



Ministry of Local Government Administration



Ministry of Foreign Affairs and European Integration

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**IPA**  
**CROSS-BORDER PROGRAMME**  
**MONTENEGRO – KOSOVO\***  
**2011-2013**

**December 2011**

\* Under UNSCR 1244/1999.

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## **1. GLOSSARY OF ACRONYMS**

ADA	Austrian Development Agency
CBC	Cross-border Cooperation
CEFTA	Central European Free Trade Agreement
CSO	Civil Society Organisation
DANIDA	Danish International Development Agency
EBRD	European Bank for Reconstruction and Development
ECLO	European Commission Liaison Office to Kosovo
EU	European Union
EIB	European Investment Bank
EUD	Delegation of the European Union
FAQ	Frequently Asked Questions
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit former Deutscher Gesellschaft für Technische Zusammenarbeit
IPA	Instrument for Pre-accession Assistance
IPA IR	IPA Implementing Regulation <sup>1</sup>
IPARD	IPA Component V: Rural Development
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
KFOR	Kosovo Force
KfW	Kreditanstalt Für Wiederaufbau
KOS	Kosovo
MIPD	Multi-annual Indicative Planning Document
MNE	Montenegro
MONSTAT	Statistical Office of Montenegro
MONSTAT SY	MNE - MONSTAT Statistical Yearbook
NIPAC	National IPA Coordinator
NDP	National Development Plan
NUTS	Nomenclature of Units for Territorial Statistics
OS	Operating Structure
OSCE	Organisation for Security and Cooperation in Europe
PDO	Protected denomination of origin
PRAG	Practical Guide for Contract Procedures financed from the general budget of the European Union in the context of external actions
RDA	Regional Development Agency
SAA	Stabilization and Association Agreement
SEE	South-East Europe

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<sup>1</sup> Commission Regulation EC no. 718/2007 of 12/06/2007, amended by the Commission Regulation EC no 80/2010 of 28/01/2010.

SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprise
SMEDA	Directorate for Development of Small and Medium Enterprises
SNV	Netherland Development Organisation
SWG	Standing Working Group
SWOT	Strengths, Weaknesses, Opportunities, Threats
TA	Technical Assistance
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USAID	United States Agency for International Development

## SECTION I DESCRIPTION AND ANALYSES OF THE PROGRAMME AREAS

### 1. INTRODUCTION AND PROGRAMMING PROCESS

The Cross-border Programme between Montenegro and Kosovo\* will provide strategic guidance to implementation of assistance under Component II – “Cross-border Cooperation” of the *Instrument for Pre-accession Assistance (IPA)*. It is designed following the principles underlined in the IPA Implementing Regulation. The implementation of this Cross-border Programme between Montenegro and Kosovo will be supported by IPA financial allocations for 2011, 2012 and 2013.

The **overall objective** of this Cross-border Programme is to improve the socio economic situation within the programme area by fostering co-operation and joint initiatives in the following priority sectors: environmental protection, sustainable agriculture and forestry, and tourism offer.

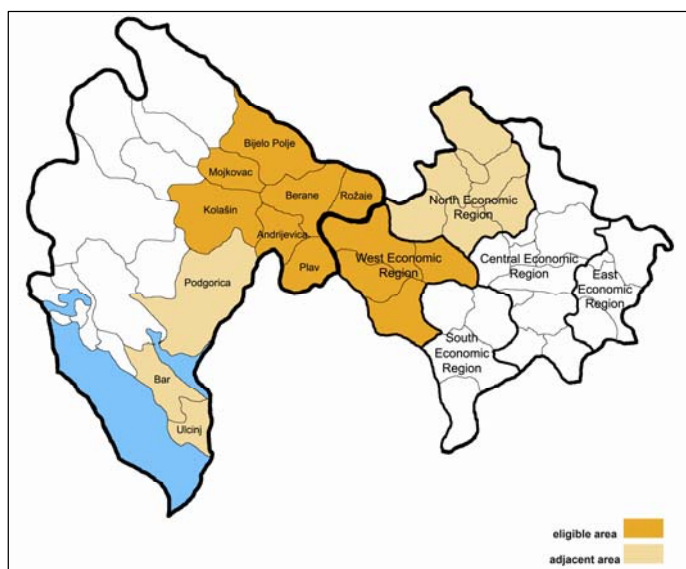
This strategic document is based on a joint planning effort between Montenegro and Kosovo and is also the result of a large consultation process with local stakeholders and potential beneficiaries..

The programming process spanned over five months (September 2010 - February 2011).

Date and place	
17 September 2010 Podgorica, Montenegro	Kick-off meeting of the Operating Structures, identification of the bodies responsible for the preparation of the Cross-border Programme, agreement on the programme area and the time frame.
September 2010	Establishment of the Joint Task Force (JTF)
October/November 2010	Consultation with the local stakeholders and SWOT analysis.
22 November 2010 Prishtinë/Priština, Kosovo	First JTF meeting; presentation and approval of the situation and SWOT analyses; preliminary discussions on the priorities and measures of the programme
February 2011	Approval of the priorities and measures and approval of the programme through a written procedure

\* Under UNSCR 1244/1999.

## 2. MAP AND GEOGRAPHICAL FEATURES OF THE PROGRAMME AREA



The programme area<sup>2</sup> for the Cross-border Programme between Montenegro and Kosovo covers a territory of 10,927 km<sup>2</sup> with a total population of about 1,229,000 inhabitants. The total borderline length is 75.6 km. There are two border crossing points; in Kulla/Kula (on the road Rožaje–Pejë/Peć), which is also a custom point; and in Qakor/Čakor (on the road from Murino linking Plav and Pejë/Peć municipalities) that has been closed to traffic for the last ten years.

In **Montenegro** the eligible and adjacent areas cover 6,355 km<sup>2</sup> and are composed of 10 municipalities or a total of 587 settlements including the capital city and 9 main towns. There are no administrative regions in Montenegro; however, for the purpose of strategic planning<sup>3</sup>, three geographical regions, having very different physical, economical and social features, have been defined. The following are the municipalities from the three regions represented in the programme area:

- The municipalities of Andrijevica, Berane, Bijelo Polje, Kolašin, Mojkovac, Plav and Rožaje are part of the Northern Region and are **eligible areas**;
- The municipality of Podgorica is part of the Central Region and is **an adjacent area**;
- The municipalities of Ulcinj and Bar are part of the Coastal Region and are **adjacent areas**,

On the **Kosovo side**, the eligible and adjacent areas cover 4,572 km<sup>2</sup> and include the following economic regions:

- West Economic Region, which is composed of the municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica;
- North Economic Region as **an adjacent area** includes the municipalities of Skënderaj/Srbica, Vushtrri/Vučitrn, Zubin Potok, Zveçan/Zveçane, Mitrovicë/Mitrovica, Leposaviq/Leposavić.

Apart from the 12 main towns, there are 660 villages/settlements located in the Kosovo side of the programme area.

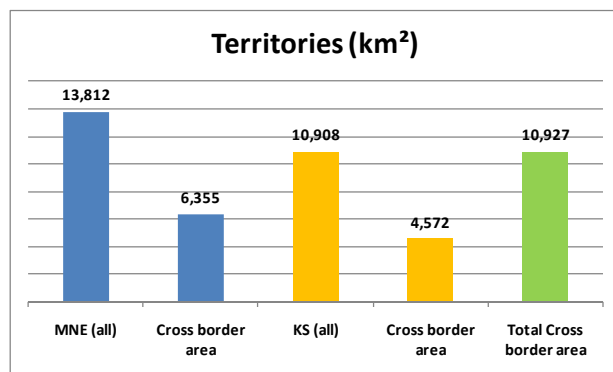
<sup>2</sup> The programme area encompasses the eligible areas, determined in accordance with article 88 IPA IR, and the adjacent areas, determined in accordance with article 97(1) IPA IR.

<sup>3</sup> Source: this typology is used in the Regional Development Strategy of Montenegro and the National Strategy for Sustainable Development of Montenegro

Table 1 – Area covered by the programme area

	Area (km <sup>2</sup> )	% of the total territory
<b>Montenegro</b>	<b>13,812</b>	<b>100%</b>
<b>Programme area</b>	<b>6,355</b>	<b>46%</b>
In Northern region (municipalities of Andrijevisa, Berane, Bijelo Polje, Kolašin, Mojkovac, Plav and Rožaje) – eligible areas	4,061	29%
In Central region (municipality of Podgorica) – adjacent area	1,441	10%
In Coastal region (municipalities of Bar and Ulcinj) - adjacent areas	853	6%
<b>Kosovo</b>	<b>10,908<sup>4</sup></b>	<b>100%</b>
<b>Programme area</b>	<b>4,572</b>	<b>41%</b>
West Economic Region (municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani and Gjakovë/Đakovica)	2,311 <sup>5</sup>	21%
North Economic Region (municipalities of Skënderaj/Srbica, Vushtri/Vučitrn, Zubin Potok, Zveçan/Zveçane, Mitrovicë/Mitrovica and Leposaviq/Leposavić) as adjacent area	2,261 <sup>6</sup>	21%
<b>Total programme area</b>	<b>10,927</b>	<b>MNE: 58% KOS: 42%</b>

Graph 1: Programme area in km<sup>2</sup>



The territory of the programme area is slightly bigger in Montenegro (58% of the programme area) than it is in Kosovo (42% of the programme area).

Five municipalities are directly on the border between the two countries, Rožaje and Plav in Montenegro and Pejë/Peć, Istog/Istok and Deçan/Dečani in Kosovo. The border line passes through the high mountain ranges of Prokletije and Hajla also called the Albanian Alps. A part of Prokletije is listed as a National Park in Montenegro. Border crossing posts are located at high altitude and may be difficult to pass during winter.

<sup>4</sup> Source: GoK Portal: <http://www.rks-gov.net/en-US/Republika/Kosova/Pages/default.aspx>

<sup>5</sup> Draft Regional Development Strategy WEST

<sup>6</sup> OSCE Municipalities Profiles



The programme area has a contrasted geographic and climate profile. It is rich with mountain ranges, plains, valleys, rivers and lakes. A significant part of the area consists of valleys, plains and highlands, which differ in size, density of population, vegetation and altitude.

The West Economic Region, covering 2,311 km<sup>2</sup>, is considered as the western gateway of **Kosovo**, bordering with Albania, Montenegro and Serbia. Pejë/Peć represents the centre of the region which covers six municipalities, Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica. The area is covered largely by the Dukagjini Plain that borders the Albanian Alps. The highest peak is Gjeravica Mountain (2,656 m) which is also the highest peak in Kosovo.

The North Economic Region is located in northern Kosovo, covering an area of 2,261 km<sup>2</sup> or 20% of Kosovo territory. Mitrovicë/Mitrovica Municipality represents the centre of the Region which comprises the municipalities of Vushtrri/Vučitrn, Skenderaj/Srbica, Zveçan/Zveçane, Leposaviq/Leposavić and Zubin Potok. It lies in the north of Kosovo valley, and is located 400-1500m above sea level. The geographical position of the North Economic Region and of Mitrovicë/Mitrovica as a regional centre makes it a regional crossroad providing a trading interface between north and south. A north-south railway line between Belgrade/Beograd and Prishtinë/Priština runs through Mitrovicë/Mitrovica onto Shkup/Skoplje and through Thessaloniki/Solun down to the Mediterranean Sea.

Changing landscape, ecological diverse composition, climate differences, diversity of waters and flora, pastures and meadows put the two regions amongst the areas of Kosovo with a highest potential for development.

