises with more than 250 employees are located in Podgorica. The level of females owning a business in the programming area is rather modest, at 9.5 percent; it is just slightly lower than the 9.6% of the national average.

Strengthening of business support mechanisms remains a challenge. Montenegro has Chambers of Commerce, yet with a limited activity in providing support and advice to the entrepreneurs. There are 2 Business incubators in programming area, one in Podgorica under the umbrella of the Directorate for Development of SMEs (SMEDA) which cover Podgorica and Bar, and another one in Berane.

Graph 3. SMEs by main economic sectors in the programme area



In **Albania** the programme area registers a total of 10,174 enterprises⁴⁶ as of end 2012 or about 9.7% of the total number of enterprises of the country. It has a birthrate⁴⁷ of 13%, higher compared to the

⁴⁵ MONSTAT, Business Register, Number and structure of business entities 2011

⁴⁶ INSTAT, Statistical Business Register of Enterprises 2012

⁴⁷ The number of new enterprises registered for a given year expressed as % over the total number of enterprises.



national average of 12.2%, mainly affected by Shkodra, which at 14.1% indicates a comparatively higher drive of economic activity as against both Lezha region and Tropoja district which has a lower 10.8 % percent – below national average.

Economic operators in Shkodra and Lezha regions and Tropoja district as well, are extremely fragmented and small in size, mirroring the enterprises structure at country level, indicating that business is mostly family based and self employment prevails. The structure of enterprises is dominated by very small enterprises, employing 1-4 persons, which account for 85.7% of the total enterprises in the programming area. However, it is below the national average, which sees SMEs employing 1-4 persons account for about 90.2% in 2012. Economic activity is mostly managed by males as the share of female managers in the eligible area is below the national average of 27.4% – highest in Shkodra at 25.1%, followed by Lezha with 24.7 %, followed by Tropoja that registers the lowest rate in Albania at 14.2 %.

Besides the small size of the enterprises, an important factor which is an impediment to economic development in the programming area, in both sides of the border is the lack of technological know-how and labour skills. It remains a key challenge as the market demand for high quality services and products is mismatched by the inadequate labour skills. The lesser developed economies of the rural and remote areas are unable to seize the opportunities offered by more developed coastal cities and larger urban centres of the programme area. Another key challenge is the SMEs poor access to financing; the overly prudent lending policies adopted by financial institutions in both countries are a serious impediment to the growth of enterprises in the programme area. Chambers of Commerce and business associations and Regional Development Agencies present in the programme area need to take a more proactive role in promoting businesses development and cooperation.

2.2.2 Labour market

Unemployment in both Montenegro and Albania is relatively high by international standards. It is still a major economic problem in both countries and is characterised by significant regional differences.

In **Montenegro** the labour market has suffered the crisis registering an increase in unemployment which reached 20.45%⁴⁸ in 2011, lowering at 19.6% in 2012. The programming area is home to about 93.4% of the active labour force of the country. Census data indicate regional development imbalances in Montenegro with coastline region and the central region doing better than the poorer and less developed northern landlocked regions. Budva has the lowest unemployment rate at 13.2%, followed by all coastline municipalities and those in the central region. On the other hand, the landlocked municipalities of Rozaje and Plav are the worst performing municipalities in the programming area with unemployment as high as 58.5% and 50.4% respectively.

Most of the labour force is employed in the services sector (76.2%), followed by industry with 18.1%, agriculture with 5.6%, of the total employed at national level. The northern part of Montenegro registers a higher rate of employment in agriculture at about 14.9% and in industry at about 21.7% while employment in services accounts for 63.3 %. Employment in services in the coastal region account for about 83%, followed by industry at 15.1% and by agriculture with only 1.9%. The central region is more balanced and closer to national rates. Podgorica constitutes by far the main economic and employment drive of the central region. The largest employer in the programme is the commerce sector with 20.5 %, followed by public administration with 12.5 %. About 55.9% of the total employed are males, while females make up for the remaining 44.1 %.

⁴⁸ Montenegro Census 2011

Total labour force in **Albania** amounts to 1.117,082 people as of end December 2012⁴⁹. It has seen no major shifts, despite the economy has slowed down during the last 2-3 years. Total employment⁵⁰ in Albania during 2012 reached 56.4 %, while the average unemployment⁵¹ rate stagnated at 13.9%, same as in 2011. Unemployment in the Shkodra and Lezha regions, mirror the same average unemployment rate at national level, and also the same employment structure. Tropoja district retains the same employment structure while registering higher unemployment levels. As of end 2012, the number of unemployed in Shkodra stands at 19,417 persons, accounting for 13.6 % of the total unemployed; Lezha with 15,021 unemployed persons accounts for 10.6 % of the total; whereas Tropoja registers 2368 unemployed or about 36 % of the total labour force belonging to the age 15-64 years old in Tropoja district. Unemployment is more present in the urban areas, as those living in rural areas are considered self-employed.

The labour force in Albania and in the programming area, is dominated by the 25-54 years old group, which account for 66. 5% of the total labour force. More than 54% of the total employment is in the agriculture sector, whereas employment in the private non-agriculture sector stands at 28.7%. Employment in the private non-agricultural sector is dominated by the services sector (trade, hotels, transport), which absorbs 55.6% of the total employed in the private sector, followed by employment in the construction sector, which accounts for 22.2 %. Employment in manufacturing stands at 17.2% while in the extracting and energy sector it amounts to 5% of the total employed in the private sector.

It should be noted that in both countries, considerable numbers of people work abroad and are very active in providing aid to their families. Remittances, thus, play an important role in subsidizing incomes and local consumption.

2.2.3 Agriculture and Rural Development

The Montenegrins part of the programme area is richer in agricultural resources and has more potential in this sector compared to Albania's part. However, the agriculture sector and its development is equally important for the entire programme area, especially because of the large part of population that lives in rural area where agriculture is the main economic activity. A common feature in the programme area is low productivity and competitiveness of agriculture. It is based on: small-scale holdings which constraints production and profit; production to mostly cover subsistence needs rather than for direct sales on green markets; and low level of finalization of agricultural products and underdeveloped food industry.

The programme area covers about 38% of the total agriculture land of **Montenegro**. Employment in agriculture is reported to be around 2.5% of the total employed⁵², Podgorica is the main Montenegrin lowland region – alone it has about 31.5% of agriculture land in the programme area. It offers optimal conditions for diversified production: vegetable, field crop production, livestock, fruit and wine. Wine, which is the main export oriented production in Montenegro, is produced in Podgorica - about 80% of the total wine production of the country. Other centrally located municipalities such as Berane and Danilovgrad are main producers of apple, plums and pears. Municipalities in the coastal area which have distinct agricultural activity are Ulcinj and Bar. The coastal region is especially suitable for subtropical

⁴⁹INSTAT, Quarterly Statistic Bulletin, No. 2, 2013

⁵⁰Employment rate represents the percentage of persons in employment in the total active population aged 15 and above.

⁵¹Unemployment rate represents the percentage of unemployed persons in the total active population.

⁵² Industry and occupation of population in Montenegro-Census 2011 MONSTAT release 197



fruit and olive production. More than 80% of citrus trees in Montenegro are in Ulcinj (65 %) and Bar. These two municipalities (Bar and Ucinj) are also the major producers of olive oil in – with 47% of the total production of olive oil in Montenegro. While olive oil production retains a big potential for development, the hilly relief of the coastal area and region around the Skadar Lake is also rich with honey plants and medical herbs and is suitable for cattle breeding.

The programme area in **Albania** covers about 3.2% of the country's total land⁵³. Most of its territory is dominated by forests, pastures (80%) whereas the portion of land in use for agricultural purposes is only 14.8% or 92,748 ha. The terrain is mostly mountainous and rugged, significantly restricting the areas where agriculture potential can retain some comparative significance. Such areas are mainly situated in the surroundings of Shkodra Lake where the terrain and climatic conditions are favourable for farming vegetables. Lezha region has a tradition for pig farming as it has 91.7% of the total country's inventory. The agriculture produce in Tropoja district is mainly oriented towards rye production, while the area is famous for its chestnut forests.