**In Montenegro**, the eligible area covers the northern part of the country which is a mountainous area bordering with Kosovo and Serbia. Mountain peaks reach up to 2,500 meters and the territory is crossed by rivers, like Lim, Morača and Tara, forming impressive canyons and valleys (Tara river basin has been included in the UNESCO Man and Biosphere programme since 1977). The region is dominated in the east by Prokletije and Hajla mountains adjacent to Albania and Kosovo. Another mountain range, Bjelasica, also listed as a National Park, forms the centre of the northern part of the eligible area. Bijelo Polje and Berane play an important role in providing inter-municipal services. Each of the municipalities in the region has a strong identity and the possibility to base its further development on unique natural and cultural resources.

The adjacent areas cover mostly the central and southern part of Montenegro, where the population and economic activities of the country are mainly concentrated. The southern part of Podgorica is among the rare territories in the country where intensive agriculture is possible and is reported to have the largest all-in-one piece vineyard in Europe. The municipality stretches to the northern shore of Skadar Lake, the biggest lake in the Balkans, and also listed as a National Park. The municipality of Bar, with its port infrastructure, is an important entry point for large amount of goods not only for Montenegro but also for its neighbouring countries. Consequently, it relies less on tourism than the other coastal municipalities. Even though the northern region is directly located on the border with Kosovo, the adjacent area has paradoxically a better access to Kosovo via the new highway in North-East of Albania.

The climate of the programme area diverges from transitional–continental in the mountains to transitional-Mediterranean in the plains and of course Mediterranean in the coastal region in Montenegro.

### 3. CURRENT SITUATION IN THE PROGRAMME AREA

#### 3.1. DEMOGRAPHY

The total population in the programme area is about 1,129,000 inhabitants.

	Inhabitants	Density
<b>Total Montenegro</b>	<b>628,804</b>	<b>46</b>
<b>Total Montenegro programme area</b>	<b>390,588</b>	<b>61</b>
In Northern region (municipalities of Andrijevisa, Berane, Bijelo Polje, Kolašin, Mojkovac, Plav and Rožaje) as <b>eligible area</b>	146,024	36
In Central region (municipality of Podgorica) as <b>adjacent area</b>	180,809	125
In Coastal region (municipalities of Bar and Ulcinj) as <b>adjacent area</b>	63,755	75
<b>Total Kosovo</b>	<b>2,180,686</b>	<b>197</b>
<b>Total Kosovo programme area</b>	<b>839,050</b>	<b>182</b>
West Economic Region (municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani and Gjakovë/Đakovica) as <b>eligible area</b>	480,600	208
North Economic Region (municipalities of Skënderaj/Srbica, Vushtri/Vučitrn, Zubin Potok, Zveçan/Zveçane, Mitrovicë/Mitrovica and Leposaviq/Leposavić) as <b>adjacent area</b>	358,450	161
<b>Total programme area</b>	<b>1,229,638</b>	<b>122</b>

The population living in the eligible and adjacent areas on each side of the border accounts for almost 38.5% of the total population of Kosovo<sup>7</sup> and 62% of Montenegro.

Kosovo's estimated population in the programme area is double that of Montenegro. Generally, on Kosovo's territory, the population density is high while it is low in Montenegro, particularly in the mountainous Continental Region which constitutes more than half of the programme area in Montenegro.

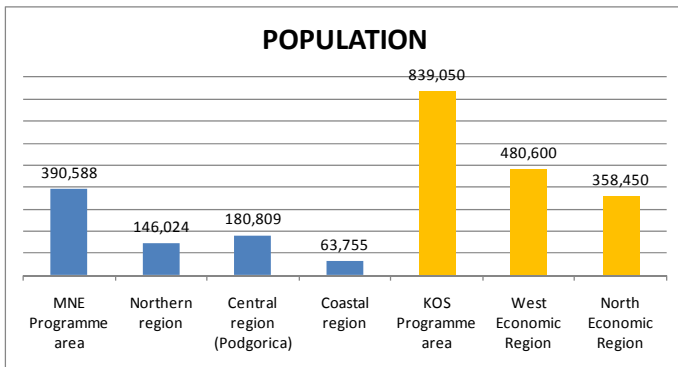
Podgorica, Bijelo Polje, Berane and Bar are the main towns in Montenegro. Pejë/Peć and Mitrovicë/Mitrovica are the main urban centres in Kosovo.

<sup>7</sup> Source: Statistical Office of Kosovo "Key Indicators of Population" <http://esk.rks-gov.net/eng/>

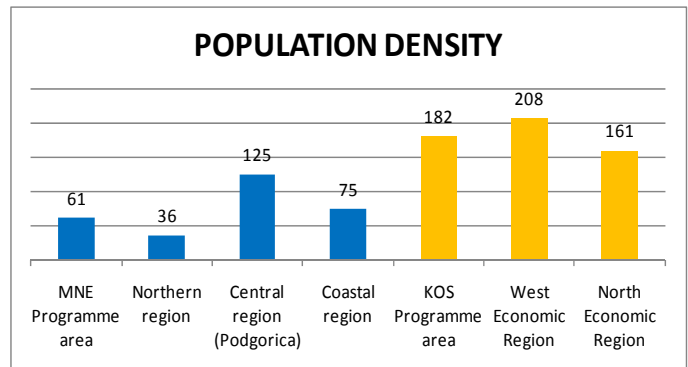
West Economic Region: Source: OSCE Municipality Profiles 2008, 2009

North Economic Region: Source: Draft Regional Development Strategy West 2011-2013

Graph 2: Number of inhabitants in the programme area



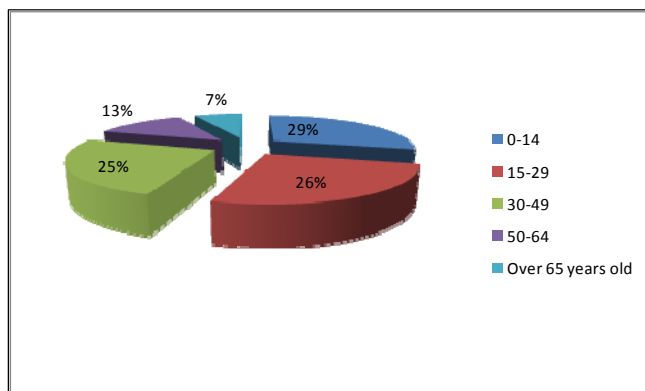
Graph 3: Population density in the programme area



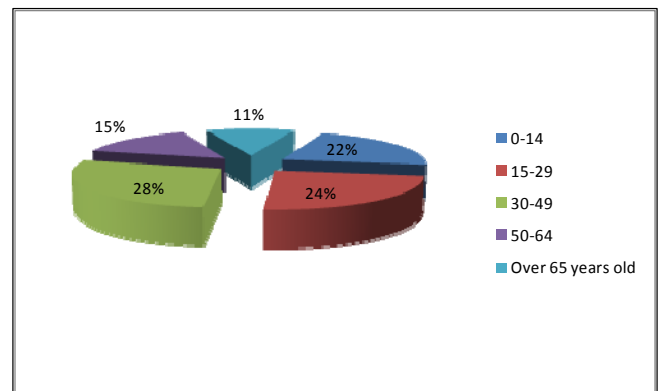
The population of the programme area in **Montenegro** is predominantly urban with almost half of it concentrated in Podgorica. However, in the Northern Region and even in the Coastal Region, the majority of the population is still living in rural areas. On the **Kosovo** side of the programme area, there is a low urbanisation level: around 70% of the population is rural.

In both countries, there is a tendency of massive internal and external migratory movements which have negatively affected the population growth and structure of the programme area in Kosovo and of the northern region in Montenegro. The overall population in these areas is decreasing while the population in the Central and Coastal regions of Montenegro, which offer more opportunities, is regularly increasing. Emigration is high in both countries but the northern region of Montenegro is by far the most affected.

Graph 4: Age distribution in the programme area KOS



Graph 5: Age distribution in the programme area MNE



The majority of the population in the programme area in **Kosovo** consists of young people. Around 55% of the total population of the two economic regions is under 29 years old. The programme area in **Montenegro** has a relatively similar feature with 46% of its population younger than 29 years. However, in many mountainous localities, the ageing of their inhabitants is a major constraint for economic development plans that rely heavily on tourism and traditional agriculture.

In **Montenegro**, the majority of the population is composed of Montenegrins and Serbs. However, in the coastal municipalities as well as in the municipality of Plav in the north, Albanians form a strong minority community and even constitute a majority in the municipality of Ulcinj. In the northern region the Bosniak population is also very important and reported to be traditionally active in trading with Kosovo. In **Kosovo**, Albanians make up the majority of the total population, and the rest is composed of Serbs, Roma, Ashkali, Egyptians, Bosniaks, Turks, Croats, Gorani, Montenegrins. However, three municipalities of the North Economic region, Zvečan /Zvečane, Zubin Potok/Zubin Potok and Leposaviq/Leposavić, are inhabited by a majority of Kosovo Serb population.

The situation of 10 517<sup>8</sup> displaced persons from Kosovo residing in Montenegro, in particular those from Roma, Ashkali and Egyptian community (some 3 200 persons), is preoccupying. This is due to pending settlement of the legal status and limited respect of their economic and social rights, both to a large extent hampered by the lack of personal documentation of concerned persons. Despite the action plan on resolving the situation of displaced persons adopted in 2009, enhanced commitment of the Montenegrin authorities towards local integration of these persons and recent intensification of contacts with Kosovo authorities to address the issues of subsequent registration and voluntary return, on 21 April, only 511 persons obtained legal status of foreigners with permanent residence. Therefore there is a risk for a large number of displaced persons from Kosovo to become illegal aliens, at the expiration of the deadline for submission of requests on 7 November 2011.

### 3.2. ECONOMY

#### 3.2.1 Regional disparities

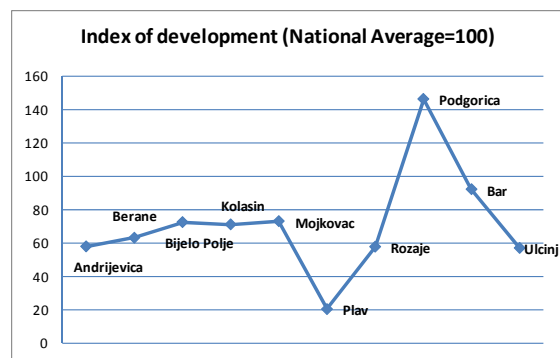
Regional differences in terms of economic and social development, not only between Montenegro and Kosovo but even within their regions, constitute a characteristic of the programme area.

#### In Montenegro

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

*Graph 6: Index of development of municipalities in MNE*

The capital city Podgorica is the only municipality within the Montenegrin part of the programme area having a level of development above the national average. All municipalities of the Northern Region are below the national average. The municipality of Plav, in a landlocked location, has the lowest level of development in the country. The municipalities of Bar and Ulcinj, unlike the other coastal municipalities, are also below the national average. However Bar is in a better situation due to the economic weight of its port.



<sup>8</sup> Data of the Bureau for the Care of Refugees, on 21 April 2011.

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

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

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

### **In Kosovo**

The Kosovo side of the programme area has an industrial-agrarian economy. Economic activities vary between the two economic regions and even within them. Agriculture, trade, construction and food processing are generating the majority of local turnover and revenues.

Until early nineties the economy of the area and its supporting infrastructure was one of the most developed in Kosovo, including industry, mining, wood processing, agriculture, SMEs, hotels and tourism, craftsmanship and other crafts. The economy of the two regions suffered a lot from damages during the Kosovo conflict of the nineties and for many years has experienced a severe transitional stagnation. Parts of the area have also suffered because of their remoteness from the economic and political heartland of Kosovo. Furthermore, Kosovo's transition triggered a massive emigration abroad as well as internal migration towards larger urban and economic centres. As a result, this bordering area in several parts is currently characterized by distorted market structures and a yet low business competitiveness profile. There are signs of economic recovery after a period of stagnation; however, for the time being economic growth in these two economic regions is still modest.

Currently, the major strengths of the West Economic Region lie in its geographical location as a gateway to neighbouring countries (Albania and Montenegro) with which it has a long tradition of trade. The quality of its natural environment, the potential for agriculture production and especially tourism, as an attraction for visitors, are also factors favouring the economic development of the area. The region has a relatively developed food industry with enterprises supplying the Kosovo market and exporting to the neighbouring countries. The construction sector (apartment buildings) and the food and drinks industry are particularly expanding. The region is very rich with forest products which are very much required in the external market and the timber industry is reviving.

The North Economic Region is the richest territory in mineral resources in Kosovo. The most important minerals such as lead and zinc are available here. In addition, the North Economic Region has the biggest water resources in Kosovo, representing a high potential for development. This region has enough potential for development of industrial sites and business parks, but most of them are owned by Trepča Company. The Trepča Company is subject to privatization process and in some way the overall industrial development of the region is linked with the reactivation of Trepča and its mines which is expected to generate a lot of new jobs.

### 3.2.2 SMEs and main economic sectors

Development of the private sector and SMEs is becoming a very important factor in job generation in both countries.

There are currently 28,160<sup>9</sup> registered businesses operating in the programme area in **Kosovo**, accounting for 28% of total number of businesses registered in Kosovo.

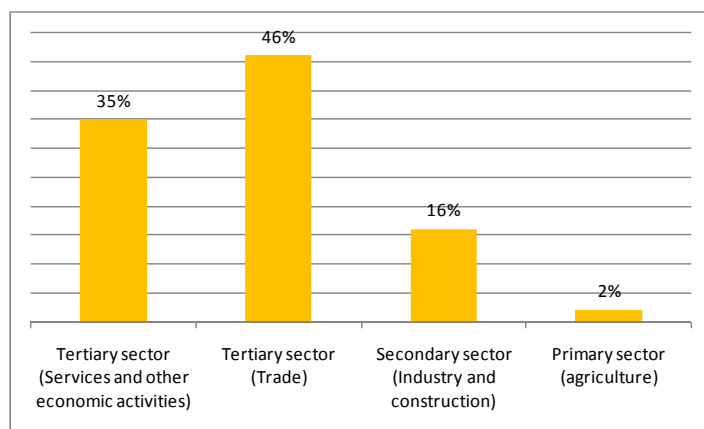
<b>MONTENEGRO</b>	No of Active entrepreneurs and SMEs	% of the total Montenegro SMEs
In Northern region	1,698	11%
In Central region (Podgorica)	4,699	31%
In Coastal region	2,060	14%
<b>Total programme area</b>	<b>8,457</b>	<b>56%</b>
<b>Kosovo</b>	No of registered businesses	% of the total Kosovo registered businesses
West Economic region	17,253	17%
North Economic region	10,907	11%
<b>Total programme area</b>	<b>28,160</b>	<b>28%</b>

In **Montenegro**, 8,457 active entrepreneurs and SMEs were

operating in 2009 in the programme area (counting for 56% of the total number of active SMEs in Montenegro) but a third of them are concentrated in the municipality of Podgorica<sup>10</sup>.

**Graph 7: Businesses by economic sectors in KOS**

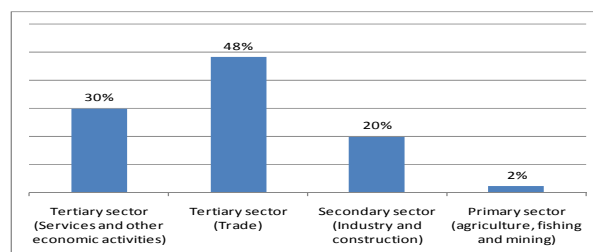
As shown in the graphs 7 and 8, the distribution of SMEs per economic sectors is similar in the two countries. The main SMEs activity is concentrated in the trade sector (retail and wholesale trade) dominating with 46% in Kosovo<sup>11</sup> and 48% in Montenegro, followed by other activities in the tertiary sector (35% in Kosovo and 30% in Montenegro). SMEs in the primary sector were represented with only 2% in both beneficiaries, but the number is believed to be much higher due to the



fact that majority of farmers operate as family business not officially registered in the tax offices.

**Graph 8: Businesses by economic sectors in MNE**

In the Kosovo part of the programme area and in the Northern Region in Montenegro, the private sector is dominated by small shops, which sell mostly imported goods. There are some successful manufacturing companies,



<sup>9</sup> Source: The Kosovo Registry of Business Organisations and Trade Names, data as of 11.10.2010

<sup>10</sup> Source: Regional Development Strategy of Montenegro, Annex 1, referring to Tax Administration, 2009

<sup>11</sup> Source: Kosovo MTI/ SMEs Support Agency, "SME Annual Report" 2009

particularly in the food processing sector (meat, dairy and potato products). Small wood processing factories (furniture, doors and windows) are also restarting. It seems that trade between Kosovo and Montenegro in this border region is particularly developing in the food processing sector, for example food processors located in Bijelo Polje and Rožaje purchasing raw material in Pejë/Peć region, known for the quality of its fruit and vegetable productions

Generally speaking, the manufacturing sector is underdeveloped, there is a flourishing informal economy<sup>12</sup>, and businesses have difficulties in obtaining capital for investment due to high credit interest rates of commercial banks.

Amongst the important factors representing a constraint for the economic development of the programme area are the lack of technological know-how and labour skills necessary to respond to the market demand for high-quality services and products. In the food industry, the lack of distinctiveness (packaging, marketing strategy, etc.), poor branding and lack of quality standards are major constraints not only for export but also for supplying the national markets. In Montenegro, the national market and the tourist flow in the Coastal Region offer possibilities for marketing local products, something still largely unexploited by the Northern Region. Linking the northern production capacity (e.g. high quality and traditional agro-food products) with the southern market is a priority emphasized by many stakeholders and could also benefit to Kosovo.

Business support mechanisms are still weak and insufficient. Chambers of Commerce are present in each region of the programme area but their activity is limited in scope. In **Montenegro**, there is a business centre in each municipality, providing support and advice to the entrepreneurs. Business incubators, under the umbrella of the Directorate for Development of SMEs (SMEDA) are operating in Podgorica and Bar and the opening of another one is planned in Berane. The Regional Development Agency (RDA) recently established in Berane with support from the Austrian Development Agency (ADA) covers six municipalities of the northern region (all of them included in the programme area). It is the only RDA operating in Montenegro.

In **Kosovo**, the Ministry of Trade and Industry has launched Industrial Parks and Business Incubator initiatives as a concrete measure to stimulate SMEs development. In the West Economic Region an incubator is established in Deçan/Dečani and another one is planned for Pejë/Peć municipality. Operating and planned business parks in the North Economic Region are located in Mitrovicë/Mitrovica, Zvečan/Zvečane, Skenderaj/Srbica and Vushtrri/Vucitrn. In both economic regions, with the support of EU funding, Regional Development Agencies (RDAs) are established, aiming to supporting the economic development of the area. RDAs have recently prepared Regional Development Strategies 2010 – 2013 for each of the respective economic regions.

There is nevertheless insufficient professional capacity at the level of municipal public administration to adequately support local and regional economic development in the programme area. In **Kosovo**, the effort of producing the regional development strategies is in itself commendable, but an overall development strategy providing an overall and integrated framework for regional and/or cross-regional priorities could further contribute to a faster and integrated economic development. A set of comprehensive EU sponsored grant schemes in support of regional economic and rural development are considered instrumental for implementation of regional development strategies. In **Montenegro**, on the other hand, economic development strategies, defined by national authorities and international organisations, are heavily top down oriented and struggle to find relevant interlocutors at the local level. The lack of collective organisations at the field level (inter-municipal cooperation systems, regional networks, professional associations and clusters; farmers associations, etc.) is seen as an

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<sup>12</sup> According to some surveys, the informal economy in Kosovo is much higher in the North Region as its territory is used as a transit region for smuggling of goods to other parts of Kosovo.

obstacle for developing business activities, particularly in the field of tourism which requires strong local, national and international interconnections.

In the economic field there are clear synergies to be developed within the programme area and to be supported by the CBC programme.

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

The same priorities are defined for the two economic regions in **Kosovo** where there are clear and good basis to improve efficiency in agriculture and forestry and to develop additional sources of income from valorising natural assets and tourism. Mining is another economic potential in an area which is known for having the richest mineral resources in Kosovo (lead and zinc in the Shala area, lignite and bauxite minerals in Istog/Istok and Klinë/Klina municipalities). More particularly, the reactivation of the Trepča company activities is considered as crucial for the development of the economy of the North Economic region. The mineral resources of the area of Trepča could appear as much a liability as an asset if they are not exploited in a sensitive way and this is something which currently lies outside the remit of the local stakeholders.

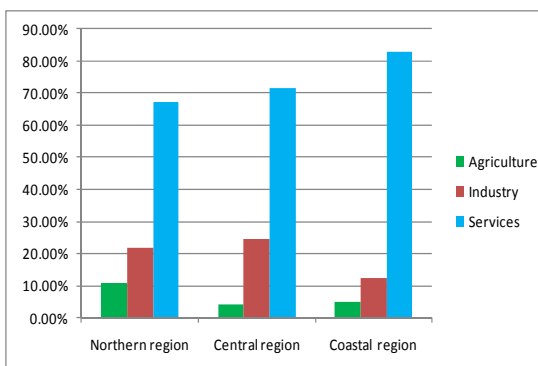
Finally, the conditions in the whole programme area are conducive to the production of renewable energy (production of hydroelectricity but also solar energy, biomass and wind power), which is still at a very early stage. It is to be mentioned that the municipality of Rožaje in Montenegro and Pejë/Peć in Kosovo are already envisaging a joint project for the installation of wind turbines.

### 3.2.3 Labour market and unemployment

Private sector employment in the two economic regions in **Kosovo** is based on small-scale enterprises and self-employment. Yet, the main opportunities for development and creation of employment rely on agriculture. This has been for a long time an answer to the question of limited family income. The private sector in Kosovo employs about 63% of the total number of employees, whilst the public sector employs about 37%. According to the 2008 Annual Report of the Ministry of Labour and Social Welfare, the average salary in Kosovo was €248 per month (2.5% higher than in 2006). The private sector offers a higher salary than the public sector at a ratio of €258 to €237.

Graph 9: Employment by sector and region in MNE<sup>13</sup>

Distribution of employment per region and per economic sector in **Montenegro** is shown in graph 9. Agriculture is still a significant sector for employment in the Northern Region (over 10%) but became a minor sector in the other regions. Services, mainly in trade and tourism sectors, are predominant. Public services (particularly municipal services), are a major and often main employer particularly in the Northern and Central regions. The average net salary per month in Montenegro was €481 in September



<sup>13</sup> Source: MONSTAT, Labour Force Survey 4<sup>th</sup> Quarter 2009.



2010<sup>14</sup> but it is reported to be lower in the Northern Region than in the two other regions.

In both Montenegro and Kosovo, considerable numbers of people work abroad and are very active in providing aid to their families. Remittances, thus, play an important role in subsidizing local consumption.