Only 32% of the agriculture land in the programme area is irrigated, despite being rich with water resources, indicating the low level of development in the agriculture sector. Agriculture in the programme area is a family based activity oriented towards subsistence needs, with a highly fragmented land – farm size is 1.1 ha in Shkodra; 0.89 ha in Lezha; and 0.60 ha in Tropoja which is half Albania's average of 1.20 ha.

Further improvement of access to market, rural infrastructure, better management of water resources could be next priorities in the programme area. Modernizing agriculture, upgrading production processes and establishing the EU compliance food safety standards, enhancing traditional agricultural production are challenges to cope with in the programme area. Cross-border initiatives can support and promote: i) the diversification of rural activities (e.g. tourist accommodation in farms); ii) access to markets and development of production and marketing of organic food products; iii) the protection (e.g. protected denomination of origin) and marketing of traditional agricultural and agro-food products; and iv) the cooperation among producers. Support may be considered to efforts, which are being made in both countries to follow an integrated approach aimed at promoting and linking agriculture to other tourism and economic activity in one package as the most appropriate form of agriculture development in the programme area.

2.2.4 Tourism

Tourism is differently important for the economies of Montenegro and Albania. Montenegro is already a popular touristic destination while Albania has yet to become one.

In **Montenegro**, tourism is a main sector of economy, which accounts for about 9.9% of the country's GDP in 2012, or about EUR 336 million which is 20.7% higher than in 2011⁵⁴. Tourism employs about 12,000 persons, or 6.9% of total employment in 2012. It is the most promising economic sector in Montenegro, expected to account for 14.8% of GDP in 2021, especially if efforts to “integrate all regions into a single high quality destination” under the brand “Montenegro-Wild Beauty”⁵⁵ succeed. Such

⁵³Statistical yearbook, Ministry of Agriculture

⁵⁴ World Travel Tourism Council – March 2013

⁵⁵ Montenegro, Strategy for Tourism development to 2020



policy objective aims to ensure a more balanced overall development of the regions of Montenegro and especially in the tourism sector, which leans heavily on the coastal tourism during summer time.

The programme area, bordering with Albania, provides a diversity of touristic destinations offering seaside and mountain tourism activities such as swimming, hiking and biking and wine tasting as well. The coastal region in the programme area accounts for over 69% of the country's total overnight stays in 2012⁵⁶, mostly in the holiday period July-August. The coast of the programme area attracts about 67.5% of all 1.44 million tourists that entered Montenegro in 2012. Some 160 seaside accommodation facilities in the programme area account for about 49% of the total accommodation facilities in Montenegro, while it has also about 30% of accommodation facilities of non-coastal areas of the country. Wine tours are organised in Podgorica and southern municipalities' vineyards. Despite the current low level of tourist visits, the continental region has many advantages for developing all kind of tourisms related to mountain sports (skiing, hiking, biking, rafting, etc.), untouched nature and rich biodiversity (two national parks, lakes, canyons, etc.), authentic rural life, traditional and quality food production.

Coastal municipalities in the programming area are also rich in architectural and cultural monuments from the ancient times, which make them very attractive for tourists. Bar is a port town well known for many important historical and cultural monuments.

Tourism sector in the **Albanian** part of the programme area is less important compared to Montenegrin' side. The programme area has a wide nature, cultural and historical touristic potential, which is largely unexploited. It has a 50 km of the coastline (12 km Velipoja-Shkodra and 38 km Lezha), suitable to further develop coastline tourism. Recent improvement in road infrastructure has made this coastline easily accessible, especially by tourists from Kosovo and Macedonia. The existing hosting structures, mostly private owned, have difficulties coping with the boost in the number of tourists, especially in Shengjin-Lezha. The Tropoja district, despite having considerable potential for mountain tourism and sports (skiing, hiking, biking, etc.), untouched nature and rich biodiversity (the Valbona valley national park, "Bjeshket e Namuna" and "Bjeshket e Doberdolit which has glacial lakes"), and authentic rural life, offers very little in terms of hosting structures. Despite improvements over the last years, the tourism infrastructure remains insufficiently developed, and the existing rich potential of natural and cultural resources has yet to unfold.

Shkodra and Lezha regions, and Tropoja district as well, have high individual potential for developing an all-year round tourism. Attractive nature and landscape of the mountainous and hilly nature, as well as the lake of Shkodra, the National parks, protected zones; tourist sightseeing (natural landscapes, rare species, etc.); agro-tourism, sites of historical and cultural interest such as prehistoric dwelling places, archaeological sites, cult objects, need to be better promoted along to a faster developing coast tourism in Shkodra (Velipoje) and largely in Lezha (Shengjin).

⁵⁶ MONSTAT – Tourist Arrivals and Overnight Stays by Cities 2012

2.3 SOCIAL

2.3.1 Demography

A census took place both in Montenegro and Albania in 2011. While the registered population in Montenegro showed negligible changes, the registered population in Albania dropped by 8.8% in 2011 compared to Census 2001.

Table 2. Population and density in the programming area

	Inhabitants	Density inh/km ²
Montenegro	620,029	44.89
<i>Total programming area</i>	379,366	65.69
Rozaje, Berane, Andrijevisa, Plav, Danilovgrad, Podgorica, Bar, Ulcinj, Cetinje, Budva, Petnjica, Gusinje	379,366	65.69
Albania	2,800,138	97.40
<i>Total programming area</i>	369,891	59.4
Shkoder Region	215,347	60.46
Lezha Region	134,027	82.70
Tropoja District	20,517	19

The population living in the programme area accounts for almost 61% of total population of Montenegro, and 13.2% of Albania. Population in the programming area is a balanced match as the Montenegrin population accounts for 379,366 or 50.63 %, and Albanian population stands at 369,891 inhabitants or 49.37 %. In the Montenegrin part the density of population at 65.7 inh/km² is higher than national average of 45 inh/km², while in Albania it is 59 inh/km², lower compared to the national average of 97 inh/km². Podgorica, Berane, Petnjica Bar and Rozaje are the main towns in Montenegro, whereas Shkodra and Lezha are the most important urban centres in the Albanian programme area.

Total population in the programme area in **Montenegro** is 379,366⁵⁷ inhabitants. The programme area has a natural increase rate of 1.87%, which is below national average of 2.2%; mortality rate stands at 9.4% equal to the national average. In **Albania** the total number of population living in the programme area is 369,891⁵⁸ inhabitants or about 13.2% of the country's total population. Shkodra region is the sixth largest region of the country with a population of 215,347, or about 7.6% of the total population followed by Lezha which ranks 10th among the regions of the country, numbering a total of 134,027 inhabitants or 4.7% of the total population of Albania. The Tropoja district registers a total population of 20,517 accounting for 0.7% of the Albania's total population.

The programme area in **Montenegro** has a predominantly urban population accounting for about 52% of its population, yet lower, compared to 62% living in urban areas at national level. About 49% of the population in the programme area is concentrated in Podgorica. On the other hand Andrijevisa has the biggest concentration of rural population, which accounts for 79.3 %, followed by Berane and Danilovgrad with respectively 67.4% and 62%. Also, Plav and Bar municipalities are dominated by rural population accounting for 59%, whereas all other municipalities in the programming area are dominated by urban population ranging from 53.7% in Ulcinj to the highest concentration of urban population of 84.6% in Cetinje. In **Albania**, the situation is different, as the population is predominantly rural,

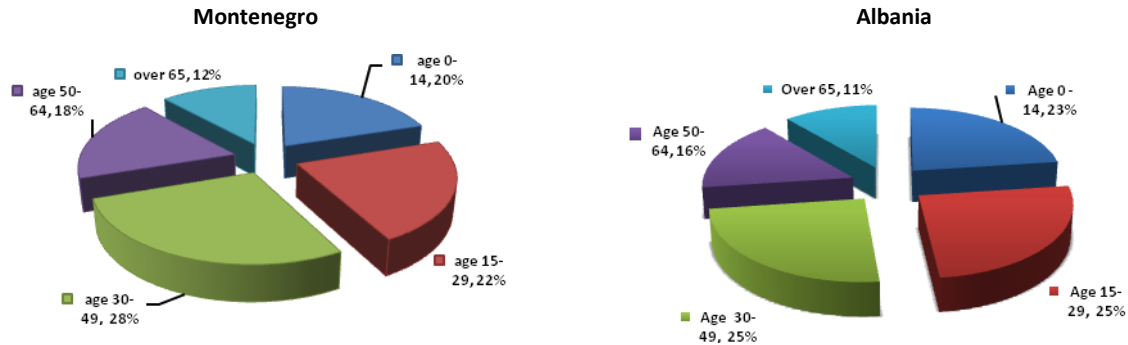
⁵⁷Monstat Census 2011

⁵⁸INSTAT Census 2011

accounting for an average of 53.2 %. It is Shkodra region determining the average as its rural population accounts for 55.6% of its 119,794 inhabitants. Contrary to that, Lezha region has an urban dominance with about 53.8% of the population. Meanwhile, Tropoja district as a distinct rural profile as 74 percent of its population resides in rural areas.