Although it has decreased during the last decade, unemployment in **Montenegro** is still a major economic problem and is characterised by significant regional differences. The unemployment rate at the beginning of 2010 was 20.3% in the Central Region, 27.7% in the Northern Region and only 10.6% in the Coastal Region<sup>15</sup>. A high share of unemployment of women and of young people is a common feature in all regions.

Unemployment is also a major challenge for **Kosovo**. In some parts, such as in the municipality of Mitrovicë/Mitrovica, it might reach up to 50-70% of the active labour force. The total number of registered unemployed in the West Economic Region is 71,097<sup>16</sup> people, with the majority of them belonging to the age group from 29-35. However, this might not reflect the real situation considering that people involved in agriculture are counted as self-employed and the rate of employment in agriculture is most probably overestimated. Approximately 45% of unemployed are women. The unemployment situation in the North Economic Region is the worst in Kosovo and probably one of the regions with the highest unemployment rates in Europe. The population living in this region suffers simultaneously from unresolved ethnic tensions and consequences of the deindustrialisation, resulting in a combination of social and economic problems, especially for the municipality of Mitrovicë/Mitrovica. For the age groups from 25-39 and 40-54 years old the unemployment rate is up to 70%.

### *3.3. AGRICULTURE AND RURAL DEVELOPMENT*

Agriculture is one of the most significant sectors of the economy of the programme area, considering the fact that the majority of the population lives in rural areas and their main revenues come from agriculture-related activities. Kosovo has over 60% rural population. In Montenegro<sup>17</sup>, with the exception of Podgorica, the share of rural population is also about 60%. Agriculture accounts for 19 % of the GDP in Kosovo and about 11% of the GDP in Montenegro.

Common characteristics of agriculture in both countries are:

- Agriculture is mainly based on small-scale holdings; subsistence production and production for direct sales on green markets prevails
- Low level of processing of agricultural products and underdeveloped food industry (e.g. only 10 to 15% of the milk produced in Montenegro is collected by dairies)
- Lack of farmer organisations: most of the ancient cooperatives are not operating any more and very few farmer associations are registered.
- Traditional and niche products (such as dairy and meat products in mountainous areas and olive products in coastal areas)
- High potential for developing organic production

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<sup>14</sup> Source: MONSTAT, Official Statement, salaries in September 2010

<sup>15</sup> Source: MONSTAT, Labour Force Survey 1<sup>st</sup> Quarter 2010. Unemployment rates are given here for the whole regions, not only for the eligible area. Considering only the eligible area, unemployment rates should be slightly higher, particularly in the coastal region.

<sup>16</sup> Source: Ministry of Labor and Social Welfare “Labor and Employment in Kosovo” Report, 2009

<sup>17</sup> Sources: “Montenegro’s Agriculture and European Union Agriculture and Rural Development Strategy”, 2006 and MONSTAT

Due to a wide relief and climate diversity, agriculture in the programme area differs between the regions. The farming systems in the Northern Region in Montenegro and in the programme area in Kosovo have relatively similar features. In Montenegro, the agriculture in the Central Region (Podgorica) is more intensive and export oriented; while in the Coastal Region agriculture is oriented by the growing importance of the tourism industry.

### **Northern Region in Montenegro and Kosovo**

The Northern Region has the largest share of arable land in **Montenegro**. The share of population living from agriculture is also much higher than in the Southern Regions (about or over 10% in most municipalities while the national average is only 5.3%). The alluvial soils in lowlands and abundance of water make this region suitable for crop and vegetable production, fruit as well as livestock. Plateaus are adequate for high quality potato production. A large part of the territory is covered with grasslands, proper for summer pasture of cattle. Particularly important for the identity of the region are the summer pastures or “katuni”, temporary settlements for cattle and sheep breeders. A few hundreds are still used, some of which are owned and used by breeders from Kosovo. Small and medium processing units for meat and vegetables are operating in the region. Due to an insufficient production in Montenegro they are often buying a part of the raw material in Kosovo. Forests constitute a major asset for the sustainable development of the country. With 54% of its territory covered with forests, Montenegro is one of the more forested countries in Europe<sup>18</sup>) and more particularly of the northern region. One third of forests are privately owned. Forest fruits, medical and aromatic plants are a potential which is still to be developed.

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

West Kosovo, with a total agricultural land of 141,287 hectares, of which 100 thousand hectares of arable land, presents a great potential for the development of the sector. The West Economic Region has developed intensive agricultural cultures such as cereals, and viticulture. Fruit-growing is increasing rapidly, making the region one of the main suppliers of the Kosovo market with apples. The mountain part of the territory is dedicated to cattle-breeding, milk production and forestry. The area is also well-known for the cultivation of trout, truck farming, viticulture and beekeeping. The cattle-breeding sector, including the processing of milk, with one of the biggest milk production plants in Kosovo located in the region, as well as developed small-scale meat processing industries, make the region important for supplying the Kosovo market.

Dukagjini Plain is of particular importance for the agriculture development of the region. Its geographical location, the fertile soil and climatic conditions are ideal for the development of horticulture, fruit production and beekeeping as well as arable and livestock (including poultry) farming. The largest part of the territory is covered by pastures. Agricultural land consists of arable land, gardens, orchards, vineyards, greenhouses, meadows, pastures, and land left fallow.

The North Economic Region has also a high potential for agricultural development. Total arable land in the North Economic region is 42,469 hectares or 30.2 % of total agriculture land in the north region. Arable plots are usually small, not allowing for development of intensive agriculture. The southern part of the North Economic Region is located along the Sitnica River valley and provides a good basis for agriculture, while the northern part has potential for livestock.

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<sup>18</sup> Source: National Forest and Forest Land Administration Policy(2008)

### **Central and coastal regions in Montenegro**

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

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

Generally speaking, a clear agricultural policy, better land management, the improvement of irrigation schemes and infrastructure and the introduction of a modern agro-processing industry, remain key challenges and pre-conditions for an efficient development of agriculture in these regions.

At the governmental and local levels, the development plans for agriculture are often linked with tourism, especially in Montenegro. Its main priorities could be easily supported by cross-border initiatives:

- Diversification of rural activities (e.g. tourist accommodation in farms);
- Development of the production and marketing of organic food products;
- Protection (e.g. Protected Denomination of Origin) and marketing of traditional agricultural and agro-food products;
- Strengthening the links between the production area and the capital cities and the southern market. Coastal tourism in Montenegro is considered as a major opportunity for traditional and organic products.
- Supporting the cooperation among producers.

### *3.4. TOURISM*

The importance of tourism in the economies of Montenegro and Kosovo varies a lot. On estimate<sup>19</sup>, by including the grey market, the share of tourism in GDP could be over 30% in Montenegro while it is still negligible in Kosovo. In Montenegro, the Coastal Region is a very popular tourist destination, in contrast with the Northern Region where tourism is at an early phase of development.

#### **In Montenegro**

Tourism is the most promising economic sector in Montenegro but the influx of tourists is unevenly distributed. The whole Coastal Region makes up over 95% of all overnight stays in the country, mostly during the holidays period July-August. Within the programme area, in 2010, Ulcinj and Bar made up about 24% of all overnight stays in the country. It was only 1.41% for Podgorica and less than 1% for the seven municipalities of the Northern Region<sup>20</sup>.

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<sup>19</sup> Source: Montenegro Tourism Development Strategy to 2020 (2008)

<sup>20</sup> Source: MONSTAT, MNE, 2010, page 58-88

Under the brand “Montenegro-Wild Beauty”, all efforts are now oriented towards “integrating all regions into a single high quality destination”<sup>21</sup>. This concept leads to a comprehensive approach including improvement of public infrastructures, environmental protection and preservation of traditional agriculture and handicrafts. Promoting “quality instead of quantity”, the goal is to decrease the pressure on the coast by extending the tourist season and by including the northern municipalities in the tourism offer.

Despite the current low level of tourist visits, the Northern Region has potentials for developing all kinds of tourism 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. Donors initiatives (e.g. GTZ, SNV, ADA, USAID), and some private investments in hotels, already succeeded to increase tourist visits in the North. New products are developed, particularly hiking and biking trails (marking, guides, maps, etc.) but also adventure sports (e.g. the “Adventure Race Montenegro Expedition Challenge”). Kolašin (the only ski centre in the programme area) is becoming a touristic centre for the region. Yet, all municipalities are in the process of developing their own facilities and capacities.

The Central Region, Podgorica, is not relying on tourism for its further economic development. However, some successful initiatives are promoting tourism in the region, contributing to diversifying the national tourism offer. It is particularly the case for the wine tours organised in Podgorica and southern municipalities’ vineyards.

The Coastal Region is a popular tourist destination during the summer period. In 2008, more than a million overnight stays were registered in Bar and almost 700,000 in Ulcinj<sup>22</sup>. In Ulcinj about 65% of the tourists are reported to originate from Kosovo. However, both municipalities are suffering from insufficient investment in the tourism sector. Particularly, the hotel industry is less developed than in the other coastal municipalities and private accommodation is predominant (often not registered, which reduces tax income of the municipalities). In addition, the municipal infrastructure and urban planning are not adapted to this seasonal influx, adding pressure on the environment and quality of life of the inhabitants.

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<sup>21</sup> Source: Montenegro Tourism Development Strategy to 2020 (2008)

<sup>22</sup> Source: MONSTAT, SY MNE - 2009, page 308 and 309

## **In Kosovo**

The tourism industry is overall underdeveloped in both economic regions and dominated mainly by daily tourism. This is due to the combination of numerous factors such as: limited accessibility; poor conditions of infrastructure (roads, energy, water and sanitation); poor urban planning; damaging of forests and other environmental problems; poor quality and, in general, low level of tourists' services and accommodation standards, lack of information and tourist guides, and inadequate marketing. There is still much need for further developing tourism facilities and for improving the quality of tourism services.

Nevertheless, tourism is a sector of potential growth for both regions, thanks to natural resources, beautiful nature and spectacular landscapes, traditional folklore and some world-famous cultural and historic sites. The mountains, protected areas and forests are renowned for their beauty and wilderness and could be of great potential to tourists, especially winter and outdoor sports. The numerous lakes and rivers provide an excellent opportunity for resort and adventure tourism. Pejë/Peć's surrounding wilderness is renowned for its rugged beauty and could be of great interest to mountain tourists. The part of territory of Bjeshkët e Nemuna (perhaps the most beautiful area of Kosovo) is in the process of becoming a National Park. The numerous lakes and rivers provide an excellent backdrop for resort and adventure tourism in this area. Thermal waters in Banja are the main destination in Kosovo for people in need of this treatment. Mirusha River is one of the most beautiful rivers of Kosovo. Mirusha valley, 340–1006 m above the sea level, has a great potential for tourism. Deçan/Deçane Monastery is part of world heritage, under protection of the UNESCO, dating from the Middle Ages.

The area covered by the North Economic Region is also rich in resources favourable for the development of tourism. High mountains of Mokra Gora, Shala e Bajgorës and Cicavices, with their beautiful nature, represent potential for development of ecotourism and winter tourism. Ibër/Ibar valley is also potential for different recreation and sport activities; there are a few family restaurants recently built that offer good services for daily and weekend picnics. However, tourist leisure in the region is still in its initial developing phase.

Despite an uneven distribution of the flow of tourists, tourism is considered as an economic opportunity for the whole programme area. Obvious synergies, potentially to be supported by the CBC programme, can be built between the Northern Region in Montenegro and the two economic regions in Kosovo. They have similar characteristics in terms of environment, wild nature and mountains. These border regions in Montenegro and Kosovo are also sharing the same hinterland location. The possibility to develop joint tourism products, for example biking and hiking trails, is already discussed by some local (such as mountaineering associations) and international organisations (e.g. GTZ). The main priorities identified for improving the tourism potential in north Montenegro and in the two economic regions in Kosovo are:

- to improve the existing accommodation facilities (e.g. mountain houses, "katuni", private accommodation in farms and villages) by introducing standards and labels for categorising different types of accommodation;
- to support the cooperation among the different local stakeholders (e.g. establishment of clusters, preparation of inter-municipal development strategies, etc.) and with external operators (e.g. tour operators, etc.). The use of Internet as a marketing tool is also at a very early stage and needs to be systematized.