The composition of the population in the programming area of both countries shows that 50% of population belongs to the 15-49 years old age segment.

Graph 4. Composition of population by age group in the programme area Census 2011



The programming area of both countries has experienced **internal migration** flows. Movement of population towards the central and the coastal regions which are broadly more developed and provide more opportunities is present in the programming area. In **Montenegro**, these patterns of internal migration, but also external ones have affected a number of municipalities in the programming area which register a negative population growth such as Andrijevica with -5.5 %, followed by Danilovgrad with -1.4% and Cetinje with -1.2%⁵⁹. In the programming area in **Albania**, although the majority of the population resides in the rural area, there are striking shifts of population. Rural population in Shkodra, and Lezha has diminished respectively by 25.3% and by 42.67 %. On the other hand urban population in Shkodra shrank by 0.28% in 2011, while the urban population in Lezha has increased by an impressive 49.4 %⁶⁰ whereas Tropoja district has maintained a deeply rural profile.

Density

The population density registered in the programme area in **Montenegro** also indicates the flows of internal and external migration from less developed areas or rural areas towards urban and more economically attractive areas. Population density of Andrijevica and Cetinje is as low as 18 inhabitants per km² followed by Plav with 27 and Danilovgrad with 37 inhabitants per km². On the other hand the touristic Budva municipality has the highest population density with 157 inhabitants followed by Podgorica with 129 inhabitants per km². Coast cities of Ulcinj and Bar have also a high population density with respectively 78 and 70 inhabitants per km², generously above Montenegro's average of 45 inhabitants per km². In **Albania's** part of the programme area the average population density is 71 inh/km². The highest population density is observed in the Lezha region, which at 83 inh/km² is closer to the national average of 97 inh/km², followed by Shkodra with a population density of 60 inh/km², whereas Tropoja district registers a very low density at 19 inh/km². It is equally important for

⁵⁹Montenegro, Census 2011

⁶⁰Albania, Census 2011



Montenegro and Albania to reverse or curb down somehow the migratory tendencies as they represent a concern and a challenge especially when development policies rely on tourism and agro-business.

Minorities

The ethnic structure of the programming area varies greatly. In **Montenegro** there is great diversity among the population as its majority is composed of Montenegrins and Serbs followed by Bosniaks and Albanians. The largest ethnic groups in the programme area in Montenegro⁶¹ are Serbs who make for 24.8% of the population. The second largest minority group are Bosniaks 16.3%, and the third largest are Albanians with 10.7 %. In coastal municipalities as well as in the municipality of Plav, Albanians form a strong minority while in the municipality of Ulcinj they even constitute a majority of 70 %. In **Albania**, the presence of ethnic groups in the programming area is negligible. Ethnic Albanians make up for the absolute majority of the population. There is a very small community of ethnic Montenegrins in Shkodra accounting for about 0.13%⁶² of the total Shkodra region population.

Poverty

The absolute poverty line in **Montenegro** in 2011 was EUR 175.25 per adult, registering a EUR 5 increase compared to the previous year 2010⁶³. Vulnerability of the Montenegrin population has increased recently as the number of persons below the poverty line did increase from 6.6% of total population to about 9.3% of the population of Montenegro in 2011. The increased poverty rate is much more emphasized in rural areas, averaging 18.4% as against urban areas where it averaged 4.4% in 2011. Inequality has increased in Montenegro as Gini coefficient increased from 24.3% in 2010 to 25.9% in 2011⁶⁴.

Regional disparities are evident – poverty is spread in the northern regions (over 50% of the country's poor people live there) and diminishes substantially southward in the central and coastal regions.

The absolute poverty line in **Albania** in 2012 was EUR 35.2 per adult⁶⁵. Poverty has increased in Albania as poverty rate in 2012 amounted to 14.3% compared to 12.4% registered in 2008. Vulnerability of the Albanian population increased in 2012; the registered number of persons below poverty line rose by 8.4%. Extreme poverty has reached 2.2% in 2012 as against 1.2% registered in 2008.

During 2012, increases in poverty rates in urban areas have been more accelerated compared to poverty rate in the rural area. The number of poor persons in rural areas has decreased with 11.8%, while the number of the poor in urban areas has increased sharply by 36.8% in 2012 compared to 2008. It indicates that the population of rural areas and northern regions of Albania has moved towards urban areas, mainly Tirana, the capital, and in the coastal areas – these latter register the highest poverty rate in 2012 at an average of 17.6 %.

The regions in the programme area are poorer compared to the national average of poverty rate 14.3%. Lezha region registers a 17.5% poverty rate and Shkodra regions is slightly better with a 15.7% poverty rate. Tropoja district belongs to Kukes region, the poorest in Albania with a 21.8% poverty rate. Poverty has become an urban concern, indicating a sluggish performance of economy over the last years, while the revival of the already exhausted urban potential to lead economic growth has become imperative.

⁶¹MONSTAT, Census 2011

⁶²INSTAT, Census 2011

⁶³ MONSTAT, Poverty analysis in Montenegro in 2011, Release No. 329

⁶⁴World Bank, Country program snapshot

⁶⁵ Albania, Poverty trends, September 2013, INSTAT-World Bank



2.3.2 Education

The education system in Montenegro is centrally managed, while in Albania it is decentralized with shared responsibilities between central and local government.

Unequal educational level is present in the programme area, with illiteracy increasing in remote areas. Highly educated young people have a tendency to leave towards regions that provide more opportunities or abroad. The secondary education system is less attractive and accessible, especially for young rural population in the programme area. Private schools and Vocational training are present but unable to match labor market demands for qualified and skilled employees, constituting thus an impediment to the economic development of the programme area. Educational provision at all levels requires to be improved to meet labour market needs. The education system in the programme area in both countries requires reform, especially practical learning experiences and links with the business sector. Improvement of school infrastructure is a major priority for both governments at central and local level.

The needs for primary and secondary education are broadly covered in the **Montenegro's** programme area. Montenegro retains a good coverage of the territory with primary and secondary schools, including rural areas. The programme area has 213 primary schools⁶⁶ for around 44,047 pupils and 29 secondary schools, which provide education to about 19,881 students. Education is provided in Montenegrin language and also in Albanian language (in municipalities peopled with ethnic Albanians). The average number of pupils per class in primary schools stands at only 22.4, whereas the average of students per class in the secondary schools is 27.7, indicating a good teacher/pupil or student ratio allowing for a qualitative teaching process.

There are 3⁶⁷ Universities in the programme area: the public University of Montenegro based in Podgorica which has 20 Faculties and 3 Research Institutes – with branches in Budva, and Cetinje; the Mediterranean University based in Podgorica; and the Donja Gorica University (in suburbs of Podgorica). All three Universities total a number of 21,134 students during the academic year 2012 – 2013, where 86.4% belong to the public University of Montenegro.

Main problems of educational sector in Montenegro include; need to upgrade the school infrastructure; Roma and marginalised groups need to be better integrated in the education system; insufficient inclusion of children with special needs; need to better match curricula with market demands and entrepreneurship; lack of financial resources for scientific research and development.

Montenegro spends about 0.41% of GDP in **Research and Development**⁶⁸; 58% belong to the public sector; 27% originate from private businesses and about 15% funded by EU and other international organisations' projects. 59.4 %, of researchers is employed in the higher education –followed by the Government sector with 32% and businesses with 8%. R&D in the non-profit sector accounts for only 0.6 %.

The **Albanian** programme area has a good coverage with primary and secondary education institutions. It has a total of 300 primary schools, of which 222 schools in rural areas serving 54,274 pupils, or 62% of

⁶⁶MONSTAT, Statistical year book 2012

⁶⁷MONSTAT, Higher Education Releases 2012

⁶⁸ R&D in 2011, Montenegro Statistical Office, release No. 24



the total pupils. There are 72 secondary schools for 16,974 students out of which about 33% are in rural areas.

There are 3 Vocational schools in Lezha, and 9 of them in Shkodra serving a total number of 3,330 students; only 10.5% of these students come from rural areas. There is one University in Shkodra which represents perhaps the most important centre of intellectual, social and cultural development in the programming area - the university "Luigj Gurakuqi" which has 6 faculties. There are 14,538 students⁶⁹ enrolled in the University of Shkodra for the academic year 2011 – 2012. It has a cooperation agreement with the University of Podgorica since 2004. The University has a Water Research Centre⁷⁰.

Albania spends about 0.02% of GDP⁷¹ in **research and development**, a rather modest figure which is used entirely in the public system. Albania has an ongoing agreement with Montenegro as regards the mobility of researchers and technical experts between partner universities; setting up joint research centres to study hydro resources of Buna river and Shkodra lake; and a joint centre of advanced studies on seismological risks in the Western Balkans.

In conclusion, 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 these issues 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 for the CBC programme and an opportunity not only for further enhancing academic cooperation, but also for initiating research programmes in the border area and in several sectors such as agriculture or tourism.

2.3.3 Health

The organisation of the health system in Montenegro and Albania is similar; it is largely public with a modest (but increasing) private presence, and territorial coverage is duly provided with services of primary, secondary and tertiary health care.

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 defines as a priority the strengthening and systematization of prevention and health promotion programmes. Some health indicators (e.g. infant mortality rate, maternal mortality rate) show a regular improvement in public health in Montenegro.

Primary health care in Montenegro is provided at municipal level and all municipalities have a primary health center. Since the adoption of the "selected doctor model" the number of registered insured persons stands at 83 %. Secondary health care is also quite present in the territory of programme area. The Clinical Centre in Podgorica serves as a general hospital for Podgorica, Danilovgrad and also Kolasin while providing also Tertiary health care for the whole Montenegro. In addition, the programming area has 3 other general hospitals (in Bar, Berane, and Cetinje) and 2 health centers in Plav and Rozaje.

The total number of employees in the health sector in the programming area amounts to 3,331⁷², or about 61.9% of the total workforce employed in the health sector in Montenegro.

⁶⁹INSTAT, Registered students for each university 2012

⁷⁰ It has a link to university of Podgorica directly on their home page

⁷¹Albania, State Budget 2012

⁷²Institute of Public Health of Montenegro 2011



Similar to Montenegro, the primary health care in **Albania** is provided at commune and municipal level, while secondary health care is mainly located in the biggest urban centres. The programme area has a network of 421 health institutions⁷³ in the primary health care sector – 46% of which provide services in the Shkodra region, 37% in the Lezha region and 17% in the Tropoja district. There are 10 hospitals in the area; 6 in Shkodra, 3 in Lezha region and 1 in Tropoja district.

Secondary health care is quite present in the programming area region with a total of 10 hospitals. Shkodra region has 6 hospitals: 1 in Puka municipality which has 11 doctors, and 5 hospitals in Shkodra – including the Shkodra Regional hospital – with 85 doctors and 262 nurses, whereas health services in Malsia e Madhe are provided by 19 doctors and 92 nurses.

Lezha region has 3 hospitals; 1 in Lezha municipality, 1 in Rreshen municipality and 1 in Lac municipality. Total number of doctors in the Lezha region amounts to 83, supported by 341 nurses.

Tropoja district has 1 hospital in the Bajram Curri municipality; there are 13 doctors supported by 134 nurses.

Overall, health services in Albania are improving, but more needs to be done to ensure universal access to such services by poor households. The next key challenge to guarantee that all citizens are provided appropriate health services is to remove the economic barrier for accessing quality services, which is aggravated by the lack of total health insurance.

2.3.4 Culture

The culture in the programme area is, in overall, characterized by elements of different individual and common traditions. Tourist centres and big cities are rich in cultural heritages that include monuments and religious sites (churches, monasteries and mosques), old towns, archaeological sites and different museums. The programme area is also rich in diversified culinary and handicraft traditions that could play an important role in further promotion and tourism development. Cross-border cooperation could play an important role in protecting and promoting this heritage and further strengthening the regional cooperation ties between the two countries. Limited public investments and subsidies have kept a low level of cultural activities in the programme area despite its rich heritage. Cultural activities and contacts can however be intensified, thus creating a basis for a more active cross-border co-operation. This creates favourable conditions to further develop joint initiatives aimed at adding value to the common heritage to the two sides of the border areas.

The programme area in **Montenegro** is home to a variety of religious beliefs, traditions, and cultures. The area contains mixed ethnicity population (Montenegrins, Serbs, Albanians, Bosniaks), with a long history of being closely connected to each other. Such history and tradition make for a good ground of cross-border initiatives as cross-border relations and cultural links are deep rooted in the mindset of the population in the programme area.

In **Albania**, the programme area is rich in cultural heritage. Beside the famous Rozafa castle, there are several museums in Shkodra a considerable number of archaeological sites and tourist attraction related to the regions and city's cultural heritage. Lezha, an archaeological park since 2005, has also its castle ruins dominating the city, together with other attractions, which could be found in the region such as museums, churches. The most important monument in the Lezha region is the mausoleum of the

⁷³Shkodra and Lezha regions, Statistical Bulletin 2012



Albanian national hero Gjergj Kastrioti placed onto the ruins of the ancient church where the Albanian League to fight the ottomans was established in 1444 in Lezha city.

2.3.5 Civil Society

There are 5, 843⁷⁴ CSOs registered in **Montenegro**. Most of them are citizens' associations (5,665), and 175 foundations. The most influential and experienced CSOs are located in Podgorica, active in various sectors (human rights, public policy, environment and rural development, capacity building, disabilities, etc.). Most of them have an experience in defining CBC projects. In the other regions and particularly in the northern region CSOs' situation is more precarious. Human capacities and funding capacities are generally insufficient; partnerships with local authorities as well as regional CSO networking are still weak. However, the local network of community organisations is diverse and rich. Some of them, such as the mountaineers associations, may play an important role in implementing the CBC initiatives.

Albania's CSO sector is small and relatively undeveloped. Officially there are 2,231 registered associations, 311 foundations, and 552 centres⁷⁵. Most of the CSOs are concentrated in the capital Tirana, or in the central region (which includes Tirana and major towns such as Shkodra, Durres, Elbasan, Korce). Civil society is weakly represented in all rural areas. Main activities of CSOs are advocacy based and research in the fields of promoting human rights, the protection and rights of children, democracy and good governance, as well as policy think tanks, and economic development as well. Access to government and private funding is limited. The CSO society sector in Albania as a whole is poorly integrated and represented. There is no sector- wide forum or network dedicated to the coordination of CSO efforts.

2.4 INFRASTRUCTURE

Montenegro and Albania are part of the SEETO⁷⁶ – core Network. The most important route in this area is the road that connects Podgorica with Shkodra through Božaj -Hani iHotit, which is a part of the European Core Roads Network.