### 3.5. ENVIRONMENT AND NATURE

The whole programme area is very rich in environmental resources and biodiversity. Protecting and valorising these assets is considered as key for sustainable development and can also offer many possibilities for cross-border cooperation.

The environment, throughout the area, is threatened by poor water and sewage management, uncontrolled waste disposal, unregulated urbanisation, and by industrial pollution that has caused critical environmental damages. There is a risk of deforestation due to uncontrolled felling of trees; rivers and lakes risk pollution from illegal landfills and poor industrial and urban waste management. The intensive use of pesticides is harming agriculture; the fauna in the lakes and rivers is threatened by over-fishing and illegal hunting. Land degradation is present in both sides of the border.

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

- Skadar Lake, located in the municipalities of Podgorica and Bar. One third of the lake belongs to Albania. The Montenegrin part (about 40,000 hectares) was listed as a National Park in 1983. Biggest lake in the Balkans, it is exceptionally rich in birds and fishes as well as in marsh vegetation.
- Biogradska Gora, surrounded by the municipalities of Kolašin, Berane and Mojkovac. The National Park was proclaimed in 1952 and covers 5,400 hectares. It is known for its untouched forests (among the last primary forests in Europe), the great diversity of flora and fauna and for its six glacial lakes including the famous Biogradsko Lake.
- Prokletije (Bjeshkët e Nemuna in Kosovo), a mountain range that extends from northern Albania, to south-western Kosovo and eastern Montenegro. Exceptional and untouched natural site, it was proclaimed a National Park in Montenegro in 2009 (the Park covers about 21,000 hectares mainly in Plav municipality). However, the management unit of the park is not yet established.

Industry and agriculture are not big polluters in the Montenegrin programme area. Main threats for the environment are related to the insufficient waste water treatment systems (only Mojkovac and partly Podgorica are equipped with wastewater treatment plants) and adequate solid waste management and treatment facilities. Several investment projects co-funded by the EU or supported by the European Investment Bank are planned and expected to improve this situation (i.e waste water plan and/or sanitary landfill).

The **Kosovo** part of the programme area is also very rich in environmental resources and biodiversity. It includes 53 protected areas: 5 natural reserves, 46 natural monuments, 1 regional park and 1 forest park<sup>23</sup>. Bjeshkët e Nemuna (Prokletije in Montenegro), at the border with Montenegro and Albania is in the process of becoming a national park (38,000 hectares)

The relief of the area is rich of mountain ranges, waters, mineral waters, lakes, canyons and caves. The West region is known for its water resources and especially the high density of its rivers (e.g. Drini i Bardhë, Ibri, Sitnica, Bistrica of Peja, Ereniku). The area is surrounded by mountains that are part of a mountain range that covers the entire Western Balkans. This range contains a number of the highest mountain peaks in Kosovo, such as Kopaonik (2,460 m), Mali Zhlep (2,352 m), Hajla (2,460 m), and Gjeravica (2,656 m) which is the highest peak in Kosovo. The main rivers of the North

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<sup>23</sup> Source: Ministry of Environment and Spatial Planning, Kosovo Agency for Environment Protection, “State of Nature Report 2008-2009”, 2010

Economic Region are Ibër/Ibar and Sitnicë/Sitnica. The artificial lake Gazivodë/Gazivoda in Zubin Potok is one of the biggest water reservoirs of its kind in the Balkans.

Since overall development activities in the programme area rely considerably on natural resources, all efforts must be made to preserve this source of wealth. Given the specific natural conditions of the region, environmental protection issues should have a higher priority. Improved waste management, control of pollution, an efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans. Certainly, cross-border initiatives addressing nature and environmental issues could bring an added value. The creation of a trans-border park (Prokletije in Montenegro and Bjeshkët e Nemuna in Kosovo) is of great interest for the cross-border dynamic in the border region. A possible cooperation on this issue has already been discussed in some forums (e.g. the Balkans Parks for Peace Projects).

Developing, in a sustainable manner, the interest for and the production of renewable energy, and in particular in the sector of transport, heating and cooling, is an important issue for the programme area and is in line with the EU objectives of the 20-20-20 "Energy and Climate change package".

### 3.6. EDUCATION

The education system in Montenegro and Kosovo is managed at central level. Improvement of the educational system and school infrastructure is a major priority for both governments. Education in the programme area, particularly on the Kosovo side, has suffered from the long transition period. The situation is better in Montenegro; however on both sides of the border the education system is suffering from relatively poor infrastructure, the need to improve quality of teaching and better services to marginalised groups.

The **Kosovo** events of the nineties and the transition period of the last decade had a negative impact on the education system, especially in the remote parts or border areas with Montenegro. As a result a number of educational indicators worsened. Closure of some schools, shortage of qualified teaching staff, deterioration of school infrastructure and shortage of investments and operational funds are just a few of the critical issues that have determined the unsatisfactory quality of the educational system. Also demographic changes (due to migration and high birth rates) have influenced the normal functioning of schools. On the one hand, over the past decade school attendance went down in the most isolated rural areas, due to the long distance to schools, bad road infrastructure, schools' bad conditions and poverty. On the other hand, in the main urban areas classrooms are overcrowded. In many cases there are 40-50 pupils per classroom, compared to the Kosovan general norms of 30-32 pupils per classroom. This makes the teaching conditions difficult, impacting thus teaching quality. Due to insufficient school facilities, most of the schools operate in three shifts, while there are two shifts per day in the villages, on a rotating attendance schedule. Despite some recent improvements, many schools still do not offer a suitable level of education.

The primary and secondary education in Kosovo is free and financed by the governmental budget. Education is obligatory for all from the age of 6 to 15. In addition to public education in Kosovo, the offer of private education is extending fast.

In the West Economic Region there are 279 primary schools offering education to around 60,313 pupils and 45 secondary schools serving around 16,485 pupils<sup>24</sup>. There is also one school for children with disabilities or those with special needs in Pejë/Peć Municipality. Primary and secondary education is provided in Albanian and Serbian languages through separate curricula. Pejë/Peć is

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<sup>24</sup> Source: Draft Regional Development Strategy West 2010 -1013

hosting a branch of the Business Faculty of the University of Pristinë/Priština and Gjakova/Đakovica hosts a pedagogical faculty, branch of the same university.

The education system in the North Economic Region is divided based on the ethnic division of the population of the area. Schools in Mitrovicë/Mitrovica, Vushtrri/Vucitrn, Skenderaj/Srbica are under authority of the Ministry of Education and Science of Kosovo and schools in the municipalities of Zubin Potok, Zvečan/Zvečane, Leposaviq/Leposavić and North Mitrovicë/Mitrovica are related to the Ministry of Education in Belgrade. The educational system in the region, in spite of intensive investments in the last decade, still faces serious problems, especially with the overpopulation of schools in the urban zones. The north of Mitrovicë/Mitrovica hosts a University consisting of seven faculties. In the south of Mitrovicë/Mitrovica there is a Faculty of Mining, Geology, Metallurgy, Technology and Applied Technical Sciences. There is also an International Business College operating since March 2010 with Departments in Business Administration and Public Administration. There are three Vocational Training Centres in Mitrovicë/Mitrovica, a German Training Centre and the Danish Production School in the south as well as the Centre for Professional Qualification in Dolane (Mitrovicë/Mitrovica North).

Primary and secondary schools are considered to be well distributed on the **Montenegrin territory** and are covering the needs, including the rural areas. However, the school infrastructure often does not meet the needs of modern teaching. In the programme area there are 276 primary schools for around 48,853 pupils and 28 secondary schools for 20,324 students<sup>25</sup> (at least one in each municipality). In primary schools the average number of pupils per class is only 21. Education is provided in Montenegrin language and also in Albanian language in municipalities inhabited by ethnic Albanians. Education is obligatory for all from the age of 6 to 15 and is directly administrated by the Ministry of Education and Science.

There are three universities based in Podgorica: the public University of Montenegro (19 faculties and 3 institutes) and two private universities, the Mediterranean University (6 faculties and 1 research centre) and University Donja Gorica. The University of Montenegro and the Mediterranean University have branches in Bijelo Polje, Berane and Bar. The University of Montenegro is delivering one university course on teacher training in Albanian language. There is no formal cooperation agreement between the universities in Montenegro and the universities in Kosovo. But the two main universities in Montenegro have initiated discussions and exchanges with the public and private universities in Pristinë/Priština. They are also collaborating within the framework of several Tempus projects.

The main problems identified for the educational sector in Montenegro are as follows<sup>26</sup>: school infrastructure needs to be upgraded; Roma and marginalised groups need to be better integrated in the education system; there is an insufficient inclusion of children with special needs; existing curricula do not prepare the young people for the market economy and entrepreneurship; there is a lack of financial resources for scientific research and development.

Improving the educational system and school infrastructure is a major priority for the programme area, particularly in Kosovo. The CBC programme will have a limited role in addressing this issue but may support exchanges between schools and vocational training centres in the border areas.

The presence of universities and research centres in both sides of the programme area is an asset for the CBC programme and an opportunity not only for establishing academic cooperation, but also for initiating research programmes in the border area and in several sectors such as agriculture or tourism.

<sup>25</sup> Source: MONSTAT, SY MNE - 2009, page 311 and 312

<sup>26</sup> Source: National Strategy of Sustainable Development of Montenegro



### 3.7. HEALTH

If the health system is relatively similar in Montenegro and Kosovo, different demographic situations, with a very young population in Kosovo versus an ageing population in Montenegro, are also affecting the public health situation.

**In Montenegro**, primary health care services are provided at municipal level and all municipalities have a primary health centre. Private health care centres are rapidly expanding in the urban areas. There are three general hospitals providing secondary health care in the programme area (in Berane, Bijelo Polje and Bar) and the clinical centre of Montenegro in Podgorica providing secondary health care for the municipality and tertiary health care for the whole country. In 2008, in the Montenegrin programme area there were 247 physicians (general practitioners and specialists) in the municipalities of the northern region, 108 in the municipalities of the coastal region and 542, or 60% of them, in Podgorica<sup>27</sup>.

Health workers are known to be well trained but the health centres are often underequipped.

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.

**In Kosovo**, Public Health Houses and Family Health Centres are established in all towns. A General Hospital and a Mental Health Centre in Pejë/Peć and a Regional Hospital in Gjakovë/Dakovica are the main hospital centres offering hospital services to the population in the West Region. All inhabitants including members of minority communities enjoy full and equal access to the health care system. Municipal health care faces difficulties because of poor infrastructure and lack of investments and financial resources. Private health care units are expanding during the last years. In the West Region there are four hospitals, six main centres of family medicine, and 188 centres of family medicine and clinics, employing 295 doctors and 2,472 medical workers.

In the area covered by the North Economic region, the health service is based on the ethnic division of the population. The southern municipalities of the region operate according to the health system of Kosovo, while some of the northern municipalities are mainly linked to the Serbian health care system. In northern Mitrovicë/Mitrovica there are a regional hospital and one health centre operating as a part of the Serbian health system. Due to the difficult access to the regional hospital in north Mitrovicë/Mitrovica, patients from south Mitrovicë/Mitrovica are sent to Prishtinë/Priština hospital.