The position of the programme area highlights the importance of a good transport infrastructure in the future development of tourism, trade, cultural exchanges and increase of competitiveness. The road infrastructure linking Montenegro and Albania especially through Sukobine -Muriqan and Božaj -Hani Hotit has been significantly upgraded. The services infrastructure of these border-crossing points has also been improved allowing faster communication between the two areas, thus able to facilitate transport, trade and tourism. The third one in Gercan -Plav is less developed. A fourth border-crossing point in Cijevna Zatrijebačka -Triesh, will be linked with it by about 23 km of road inside Albanian territory, is under construction with EBRD funding. It will significantly shorten the time of travelling from Plav to Podgorica (expected travel time through the Albanian territory about half an hour).

Roads

⁷⁴ Montenegro Needs Assessment Report TACSO It is unknown how many of them are active

⁷⁵ Recent civil society assessments and intensive observations from the TACSO Albania Office estimate that the total number of active CSOs does not exceed 450

⁷⁶ South-East Transport Observatory. Road Corridors & Links involves in : Albania, Bosnia, Croatia, Kosovo, former Yugoslav Republic of Macedonia, Serbia, Montenegro



There are no highways in **Montenegro** but the main roads of the country are of a single carriageway type. The connections between Podgorica and the coastal towns have significantly improved, journey times have become shorter and routes safer with the completion of Sozina tunnel (travel time from Podgorica to Bar, under half an hour) and numerous upgrades of roads towards Cetinje and Bar. However, the secondary and rural road network, managed by the municipalities requires improvement as it is often in poor condition.

In the **Albanian** programme area, the roads infrastructure has been substantially improved in the last 5 years, although Tropoja has yet to be improved its road network. Transport of commodities and people is easier and faster now. Travelling to Lezha, and Shkodra from Tirana takes no more than 120 minutes; part of this road belongs to the Dures-Kukes motorway- the "Nation's Road", which connects Albania with with Kosovo.

Railway Transport

Montenegro and Albania have agreed to integrate procedures of organising **railway** transport between countries. One railway passes through the programme area from Podgorica to Shkodra of about 63.5 km in length; it is used only for freight transport as the line is not electrified. The same railway connects Tirana with Shkodra via Lezha. Since the infrastructure development has focused chiefly on roads network, the railway network has received little attention from respective Governments, thus leading to deterioration of physical conditions of this railway over years. Future plans include its electrification, at least on the Montenegrin side, and using this railway also for passenger transport, by adopting the urban municipality Tuzi, a subdivision of Podgorica Municipality as the common border station.

Air and Maritime Transport

The Podgorica **airport** in Montenegro is the only airport in the programme area. The programme area in **Montenegro** is home to the **port** of Bar, the biggest in Montenegro, and also to marinas in Budva and small harbours such as the one in Ulcinj.

In the Albanian programming area there is the port of Shengjin (Lezha region) which serves the needs of the northern part of Albania for maritime transport.

Telecommunication

Telecommunication in the programme area benefits from both land (fixed) and mobile telephony. The fixed telephony in Montenegro is fully digitalized. The number of subscribers is about 1.700.856⁷⁷ corresponding to a 27.55% penetration rate. The mobile telephony market has three telecommunications operators. In 2012 the three mobile companies reported a total of 990,868 users, corresponding to a penetration of 159%.

In **Albania**, the level of penetration of fixed and mobile phones in the programming area stands at 88.15%⁷⁸, slightly below the national average of 89.47 %. However, with the exception of the main cities, penetration of fixed telephony in rural areas is low; communication is mostly based on mobile phones. There is one national fixed telephony provider, while there are 4 mobile operators. Level of mobile phone penetration in Albania is over 130%.

Information Technologies

⁷⁷ Agency for Electronic Communications and Postal Services, Annual Report 2011

⁷⁸ Albania, Census 2011



Computer literacy in **Montenegro**⁷⁹ averages 35% among the population 15 years old and over. About 16% of the population is partially computer literate. The biggest percentage of computer literacy in the programme area is encountered in Budva with 46 %, in Podgorica 41% while the lowest is in Andrijevica at about 18 %. Computer literacy is higher among younger population and it declines evenly with the increase of age.

In **Albania**, the level of internet penetration (meaning there is a computer being used to access the internet) in the households in the programming area stands at 9.97%, which is below the national average of 12.35%.

Energy

Energy is available to all municipalities in the programme area in **Montenegro**. Most of the energy needs are met through imports – all oil and derivatives are imported as well as one third of its electricity consumption. The size of the electricity market is about 3.720GWh/year out of which 28.2% are imported, indicating a moderate level of use of its own hydropower potential.

Albania's current installed capacity in Albania is 1,726MW⁸⁰, a utilization rate of only 35% of its hydropower potential. The majority of hydropower energy of the country, about 52.3%, is generated in the programme area which has the three biggest hydropower plants of the Albania: Fierza, Koman and Vau i Dejes with capacity of 1,350MW altogether. Ashta Hydropower plant with an installed capacity of 53MW became operative in September 2012. The total electricity production in 2012 in Albania reached 4,288GWh, covering only 57% of its annual consumption, making Albania a net importer of energy. The completion of the 400 kv interconnection line between Albania and Montenegro (Elbasan-Podgorica), increases the capacities of energy exchanges between the two countries and connects Albania with regional and European networks, thus increasing the security of electricity supply in the country. Although there are large, yet unexploited hydropower resources Albania is characterized by a low efficiency in the use of electricity. Use of electricity for heating purposes is widely spread.

Water Supply and Water Sewerage

Most of the households (247,354) in **Montenegro** use water from the public water system, although public water system may be insufficient in rural areas and during summer time. Out of the total number of dwellings⁸¹ 92% of them have access to water supply systems inside their houses and the same number is connected to sewage system inside the house. In the programming area the Budva has the highest rate of access to water supply systems and to water sewerage system averaging 99%, whereas Andrijevica has the lowest access rate to these two services, averaging 76%.

In the **Albanian** programme area the water supply, sewage systems and irrigation remains problematic. Access to water inside the dwelling for about 106,094 households⁸² in the programming area is secured to about 55.4% of them; about 39.5% has some access to water supply systems, while 5.1% of the household in the programming area have no access to water supply system. The number of households with no access to waste water and sewerage systems is higher in Shkodra with 1.13% followed by Lezha with only 0.98%, while Tropoja district registers 0.75 %– doing better than the national average of 1.12

⁷⁹ MONSTAT, Population by computer literacy per municipalities in Montenegro 2011, Release No. 156

⁸⁰ ERE – Annual report 2012

⁸¹ MONSTAT. Dwelling by availability of installations, Release No. 280

⁸² Census 2011, INSTAT Indicators of buildings and dwellings by prefecture

% Further improvements in infrastructure are needed to maintain and promote sustained levels of tourism, and reduce regional disparities.

2.5 ENVIRONMENT

Environmental protection and preservation are key for a sustainable development of the programme area, which is quite rich on environmental resources and biodiversity on both sides of the border. The programme area is very rich on environmental resources and biodiversity. However there are several factors that threaten the environment resources in the programme area, such as; deforestation due to uncontrolled falling of trees; poor water and sewage management; uncontrolled waste disposal; unregulated urbanization; in some areas industrial pollution; risk of pollution of rivers and lakes from illegal landfills; the intensive use of pesticides is harming agriculture; the fauna in the lakes and rivers is threatened by over-fishing and illegal hunting. Land degradation is present in both sides of the border.

Montenegro has a high biological diversity due to its geological background, climate and the position of sea and mountains in close proximity. Montenegro has two world heritage sites, one biosphere reserve and five national parks. Environmental preservation protection is a pillar of all development strategies of the country. Montenegro's national network of protected areas covers 108,866 ha⁸³ or 7.88% of the total territory. It comprises 5 national parks – Skadar Lake, Durmitor, Lovćen, Biogradska Gora, and Prokletije. The programming area is rich in natural resources and is home to four National Parks in the Montenegrin programming area:

- *Skadar Lake* is 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 fishes as well as in marsh vegetation. Skadar Lake is on the list of internationally significant wetland areas as water and migratory bird's habitat (Ramsar Convention)
- *Biogradska Gora* is surrounded by the municipalities of Andrijevica, Berane, Kolašin, and Mojkovac. The National Park was proclaimed in 1952 and covers 54 km². 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.
- *Lovćen* is a mountainous area national park in the Budva and Cetinje municipalities covering an area of 6220 hectares.
- *Prokletije* is 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 210 km² mainly in Plav and Gusinje municipalities). It is therefore the last National Park listed in Montenegro. However, the management unit of the park is not yet established.

Industry and agriculture are not big polluters in the programme area, although the levels of fluoride in Podgorice exceed the allowable limits 3-6 times during the year, while there is a general need for technological renewal. Main threats for the environment are related to the absence of waste water treatment systems (Podgorica is partially equipped with wastewater treatment plant) and adequate landfills for solid waste. Several investment projects co-funded by the EU or supported by European banks are planned and should improve this situation.

⁸³ MONSTAT, Statistical yearbook 2012



In **Albania**, the programming area offers a rich biodiversity and climate as it includes mountains, hills, plains, lake, rivers and coastline. It has 8 natural parks⁸⁴, managed nature reserves and protected landscapes, which cover over 13% of the total territory. Regional Environmental Agencies are present in both regions of the Albanian programming area. The Tropoja district is covered by the Regional Environmental Agency of the Kukesi Region.

Three national parks are in the Shkodra Region – Thethi national park situated in the mountain area bordering with Montenegro; Lake Shkodra and Buna river, which have been qualified as Ramsar sites. The most important natural park in the programme area is the Shkodra Lake. Cooperation between the two countries with regard to protection and rehabilitation of Shkodra Lake has increased in the last decade.

Protected areas in the Lezha region include Berzane, Kune-Vain-Tale, Patok-Fushekuqe-Ishem which are all Managed Nature Reserves. It also includes some 4,745 ha of protected landscapes. The most important protected area in the Lezha region is the Kune-Vain-Tale, a complex of lagoons with the 125 ha sand island of Kune on the right of the Drini river delta. This area has a rich flora and is home to about 70 bird species, 22 reptiles (out of 33 at national level) and also 6 types of amphibians out of a total of 15 at national level.

The Tropoja district has 1 National Park since 1996, and 29 protected areas since 2002. The Natural Park of Valbona Valley is the most important area of the district as it encompasses a surface of 8000 ha.

Social and economic changes of recent years, demographic shifts in both Albania and Montenegro have put pressure on protecting and preserving the environment and biodiversity in the programming area. Over the past decade damages are evident in the forests area due to the interventions of the local population. Most of the damage was due to abusive logging and over-grazing. The protection of natural resources with a focus in the forests, protected zones and exploitation of water resources represent economic and environmental values for this area. Although the awareness on environment protection has increased, a higher degree of enforcement of environmental protection standards is required to ensure proper urban development and the expansion of tourism. Reduction of existing pollution, management of urban waste and ensuring the quality of drinking water for purposes of protecting public health and guaranteeing a clean environment, associated with measures to protect the land from natural and man-made destruction and enforcement of a strategic urban planning process are the main challenges to cope with in the programming area.

2.6 LEGAL AND INSTITUTIONAL ARRANGEMENTS

Montenegro is divided in 23 municipalities as a basic unit of local government.

The country's objectives are embedded in a number of strategies which lay out the development priorities which could serve as areas of intervention for the CBC Programme. Most relevant strategies for the purposes of the CBC Programme are:

- Montenegro's Development Directions 2013 - 2016
- The National Strategy of Sustainable Development of Montenegro (2007)
- The Regional Development Strategy 2010 – 2014
- Strategy on Development of Small and Medium Sized Enterprises 2011-2015

⁸⁴ Albania, Ministry of Environment, Network of Protected areas in Albania September 2013



- Strategy for Agriculture (2014-2020)
- National Strategy for Employment and Human Resources Development 2012-2015
- Strategy for Development of Vocational Education in Montenegro 2010-2014

Albanian local government consists of two levels: the first level consists of 374 local government units (LGUs) divided between 65 municipalities (*bashkia*) in urban areas, and 309 communes (*komuna*) in rural areas, which may be further sub-divided into villages (3020); the second level consists of 12 regions (*qarku*). Most relevant strategies for the purposes of CBC Programme are:

- The National Strategy for Development and Integration;
- The National inter-Sectoral for Regional Development 2007;
- The Strategic Framework of Regional Development of Shkodra 2010 – 2016;
- The Strategic Framework of Regional Development of Lezha 2010 – 2016.



No	Priority	Bilateral Agreements ⁸⁵
1	Competitiveness, business and SME development, trade and investment	-
2	Employment, Labour, Mobility and Social Inclusion	- "Montenegro Conclusions" document signed during the Forums of the Third Ministerial Conference on Employment and Social Policies in the Southeast Europe, on 26.10.2007.
3	Research, Technological Development and Innovation and ICT	- Agreement between Albania and Montenegro on scientific and technological cooperation, signed on 16.12.2008.
4	Environment Protection, Climate Change and Risk Prevention	- Agreement between the Government of Albania and Montenegro on the water problems. Statute of the joint Albanian-Montenegrin inter-governmental Commission on the treatment of border waters and the Protocol of the meeting of this Commission signed on 31.10.2001, entered into effect on 13 February 2003. - Memorandum of Understanding between the Council of Ministers of the Republic of Albania and the Government of the Republic of Montenegro on the utilization of the LTL 400 KV, signed on 02.07.2004. - Memorandum of Understanding between the Council of Ministers of the Republic of Albania and the Government of Montenegro on the cross-border development of Shkodra lake, signed on 26.05.2006. - Memorandum of Understanding between the Ministry of Environment, Forestry and Water Administration of the Republic of Albania and the Ministry of Agriculture, Forestry and Water Administration of Montenegro, signed on 14.12.2010, entered into effect on the same day.
5	Transport and Public Infrastructures	- Agreement between the Ministry of Public Order of the Republic of Albania and Ministry of Internal Affairs of Montenegro on the establishment of permanent international circulation through border point Hani i Hotit-Bozhaj, signed on 24.01.2000. - Agreement between the Council of Ministers of the Republic of Albania and the Government of Montenegro on the road international transport of travellers and goods, signed on 02.07.200 and entered into effect on 11.11.2004. - Agreement between the Council of Ministers of the Republic of Albania and the Government of Montenegro on the establishment of the international lake line for travellers, Shkodër-Virpazar, signed in Podgorica, on 02.07.2004. - Agreement between the Council of Ministers of the Republic of Albania and the Government of Montenegro on the reciprocal relations for customs issues, signed on 23.12.2005, entered into effect on 1 December 2007. - Agreement between the Council of Ministers of the Republic of Albania and the Government of Montenegro on the organisation of the railway traffic between the two countries, signed on 16.05.2006. - Agreement between the Council of Ministers of the Republic of Albania and the Government of Montenegro on the opening of the joint border crossing point - Muriqan Sukobinë, signed on 17 January 2007. - Agreement between the Council of Ministers of the Republic of Albania and the Government of Montenegro on carrying out the border railway transport between the two countries, signed in Podgorica, on 3.08.2012.
6	Tourism and Cultural Heritage	- Agreement on the cultural cooperation between the Ministry of Tourism, Culture, Youth and Sports of the Republic of Albania and Ministry of Culture, Sports and Media of Montenegro, signed on 28.02.2001, and effectuated on the signature date. - Agreement for the cultural cooperation between the Ministry of Tourism, Culture, Youth and Sports and Media of Montenegro, signed on 10.11.2009, effectuated on the date of signature.
7	Youth and Education	-
8	Local and Regional	-

⁸⁵ The Ministry of Foreign Affairs of Albania - there are 30 Bilateral Agreements between Albania and Montenegro:
<http://www.mfa.gov.al/images/stories/PDF/marveshjet%20dypaleshe%20me%20te%20gjitha%20vendet%20-%202017.01.2013.pdf>



	Governance, Planning and Administration Capacity Building	
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3.7. CONCLUSIONS

The programme area is diverse, but still several common features related to nature, geographic position, demographic trends, economy, human capital etc, could generate synergies and be a good opportunity for developing and implementation of CBC initiatives.