Overall, the health sector is poorly developed and the lack of a legal framework for health insurance in Kosovo is hampering its development. Another problem, particularly for the North Economic Region, is the shortage of medicaments in the public health institutions.

Health prevention campaigns, health education as well as joint initiatives in favour of disable persons are potential activities likely to be covered within the framework of the CBC programme.

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<sup>27</sup> Source: MONSTAT, SY MNE - 2009, page 315

### 3.8. CULTURE

The programme area is marked by many different religious beliefs, traditions, and cultures. The area is ethnically mixed (Montenegrians, Albanians, Serbs, Bosniaks) of communities that have been closely connected throughout the history. There are very strong bonds between the populations of the two sides border which derive from the common language and history and from the deep common roots and intense human, cultural and commercial relations and exchanges that have linked these territories and their inhabitants for centuries.

The cultural heritage, as a component of the regional identity and of the tourism offer, is a valuable asset for the development prospects of the programme area. Cross-border cooperation can play an important role in protecting and promoting this heritage.

In each municipality in the programme area in **Montenegro**, there is a cultural centre in charge of organising, together with numerous cultural associations, the local cultural life which is relatively diverse. It includes musical and literary events, theatre festivals, art exhibitions, etc. Podgorica is the main centre for international events but a few festivals in the northern region have also an international dimension (e.g. "Mojkovac Film Autumn" at which movies from former Yugoslavia are shown; the international festival of children songs in Rožaje). The programme area is rich in archaeological sites and ancient monuments (monasteries, churches, mosques). Local handicrafts and specific culinary traditions are also featuring the identity of each region of the programme area. This cultural heritage is endangered by the lack of financial resources and adequate expertise for ensuring its protection. A National Programme of Cultural Development (2011-2016) and a new law on the protection of cultural heritage were approved in 2010. They contain a plan for improving the protection of this heritage and for decentralising its management and financing<sup>28</sup>.

Both economic regions in **Kosovo** are rich in religious and historical sites and monuments, as well as traditions and folklore. Numerous cultural events and festivals are organised in the programme area. Diversified culinary traditions and handicrafts could play an important role in the promotion of tourism but, so far, are insufficiently exploited. Cultural life in Pejë/Peć is particularly rich and there are several cultural institutions that can be visited in the town (town theatre, regional library, Ethnographic Museum, Archives, etc.). Other institutions in the west region deserve to be mentioned: the Multi-professional Centre in village Fierza, the Culture House in Istog/Istok, the Professional Theatre in Dečan/Dečani, the Monastery in Dečan/Dečani, the Regional Museum in Pejë/Peć, the Inter-Municipal Library in Gjakova/Gjakovë, the Culture Palace in Gjakova/Gjakovë, as well as, the Institute for the Protection of Historic and Cultural Monuments in Pejë/Peć. These institutions play an important role for enriching the culture and arts life of the communities living in the whole bordering area. In the area covered by the North Economic region - municipalities of Mitrovicë/Mitrovica, Vushtrri/Vucitrn, Skenderaj/Srbica and Zubin Potok have cultural-historical buildings presenting an important factor for development of cultural tourism. A number of amateur cultural-artistic associations (writer's clubs, painters associations, etc.) and some Civil Society Organisations in both regions are active in the sphere of culture and arts.

The cultural heritage is one of the most important assets for the development prospects of the programme area. Linking cultural and heritage promotion with tourism could provide various opportunities for development and for cross-border cooperation initiatives.

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<sup>28</sup> Source: National Programme of Development of Culture 2011-2016

### 3.9. INFRASTRUCTURE

The geographical position of the programme area makes it a regional crossroad providing a trading interface between west, north and south. At the moment, both sides of the border face challenges of their underdeveloped infrastructure, inefficient public transport networks and frequent power cuts (this mainly on the Kosovo side). A good transport infrastructure will be critical for the expansion of trade and enhanced competitiveness.

#### **Road network and border crossings**

There is no highway in the programme area in **Montenegro** and all roads are two-lanes. Podgorica is well connected to the coastal region (less than an hour) with the road going through the Sozina tunnel. In the north, the road from Podgorica to Bijelo Polje and Serbia through the Morača canyon is considered as one of the most dangerous routes in Europe, especially during winter. In addition, it is also reported to be crowded out during the summer period. There is a project to build a highway in order to bypass the canyon. This highway would highly contribute to opening up the country and to boosting the regional importance of Port of Bar.

The secondary and rural road network is managed by local governments and is often in a poor condition, which is considered by the municipalities in the northern region as a major obstacle for the economic development and particularly for developing tourism in the area.

On the **Kosovo** side, there are two highways crossing each economic region and linking the regional centres Pejë/Peć and Mitrovicë/Mitrovica with Prishtinë/Priština. The main highway in the area goes from Mitrovicë/Mitrovica to Pejë/Peć through Istog/Istok and there are a number of regional roads that connect the bordering area to Prishtinë/Priština. Local roads which are ranked as the lowest category of roads are managed by the local government authorities. Over the last decade, the phenomena of illegal constructions and connections along all categories of roads have become widespread also in the area covered by the two economic regions. This has turned into a serious problem for road safety, transport vehicles circulation and maintenance costs. The travelling time from Prishtinë/Priština to the two regional centres Pejë/Peć and Mitrovicë/ Mitrovica has almost doubled over the last decade.

There are ongoing considerable investments from the central Government to improve the road infrastructure within these two economic regions. The highway Prishtinë/Priština – Mitrovicë/Mitrovica which will result in a better connection of this Region with other parts of Kosovo, is under reconstruction. The highway Prishtinë/Priština – Pejë/Peć is also under reconstruction.

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

#### **Railways**

The only railway which passes through the programme area in **Montenegro** is the line Bar-Belgrade calling at Podgorica, Kolašin and Bijelo Polje. Connecting Montenegro and Serbia, this railway is of crucial importance for the further development of the Port of Bar. It might also play an important role for the development of the northern region by improving the connection and trade with Podgorica and

the coastal region (as well as with Serbia). However, it needs to be modernised in order to compete with the road transport. A joint Serbian-Montenegrin technical study for the reconstruction of the line is ongoing. In Montenegro, the reconstruction of some parts of the line will be carried out under EU funding. This railway, running through an impressive mountainous landscape on its northern part is a unique construction in Europe. As such, it could also be included in the tourism offer of the region.

**Kosovo's** railways (single-track railways) were built in the sixties. Given the low level of investment and maintenance it is nowadays in poor conditions. The maximum speed allowed in a few places is 80 km per hour. A north south railway line between Belgrade/Beograd and Prishtinë/Priština runs through Mitrovicë/Mitrovica on to Shkup/Skoplje and through Thessaloniki down to the Mediterranean Sea. In the North Economic Region, since March 2008 the railway line is almost out of operation due to the political circumstances. Railways are being damaged also by unauthorized crossovers, illegal constructions near railways and dumping of trash in their vicinity.

In the West Economic Region, due to limited investments, the railway is recovering slowly. With the support of donors and modest subsidies by Kosovo, some progress has been achieved, such as operational daily trains connecting Pejë/Peć and Prishtinë/Priština.

### **Airports**

Podgorica airport is the only airport in the programme area in **Montenegro**. However, Tivat airport which serves the coastal region has an important role, especially during the summer period. People living in the border area also often use Prishtinë/Priština National Airport. An ancient military airport is located in Berane and there are ongoing discussions for its re-opening for civilian use.

In **Kosovo**, the nearest airport for both economic regions is the Prishtinë/Priština International Airport located in Fushë Kosova/Kosovo Polje, which is a distance of one or two hours drive and thus conveniently located for both the regions. In West Kosovo, there is an airport located near Gjakovë/Dakovica that is used mainly for the needs of KFOR. The Government aims to transform the Gjakovë/Dakovica Airport into an airport for civilian operations as well.

### **Port of Bar**

Port of Bar in the adjacent programme area is connecting **Montenegro** with other Adriatic countries and should play a major role in the economic development of the country. However, it is currently operating with a financial loss, and significantly below its capacity. The projects of building Bar-Belgrade highway and of modernising Bar-Belgrade railway would have a significant impact on its activity.

### **Energy**

The electrical network in the two economic regions, as in the rest of **Kosovo**, is in very poor condition and some areas face constant power cuts. The North Economic Region suffers from the highest level of power cuts in Kosovo, especially during the winter period. This creates serious problem especially for the business and production companies.

All regions in the programme area in **Montenegro** are well connected to the electrical network. However, the National Strategy for Sustainable Development of Montenegro is highlighting the weaknesses of the energy sector: a low level of energy efficiency; high electricity losses in the distribution systems; very high import dependence and low level of use of the own natural energy resources, especially the available hydro potential.

## **Water supply and waste water**

**In Kosovo**, only 36.4% of the area is covered by the public water supply system and the coverage of sewage public networks is even lower, in some areas below 10%. Water supply is ensured by alternative sources. Although the majority of the villages have a water supply system, the quality of water is often poor due to contamination caused by old and/or damaged sewage system.

**In Montenegro**, over  $\frac{3}{4}$  of households use water from the public water supply system<sup>29</sup>. The level of coverage with public water systems is particularly insufficient in rural areas. Water shortages are another problem particularly in the coastal region during the summer season. However, the connection of Bar and Ulcinj to the regional water supply respectively in 2010 and 2011 should significantly improve this situation. The quality of the water is generally good and in line with EU standards. With the exception of the municipality of Mojkovac and a part of the municipality of Podgorica, there is no waste water treatment system in Montenegro, which is considered as a major environmental and public health problem.

Overall, the poor infrastructure is considered as the main obstacle to economic development of the programme area. Development of infrastructure and the diffusion of networks and services to support business development, could contribute to economic growth and a general increase of wealth in the area.

Improved connections and road infrastructure in Kosovo and Montenegro and the cross border point of Qakor/Čakor is seen as an important condition for facilitating and promoting economic and social exchanges between the communities living on both sides of the border.

### *3.10. INSTITUTIONAL FRAMEWORK AND CIVIL SOCIETY*

#### **Municipalities and inter-municipal structures**

Insufficient financial and human capacities in the municipal administrations in **Montenegro** and more particularly in the small municipalities, is often considered as an obstacle for an optimal use of the existing funding opportunities. However, the small rural municipalities, due to limited revenues, will hardly be able to achieve a full technical and financial autonomy. Inter-municipal cooperation is therefore a key issue for the development of the programme area but not yet a common practice. Few initiatives supported by the EU are promoting inter-municipal cooperation (e.g. a project for the construction of an inter-municipal landfill in Berane; machinery rings for the maintenance of local roads in the northern region). Few organisations which will participate in strengthening this cooperation were also recently established, particularly:

- The Regional Development Agency established in Berane with the support of ADA covers six municipalities of the northern region
- The Local Action Group created in 2010 with the support of SNV gathers representatives from the municipalities of Plav, Rožaje and Andrijevisa.

**Kosovo** is undergoing an ambitious institutional and fiscal decentralisation process based on the Local Self Government Law, adopted in 2008 as part of the “Ahtisaari Plan”. A Decentralization Action Plan 2008-2011 is under implementation.

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<sup>29</sup> Source: National Strategy of Sustainable Development of Montenegro

Kosovo is divided in five economic regions. With the signature of the Inter-municipal Agreements in December 2008, five economic zones (Centre, East, North, South, and West) and five Regional Development Agencies (RDAs) were established based on the municipal association and cooperation principle outlined in the Local Self Government Law. The establishment of RDAs aims to address the socio-economic development of Kosovo at the regional level, as well as promoting inter-ethnic integration and reconciliation. The key task of the RDAs, in cooperation with local governments units and other stakeholders, is to develop Regional Economic Development Strategies including implementation programs with funding plans. RDAs are becoming active in ensuring that governmental and regional plans complement each other, ensuring effective coordination of various regional and local economic development activities, and also in designing projects, mobilising government and donor funds and providing vehicles for effectively implementing regional based economic and social development strategies.