- ✚ **Economic features** of both countries indicate similar trends. Both countries are classified as upper-middle income economies by the World Bank. The structure of economy is different on both sides of the border. While Albanian regions rely on agriculture, services, wholesale and retail markets, Montenegrin regions feature more developed industry, and the level of tourism is much highly developed. Agriculture is commonly important for both sides.
- ✚ **Competitiveness is low on both sides of the border**, higher productivity and further investment in know-how and use of innovation technologies is a precondition to becoming more competitive both nationally and internationally. In border areas businesses normally exploit across the border and international trade opportunities but trade between both countries and third parties is still constrained by heavy administrative barriers.
- ✚ **Strengthening of SMEs networks and service connections existing in the bordering areas is an underutilised potential.** Over 97% of registered SMEs employees less than 4 persons. Level of cooperation across the border is minimal. Promotion of *e-business* will be important. 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.
- ✚ **Both sides of the programme area are increasingly becoming more attractive to foreign investors**, but there is a need on both sides to improve conditions and especially the infrastructure for doing business. Investments in tourism, renewable energy and agriculture could be potential sectors for attracting more FDIs. Light industry and food processing industries are also considered as a potential for accelerated economic growth of the programme area.
- ✚ **Agriculture is a major economic potential in the programme area, but underutilised.** In general rural economy is fragmented, to much higher degree in the Albanian programme area, and small agricultural holdings have difficulties in accessing markets. Production is moderately diversified and the range of main agricultural produce on both sides of the border is more complementary than competing. Improving access to market and strengthening the food security system and inspection bodies will be important for increasing agriculture sector competitiveness. Improve efficiency in agriculture and forestry and to develop additional sources of income from preserving natural assets and tourism.
- ✚ **Unemployment remains a sharp problem** for the population of the programme area, especially for the socially sensitive groups such as youth and rural population, women. Employment

insecurity is considered as the main reason for high migration rate, especially in the rural or less developed areas where the unemployment rates are high as result from subsistence and low-scale agricultural production that provide a form of social security for the bulk of the rural population and work as a buffer against high rates of registered unemployment.

- ✚ **Environment protection needs serious consideration in future development plans of the programme area.** 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 area. Improved waste management, control of pollution, efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans. Further valorisation of natural resources in the view of economic development is a key issue for the development of the area, especially on the Albanian side of the border.
- ✚ **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 programme area. Development of infrastructure that facilitates business and the diffusion of networks and services to support business development and innovation, could contribute to a general increase of wealth and economy in the area.
- ✚ **The programme area has high tourism potential but these opportunities are utilized mainly in the Montenegrin side,** while tourism in the Albanian side is poorly developed despite of the great potential. CBC initiative aiming to produce a joint touristic offer should be considered. Obvious synergies, potentially to be supported by the CBC programme, can be built between the regions in Albania and the coastal areas in Montenegro, but also with the “less touristic areas” in north-east of Montenegro, which have similar characteristics in terms of environment, wild nature and mountains with north of Albania.
- ✚ **There is a rich historic-cultural-artistic heritage in the bordering area that needs to be preserved.** Further valorisation of historical and culture heritage could contribute to strengthening the identity of the area. Cultural heritage is an asset for the economic development of the programme area. The cooperation among culture institutions is present, but it could be intensified further.
- ✚ **Improving the educational system and school infrastructure is a major priority** for the programme area, particularly in rural areas. The presence of important private and public universities and business research centers in the programme area is an asset for the CBC programme. Further joint action could be undertaken to establish network of vocational training centers as well as higher institutions and research agencies and organisations.
- ✚ Overall, the **health sector is poorly and unevenly developed** and the lack of a proper legal framework for health insurance in rural areas (in Albanian side of the border) is still hampering its development. Given the that health sector is centrally managed, perhaps not much can be done



under CBC programmes, but certainly there is room for potential joint activities related to health prevention campaigns and health education.

- ✚ **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.
- ✚ **Research & Development and ICT penetration is significantly disproportional between the countries and at the low level.** Insufficient investments, governmental, regional or local support activities for R&D activities are present, in spite of the fact that 4 Universities are present in the programme area. There is no specific data on RDI but there is virtually lack of co-operation between education institutions in both countries, and research, development and innovation area is not explored.
- ✚ **Local and regional governments are in general, financially weak and cannot boost local development.** Unlike Albania, Montenegro does not have regional Governments. They are lacking skills in management, financial control and budgeting, democratic approaches in decision making processes. Absorption of EU funds is low. Cooperation between local governments between two countries could be improved. Decentralization process is on-going in both countries.

4. SWOT ANALYSIS

	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
ENHANCING COMPETITIVENESS, BUSINESS AND SME DEVELOPMENT, TRADE AND INVESTMENT	<ul style="list-style-type: none"> • Free-trade agreement between the two countries. Both countries participate in CEFTA • Favourable business climate and corporate taxes. Overall legal and institutional frameworks favourable to FDIs attraction; • Existing Protocol of economic cooperation between Albania and Montenegro. Existence of the Regional Economic Forum between Shkodra Region and Montenegro • Large an increasing number of SMEs in the overall region with diversified activities • Natural resources, Skadar/Shkodra Lake, and cultural heritage as potential for development of tourism • Relatively good coverage of the programme area with universities and vocational training centres; • Existence of business incubators (MN) and regional development agencies (AL) • Increasing Investments in infrastructure aiming to support development of tourism industry in the areas surrounding Skadar/Shkodra Lake 	<ul style="list-style-type: none"> • Low competitiveness of businesses, low productivity and insufficient know-how; • Continuous migration and outflow of skilled labour force • Limited exposure to international markets. • Small scale organisation of farming and low productivity of agribusiness activities; • Limited entrepreneurial culture dominated by short term trade or service activities rather than long term capital investment • High inequality in urban and rural development • Low level of technology • Limited availability of micro-credit schemes 	<ul style="list-style-type: none"> • Opportunity to develop various mechanisms and instruments aiming at facilitating the establishment of business partnerships for cross border initiatives; • Specialisation of SMEs and strengthening through adding value to their products • Creation of integrated tourism product including both lake, coastal and mountain areas; • Identification of some special products of the area that could be further branded nationally and internationally • Further development of agriculture productions and agro-processing industry; • Improvement of the level of vocational education in view of better serving the labour-market demand. • Increase public/private partnership for building adequate road infrastructure; • Advantage deriving from relatively low level of labour costs (especially north of Albania) 	<ul style="list-style-type: none"> • Limited access to credit system for farms and SME-s may slow down the economic development; • Underdeveloped and under equipped local - self government administrations. • Dominant mountainous relief can have a negative impact on local economic development; • Informal economy competing unfairly with the formal sector • Considerable level of corruption • Brain drain do to migration to more developed region