### **Civil Society**

In **Montenegro**, the most influential and experienced Civil Society Organisations (CSOs) are located in Podgorica. Active in various sectors (human rights, public policy, environment and rural development, capacity building, disabilities, etc.) some of them already established cooperation with Kosovo's CSOs, through international networks (e.g. the Balkan Civil Society Development Network) or bilateral initiatives. 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 programme.

In **Kosovo**, the CSOs network is present and quite active in the programme area, with numerous organisations. The majority of them are established in the main urban areas such as Pejë/Peć, Gjakovë/Dakovica, Mitrovicë/Mitrovica. CSOs are working on a variety of fields including democratisation issues, advocacy, environment, valorisation and conservation of the cultural heritage etc. The CSOs are mainly dependent on foreign donors, which are currently reducing their financial support. Several of these CSOs, who have developed remarkable human resources and technical capacities, are now struggling to survive.

Supporting the establishment of inter-municipal cooperation between Montenegro and Kosovo and within each of them will certainly be an important aspect of the CBC programme.

Encouraging regional CSO networks and joint initiatives is also a crucial issue for strengthening the cross-border cooperation. Grassroots organisations and small community organisations (including sport and cultural organisations) should also be invited to participate in the programme by establishing partnerships with municipalities or CSOs.

#### 4. SWOT TABLE

	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<b>NATURAL RESOURCES AND ENVIRONMENT</b>	<ol style="list-style-type: none"> <li>1. Rich natural biodiversity, untouched and attractive environment, diversity of natural landscapes.</li> <li>2. Wide forest areas and quality of the forests.</li> <li>3. Excellent conditions for a diversified and sustainable agriculture</li> <li>4. Natural resources available for diversification (waters, mining, forest fruits, etc)</li> <li>5. High potential for using renewable energy sources (hydroelectricity, wind power, solar energy and biomass)</li> </ol>	<ol style="list-style-type: none"> <li>1. Inadequate solid waste management and lack of waste water treatment systems</li> <li>2. Institutional and legal frameworks on environmental protection still weak or no yet completed.</li> <li>3. Inappropriate land management</li> <li>4. Natural resources largely under exploited or exploited without adequate control</li> <li>5. Low awareness of environmental issues</li> </ol>	<ol style="list-style-type: none"> <li>1. Better management of forestry</li> <li>2. Existence of National Parks and protected areas; potential cross-border initiatives and joint management of Prokletije/ Bjeshkët e Nemuna</li> <li>3. EU and bilateral programmes on environmental protection, forestry, sustainable agriculture, solid waste and waste water, etc.</li> <li>4. Local interest for producing green energy</li> <li>5. Increased public awareness on environmental protection measures under the pressure of the eco-tourists demands</li> </ol>	<ol style="list-style-type: none"> <li>1. Pollution of land and water resources due to inadequate or non existing solid waste and waste water treatment systems</li> <li>2. Uncontrolled urbanisation and pressure on agricultural land</li> <li>3. Uncontrolled exploitation of natural resources (timber, river gravels, forest fruits)</li> <li>4. Pressures on the coastal environment due to high tourist frequentation</li> <li>5. Slow development of environmental related infrastructure and legal framework</li> </ol>

	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<b>INSTITUTIONAL FRAMEWORK AND CIVIL SOCIETY</b>	<ol style="list-style-type: none"> <li>1. Global development strategies for all key sectors in Montenegro; existing local development strategies in most municipalities</li> <li>2. Regional Development Agencies established and operational in Kosovo and in northern part of Montenegro</li> <li>3. Participation of CSOs from the two regions in various regional Networks (e.g. Balkan Civil Society Development Network; Balkans Agricultural Association Network)</li> <li>4. Strong network of grassroots and community organisations (sports, culture, etc.)</li> <li>5. Local stakeholders having clear ideas about local situation</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of human capacities in small municipalities; Indebtedness of municipalities and low investment capacities</li> <li>2. Low level of inter-municipal cooperation and non existence of administrative structures at regional level hampers development of initiatives with regional coverage</li> <li>3. Dependency of CSOs on donors; low level of cooperation between CSOs and municipalities.</li> <li>4. Limited capacity in project identification and implementation at all levels.</li> <li>5. Slow process of decentralisation and transfer of authority and ownership from the central level to the local level</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthened role of Regional Development Agencies in coordinating regional initiatives and supporting local stakeholders</li> <li>2. Development of inter-municipal cooperation combined with private/public partnerships initiatives</li> <li>3. Better recognition of the role of grassroots organisations in local social and economic development</li> <li>4. Improving networking and organisational capacities through Cross border cooperation</li> <li>5. Development of local/municipal institutional capacities</li> </ol>	<ol style="list-style-type: none"> <li>1. Unbalanced financial and human capacities between big urban centres and rural municipalities and lack of inter-municipal cooperation leads to further marginalization of rural areas</li> <li>2. Exclusion of the grassroots organisations from the CBC programme and others due to lack of experience and financial capacities</li> <li>3. Lack of experience in establishing inter-municipal cooperation, public/private partnerships, etc.</li> <li>4. Shortage of technical assistance for some municipalities</li> <li>5. Dependence of municipalities on the central budget reducing their capacity to successfully implement projects where they must have provide co-financing</li> </ol>



	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
<b>EMPLOYMENT, EDUCATION AND HUMAN RESOURCES</b>	<ol style="list-style-type: none"> <li>1. Existence of traditional labour force skilled in industrial processes</li> <li>2. Relatively low cost labour force</li> <li>3. Relatively young population</li> <li>4. University branches that can support and focus closely on local needs</li> <li>5. Multi-ethnicity as an advantage for social and cultural development</li> </ol>	<ol style="list-style-type: none"> <li>1. Depopulation and outflow of educated people in part of the programme area</li> <li>2. High unemployment rate</li> <li>3. Curriculum not aligned with potential employment and deficient employment-oriented vocational training</li> <li>4. Underdeveloped system of lifelong education</li> <li>5. Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc.</li> <li>6. Poor medical services, particularly in Kosovo part of the programme area</li> </ol>	<ol style="list-style-type: none"> <li>1. Improvement of the level of vocational education in view of better serving the labour-market situation.</li> <li>2. Development of research &amp; development actions by using existing research and high educational centres</li> <li>3. Developing programs for social integration of socially marginalized groups</li> <li>4. Improvement of the business management and entrepreneurship skills</li> <li>5. Improvement of health and other social services</li> </ol>	<ol style="list-style-type: none"> <li>1. Excessive concentration of people in urban areas generates unemployment</li> <li>2. Absence of employment opportunities can further accelerate emigration and migration, especially of young and qualified workers</li> <li>3. High presence of non-registered manpower and high level of informality in the market</li> <li>4. Increase of the unemployment that could particularly affect the low educated and vulnerable groups</li> <li>5. Limited access of rural population to the formal educational system, due to poverty</li> </ol>

	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
<b>ECONOMY</b>	<ol style="list-style-type: none"> <li>1. High and still under exploited potential in agro-food production and wood processing</li> <li>2. Very high potential for developing tourism industry in all parts of the programme area</li> <li>3. Existence of business centres and incubators as well as industrial parks</li> <li>4. Long lasting industrial tradition with available industrial premises and facilities (e.g. Trepce facilities in the northern part of Kosovo)</li> <li>5. Participation of both countries in CEFTA</li> </ol>	<ol style="list-style-type: none"> <li>1. Poor competitiveness of businesses, due to limited capital, insufficient knowledge in modern technologies and limited access to market information</li> <li>2. Lack of professional networking and collective organisations of local stakeholders (e.g. farmer associations, clusters, etc.)</li> <li>3. Small scale organisation of farming and low productivity of agribusiness activities;</li> <li>4. Limited technical support for development of agriculture activities in rural areas</li> <li>5. Limited access to micro-credit system</li> <li>6. Depopulation of rural areas hampers the development of tourism and agriculture</li> </ol>	<ol style="list-style-type: none"> <li>1. New trends in tourism (hiking, biking, rafting, agro tourism, etc.).</li> <li>2. Good conditions for developing organic production and high quality niche products and existence of a potential market for organic and traditional products (urban centres and tourists)</li> <li>3. New legal framework harmonized with the EU regulations (organic production; PDO, etc.)</li> <li>4. Improvement of the quality and competitiveness of services and product by implementing internationally recognized quality standards and product's branding</li> <li>5. Higher involvement of the Diaspora in local economic development</li> <li>6. Investment capacity of the diaspora</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited access to credit system for farmers and SMEs may slow down the economic development</li> <li>2. Continuous migration towards urban areas may decrease the attractiveness of rural areas and hampers development of tourism</li> <li>3. Uncertainty of long-term effectiveness of investing in agriculture</li> <li>4. Loss of agriculture land due to uncontrolled construction</li> <li>5. Damaging side-effects of human pressure on environment</li> <li>6. Long duration of the conflict in North Mitrovicë/Mitrovica</li> </ol>

	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<b>INFRASTRUCTURE</b>	<ol style="list-style-type: none"> <li>1. Good strategic geographic position</li> <li>2. Ongoing programmes for improving road and rail networks in Montenegro and Kosovo</li> <li>3. Easy connections by road and railway networks</li> <li>4. Relative proximity of all the area to the airports in Podgorica, Prishtinë/Priština and Tivat</li> <li>5. Sufficient water resources</li> <li>6. Port of Bar, as an important economic asset for the region</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited and under equipped border crossing points are an obstacle to trade flows and cross-border cooperation</li> <li>2. Secondary road network and railways infrastructure needs reconstruction</li> <li>3. Lack of inter-municipal cooperation in the field of municipal infrastructures (road maintenance, land-fills, etc.)</li> <li>4. Need for improvement of rural infrastructures (quality water, sewage and solid waste in rural areas)</li> <li>5. Shortage of electric supply in Kosovo</li> </ol>	<ol style="list-style-type: none"> <li>1. Possibility to re-open the road and border crossing point linking Plav to Pejë/Peć.</li> <li>2. Construction of Bar-Boljare highway in Montenegro</li> <li>3. Existing plan for modernizing the railway line Bar-Belgrade</li> <li>4. Existing plan and funds (EU, European banks, etc.) for improving solid waste management and waste water systems</li> <li>5. Opportunities brought by easier movement of people and goods through improved roads and cross-border points infrastructures</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited financial resources to large investments in public infrastructure</li> <li>2. High cost of road infrastructure project in mountainous areas</li> <li>3. Lack of inter-municipal cooperation may hamper improvement of infrastructure</li> <li>4. Property issues unresolved could hamper the investments development plans development in longer run.</li> <li>5. Underdeveloped urban planning</li> </ol>