	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
PROMOTING EMPLOYMENT, LABOUR, MOBILITY & SOCIAL AND CULTURAL INCLUSION ACROSS THE BORDER	<ul style="list-style-type: none"> •Relatively low cost labour force •Relatively young population and positive growth rates •Presence of Vocational Education schools; •University branches present, to support and focus closely on local knowledge and skills needs •Multi-ethnicity as an advantage for economic, social and cultural inclusion 	<ul style="list-style-type: none"> •De-population and outflow of skilled and educated people in rural parts of the programme area •High unemployment rate, especially amongst the young population and women •Curricula not fully aligned Labour market - oriented vocational training •Large number of households dependent from remittances from abroad •Lower level of education of the rural population and socially marginalized groups such as Roma etc. •Weak labour promotion institutions at local level 	<ul style="list-style-type: none"> •Improvement of the level of vocational education in view of better matching the labour-market demand for higher skilled employees. •Development of research & development activities by using existing research and high educational centres •Programmes for increasing accessibility in the labour market of rural population and especially of women and marginalised groups •Developing employment programmes for social integration of socially marginalized groups. •Improvement in labour mobility in the CBC area 	<ul style="list-style-type: none"> •Lack of employment opportunities leading to higher migration towards developed areas of the country or abroad, especially of young and qualified workers •Prolonged economic crisis which increases unemployment, with major spillover effects onto less educated and vulnerable groups •Poor access of the rural population to the formal educational system, due also to poverty or inadequate educational infrastructure
PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE ADAPTATION & MITIGATION, RISK PREVENTION AND MANAGEMENT	<ul style="list-style-type: none"> •Rich natural biodiversity, untouched and attractive environment, diversity of natural landscapes. •Existence of several protected areas and national parks appropriate for the development of eco-tourism •Wide forest areas and quality of the forests. •High potential for using renewable energy sources (hydroelectricity, wind power, solar energy and biomass) •Clean area without industrial pollution, especially the coast and mountainous areas 	<ul style="list-style-type: none"> •Poor enforcement of environment regulations and standards •Poor management and control mechanism for protection of natural resources; •Inadequate solid waste management and lack of waste water treatment systems •Inappropriate land management •Insufficiently exploited natural resources •Low awareness of environmental issues 	<ul style="list-style-type: none"> •Better management of forestry and protected areas; •Development of joint programmes for waste treatment •An increase in programmes and projects on environmental protection, forestry, sustainable agriculture, solid waste and waste water, etc. •Local interest for producing green energy •Increased public awareness on environmental protection measures under the pressure of eco-tourists demands •Area around Shkodra/Skadarlake becoming part of UNESCO protected "biosphere reserve list". 	<ul style="list-style-type: none"> •Pollution of land and water resources due to inadequate or absent solid waste and waste water treatment system •Uncontrolled and out of standards urbanisation process •Uncontrolled exploitation of natural resources (timber, river gravels, forest fruits), especially deforestation •Pressures on the coastal environment due to high tourist frequentation •Enlarging cement industry in the region of Lezha which poses a increasing risk for the surrounding nature



	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
PROMOTING SUSTAINABLE TRANSPORT & IMPROVING PUBLIC INFRASTRUCTURES	<ul style="list-style-type: none"> • Strategic geographic position in the wider region and participation in European Transport Networks; • Easy connections by improved road infrastructure; • Improved border-crossing infrastructure and services; • Railway connectivity; • Relative proximity and easy access in the entire programme area to the airports in Podgorica, and Tirana; • Ports of Bar and Shengjin, as an important economic asset for the region 	<ul style="list-style-type: none"> • Rural and secondary road network and railways infrastructure in poor conditions; • High maintenance cost and limited budgets available • Poor reliability and shortage of electricity supply, heavily dependent on hydro resources (AL); • Poor infrastructures and insufficient capacities for treatment water, sewage and solid waste, particularly in rural areas; • Incorrect applications of urban planning standards • Limited internet accessibility 	<ul style="list-style-type: none"> • Programmes improvement of road and rail networks linking Montenegro and Albania; • Existing plan and funds (EU, European banks, etc) management and waste water systems; • Easier movement of people and goods through improved roads and new (including re-opened) cross-border points; • Increased investment in water supply, sewerage system and waste treatment.) for improving solid waste • Potential for increasing maritime transport • Development of alternative energy production • Improvement of internet accessibility 	<ul style="list-style-type: none"> • Limited financial resources delaying investments in public infrastructure and especially maintenance; • Insufficient financial resources for the re-construction and maintenance of deteriorated local infrastructure; • Illegal construction, putting additional pressure on infrastructure development in the programme area; • Unresolved property issues which impede investments in infrastructure. • Underdeveloped urban planning, including planning for sustainable means of public and private transport



	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
ENCOURAGING TOURISM & CULTURAL & NATURAL HERITAGE	<ul style="list-style-type: none"> •Pleasant Mediterranean climate and continental climate developing diverse types of tourism throughout the programme area •Rich and diverse nature, well suited for outdoor leisure and activities •Rich cultural and historical heritage •Numerous community associations involved in activities to preserve culture and nature •Multicultural diversity, and tradition in cultural exchanges; •Rich culinary traditions suitable for agro-tourism •Relatively long standing experience in the Montenegrin coast with massive tourism 	<ul style="list-style-type: none"> •Underdeveloped tourism infrastructure in view of international standards; •Unbalanced tourism development with the prevalence of seashore tourism as against mountain and agro-tourism. •Insufficient efforts and funding for the protection and preservation of nature and of historical and archaeological heritage; •Limited recognition of the potential of historical and cultural heritage as a source of income through tourism and culture activities; •Limited skill and poor level of services in the Albanian side •Limited international recognition of the region as attractive touristic destination 	<ul style="list-style-type: none"> •Promote initiatives for further including the cultural heritage in the tourism offer; •Promotion of specific culinary tradition and agro-food products to contribute to strengthening the identity and tourist experience of the region; •Developing and strengthening local institutional capacities related to promotion of tourism, cultural and traditional assets; •The development of eco-tourism related type of outdoor “experiences” as an integrated packages (e.g. mountaineering, rafting, trekking, biking); •Promotion of cooperation between tourist agencies to provide integrated tourist packages across the border. 	<ul style="list-style-type: none"> •Insufficient tourism promotion, both at national and regional levels due to scarcity of funding; •Environmental pollution in areas with a high potential for eco-tourism; •Lack of understanding of cultural and historical heritage potential of the programme area; •Lack of proper protection of cultural and historical monuments and sites; •Illegal buildings close to the seashore, natural parks and cultural heritage sites.
INVESTING IN YOUTH, EDUCATION & SKILLS	<ul style="list-style-type: none"> •Relatively young population and high birth rate •High presence of public and private universities •Multi-ethnicity as an advantage for social and cultural development •Existence of vocational and non-formal training providers •Multilingual environment •An enthusiastic young generation eager to learn and developed 	<ul style="list-style-type: none"> •Curriculum not aligned with labour market demand and inefficient employment-oriented vocational training •Underdeveloped system of lifelong education; •Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc. •Level of drop out from elementary and secondary education as result of poor education offered especially in some rural areas 	<ul style="list-style-type: none"> •Improvement of the level of vocational education in view of better serving the labour-market needs with skills needed •Development of research & development actions by using existing research and high educational centres •The use of internet in order to improve the access to education in rural areas and enhancing virtual cross border contacts and cooperation 	<ul style="list-style-type: none"> •Limited access of rural population to the formal educational system, due to poverty •Poor or inexistent rural ICT infrastructure, augmenting regional disparities; •Migration of youth due to lack of opportunities



	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
PROMOTING LOCAL & REGIONAL GOVERNANCE, PLANNING & ADMINISTRATIVE CAPACITY	<ul style="list-style-type: none"> •Existing protocol of cooperation between the countries. •Existence of Regional development strategy •Existence of Regional development plan •Decentralisation process on-going 	<ul style="list-style-type: none"> •Limited capacities of the local government units to implement development policies; •Insufficient financial resources to finance development goals; •Lack of proper knowledge by the local administration to obtain and implement EU funds. 	<ul style="list-style-type: none"> •Participation of Local government units into joint initiatives or programmes to enhance institutional capacities; 	<ul style="list-style-type: none"> •Financially weak local government units •Lack of funding for training of Local government administration to increase their policy making and implementing capacities; •Lack of cooperation between proper regional structures.
STRENGTHENING RESEARCH, TECHNOLOGICAL DEVELOPMENT, INNOVATION & ICT	<ul style="list-style-type: none"> •Presence of public and private Universities in the programme area •Increasing percentage of population actively using ICT technology 	<ul style="list-style-type: none"> •Poor research and innovation practices of universities and other operators in the programme area •Modest Internet penetration •Poor computer literacy •Poor ICT used by Universities, Schools and businesses. 	<ul style="list-style-type: none"> •Developing and implementing cross-border ICT projects; •Investment in ICT and R&D programmes that would fit private sector development needs •Strengthening research, technological and innovation in the programme area •Student exchange programmes 	<ul style="list-style-type: none"> •Lack of national strategies promoting ICT and R&D •Limited of financing for the Research and development and •Insufficient interest of private sector for technological development and modernisation of production processes