	<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
<b>CULTURE</b>	<ol style="list-style-type: none"> <li>1. Rich and attractive cultural and historical heritage</li> <li>2. Multicultural tradition and ethnic diversity</li> <li>3. Cultural and historical heritage can be used for diversifying the tourism offer</li> <li>4. Peaceful coexistence and work of different communities, presenting also different culture and unique historical heritage</li> <li>5. Numerous community associations involved in cultural activities</li> </ol>	<ol style="list-style-type: none"> <li>1. Insufficient efforts and funding on protection and preservation of historical and archaeological heritage</li> <li>2. Lack of comprehensive inventory of the historical heritage</li> <li>3. Cultural heritage insufficiently promoted and integrated in the tourism offer.</li> <li>4. Low awareness in recognizing the historical and cultural heritage as potentials for significant source of revenue through tourism and culture activities</li> <li>5. High price of traditional handicrafts produced in the programme area</li> </ol>	<ol style="list-style-type: none"> <li>1. Several initiatives for including the cultural heritage in the tourism offer</li> <li>2. Existing traditional activities in crafts production</li> <li>3. Very specific culinary tradition and agro-food product may participate in strengthening the identity of the regions</li> <li>4. Developing and strengthening local institutional capacities related to cultural and tradition issues</li> </ol>	<ol style="list-style-type: none"> <li>1. Low recognition at all levels of cultural heritage and traditions as potential sources of revenue</li> <li>2. Unexplored cultural heritage is not being protected in the proper way</li> <li>3. Insufficient public funds, both at governmental and local levels, to support the promotion of the cultural activities and historical heritage</li> <li>4. Lack of experience in organising joint culture activities between communities across the border</li> <li>5. Lack of public/private partnership initiatives for protecting culture and historical heritages</li> </ol>

## SECTION II PROGRAMME STRATEGY

### 1. EXPERIENCE WITH CROSS-BORDER ACTIVITIES AND LESSONS LEARNED

1. The cross-border cooperation within the programme area was affected by the regional instability during the last decade and is currently at a relatively modest level. However a few initiatives in various sectors indicate a resumption of the exchanges and may have a multiplier effect on the cross-border cooperation.
  - Municipalities such as Rožaje, Plav and Ulcinj in Montenegro and Pejë/Peć, Istog/Istok, Dečan/Dečani in Kosovo are already discussing possible joint initiatives in various sectors (tourism, green energy). Ulcinj and Dečan/Dečani have even signed a memorandum of agreement for further cooperation.
  - In the civil society sector, several networks bring together CSOs from Kosovo and from Montenegro and explore cross-border project opportunities. These are for example the SEE Heritage Network which deals with cultural heritage protection; the Balkan Parks for Peace Project which aims to facilitate the creation of a trans-national park in the adjoining mountain areas of Kosovo, Montenegro and Albania; the Balkans Civil Society Network for advocacy of civil society issues. At the local level, mountaineers' clubs from Plav and Pejë/Peć are also actively cooperating for the development of joint hiking tours.
  - In the educational sector, the public and private Universities in Montenegro and in Kosovo started discussing about possible exchanges and joint projects. Having branches in several municipalities of the programme area, these Universities may play a key role in the economic and social development of the programme area.
  - Regarding rural development, the Ministries in charge of Agriculture in Montenegro and in Kosovo are cooperating within the Standing Working Group (SWG) for rural development which is based in Shkup/Skoplje.
  - In the private sector, there is no mechanism yet for supporting entrepreneurs and SMEs on establishing partnerships, facilitating investment and increasing trade between the two countries. However, several SMEs, particularly in the food and wood processing sectors are actively building cross-border business relations.

#### Lessons learned

- The experience of the other IPA Cross-border Programmes shows that establishing efficient management and monitoring bodies (e.g. JMC and JTS) takes time which, if not carefully planned, may jeopardise the implementation of the programme.
- Awareness of local stakeholders about the CBC programme and the project opportunities is a key issue for its successful implementation. An extensive use of the local media for promoting the programme is therefore to be included in the further communication plans.
- Rural municipalities and grassroots organisations most often do not have the capacities for preparing and implementing CBC projects. Targeted training activities are to be envisaged and partnerships with more advanced organisations are to be encouraged. Particularly, educational and research centres located in the programme area should be encouraged to participate in the programme not only by establishing academic exchanges but also by supporting local stakeholders in defining and implementing joint initiatives. This research and development approach needs to be supported by the CBC programme.

- The small calls for proposals for cross-border actions launched in previous Cross-border Programmes showed a low capacity of applicants in establishing partnerships across the border and in project preparation. This could impede the implementation of the programme. Specific training of potential applicants will be essential over a long time. Very often (especially in Kosovo) most successful organisations are either those who are “antennas” of international organisations, or have some related legacy. This affects a level playing field in CBC programmes, because local organisations are less knowledgeable, skilled and experienced in coping with (EU) procedures, (English) language, the style and jargon of proposal writing, (international) contacts across the border, etc.
- In the case of Kosovo, cooperation between business support organisations, such as Chambers of Commerce, Industry and Trade associations has been relatively weak during the programming process. That makes some priorities related to business support related initiatives still rather top-down oriented. This is an issue to be addressed more carefully at the stage of implementation, especially when preparing and launching the calls for proposals.
- It is important to make a close link between “CBC related” and “Regional Development” initiatives. Ways of addressing this should be explored further before CBC programme implementation intensifies. It will be less effective if the two frameworks (with their own set of regional priorities that apply to the same regions) develop separately.

## 2. COOPERATION STRATEGY

This section presents the response to the strengths and weaknesses identified by the analysis. It defines a comprehensive framework of strategic objectives that would guide implementation of IPA funded joint initiatives with a cross border impact. The strategy includes the overall strategic goal of the programme and identifies specific objectives to be supported by the measures under the chosen priority axis of the programme.

### *2.1. SUMMARY CONCLUSIONS DERIVED FROM THE ANALYSES*

When defining the objectives and priorities, the following common findings from the situation and SWOT analysis were taken into account.

- The two economic regions in Kosovo and the northern region in Montenegro have some common characteristics (geography, agricultural production system, demographic trends, etc.). But by including the municipalities from central and coastal regions in Montenegro, the programme area acquires a quite heterogeneous feature. However, this heterogeneity is to be seen as an opportunity for building or **strengthening synergies between the Southern and the Northern (or continental) regions of the programme area.**
- Mass **tourism** is currently concentrated in the coastal area of Montenegro, but the Northern Region of Montenegro and the West Economic Region of Kosovo, with their unique landscape of mountains and valleys, have the potential to jointly develop some forms of eco-friendly niche tourism, in which cross border cooperation could be instrumental.
- The share of export and import is still insignificant, while the economic links between bordering regions are rather weak. The same applies for the direct investments. However, the local economy is growing and the main target is to become more attractive for inward and foreign direct investments. **Strengthening of SMEs networks** and service connections existing in the bordering areas is crucial.
- The existing **natural resources** have significant importance for the life quality and economic benefits of the population in the bordering area. However, the whole area is facing environmental problems in terms of safeguard and preservation. Pollution as result of poor

waste water and solid waste management systems is a critical environmental threat and may hamper the development plans. The presence in the programme area of three National Parks, including one National Park at the border between Kosovo and Montenegro will certainly be a specificity of this Cross-border Programme.

- **Agriculture is a substantial contributor to the local production**, especially in the border areas. But land ownership organised in small plots, lack of collective organisations of farmers, limited processing capacities, depopulation of the rural areas, as well as difficult access to markets have kept the sector underdeveloped. The development strategies are oriented towards traditional and “niche” products as well as organic production, which are often seen as complementary to tourism.
- Poor infrastructure is considered as the main obstacle to the economic development of the area. **The improvement of infrastructure** and the diffusion of networks and services to support business development and innovation, could contribute to a general increase of wealth and economic growth in the area. Better communication by road and railways infrastructure in the programme area and making functional the cross border point of Qakor/Čakor are seen as potential for facilitating and promoting economic and social exchanges between the communities living on both sides of the border.
- The labour market presents **high unemployment rates** for youth and women. There is a great number of young people seeking employment in possession of middle education levels. The presence of strong migration flows has impacted the labour force and resulted in loss of the skilled and educated workers in lower urbanised areas. In Montenegro particularly, the continuous depopulation of the northern region in favour of the central and southern part of the country is a real threat as the development of tourism and of course of agriculture depends on the presence of an active and relatively dense rural population.
- Further **valorisation of historical and culture heritage** will contribute to strengthening the identity of the area and especially the promotion of tourism and exchanges between the communities living across the border. There is a rich historic-cultural-artistic heritage in the bordering area that needs to be preserved.
- The presence of important private and public **universities** and agricultural research centres in the programme area is an asset for promoting CBC initiatives.
- Establishment of **Regional Development Agencies** and development of regional development strategies in Kosovo and in the Northern Region in Montenegro is considered as an asset for the development of these regions. In Kosovo, an overall development strategy that would have provided an overall integrated approach to regional and/or cross-regional strategic priorities might be beneficial. In Montenegro national development strategies have been developed for all key sectors and a Regional Development Strategy for Montenegro was adopted in 2010.
- **Inter-municipal cooperation**, regional networking of Civil Society Organisations; professional associations, etc, are relatively developed and should be promoted further with a view to sustain cross-border cooperation initiatives.

## 2.2. OBJECTIVES OF THE CROSS-BORDER PROGRAMME

The global objective of the Cross-border Programme is:

**Socio economic development of the programme area by fostering cooperation and joint initiatives**

As a result of the consultation process and the SWOT analysis, the following interconnected areas are identified as priorities and main potentials for the economic development of the programme area:

- Protection of biodiversity and promotion of the sustainable use of natural resources considered as a major asset of the programme area. The sustainable exploitation of these resources is a common basis for the economic development of the region.
- Economic development with an emphasis on joint initiatives for improving the tourism offer in the northern region in Montenegro and the two economic regions in Kosovo. This includes also the protection and the promotion of the cultural and historical heritage of the programme area.

A transversal objective is to promote within all sectors the collective organisation of the local stakeholders (e.g. community associations and CSOs, farmer associations, professional associations, etc.).

### 2.3. Specific objectives are therefore:

- Protection of biodiversity and promotion of the sustainable use of natural resources in the programme area.
- Economic development of the programme area with a special emphasis on two priority sectors: a) Sustainable agriculture and forestry; b) development of a tourism offer complementary to the existing seaside tourism in Montenegro. This objective may also include infrastructure projects aiming to facilitate the cooperation and trade within the programme area (e.g. upgrading of cross-border points; road rehabilitation)
- Promotion of socio-economic cohesion between communities living in the bordering regions by encouraging inter-municipal cooperation and developing partnerships and networking between CSOs, professional organisations (i.e. Chambers of Commerce, entrepreneurs and farmers' organisations) and educational institutions.

In order to facilitate the implementation of the programme, three additional specific objectives are:

- Strengthened capacities of governmental and joint structures to manage the Cross-border Programme, and technical expertise for external programme evaluations provided;
- Increased awareness of regional stakeholders and potential applicants on CBC initiatives funded through *IPA Prepare and disseminate programme information*, which is part of the information and communication strategy of the programme;
- Strengthened capacities of potential applicants to prepare and implement projects.



### 3. PRIORITIES AND MEASURES

The objectives will be reached through the implementation of two priorities axes which are further detailed into measures:

	<b>Priorities</b>
<b>Priority Axis I</b>	<b>Economic and social development and promotion of natural resources</b>
<b>Priority Axis II</b>	<b>Technical Assistance</b>

The Priority Axis I concerns a large range of potential projects in various sectors. It reflects the transversal nature of cross-border cooperation and is deliberately open to the variety of stakeholders already involved in cross-border cooperation or likely to develop new cross-border initiatives. It aims at improving the economy and the social, cultural and environmental situation of the programme area in a sustainable way.

The Priority axis II will support the establishment of an efficient management and monitoring system for the implementation of the Cross-border Programme and will strengthen the capacities of local stakeholders in defining and implementing cross-border projects.

Capacity building will be an important component of the programme. It will aim at improving know-how and sharing experiences between stakeholders, thus facilitating the establishment of cross-border partnerships and enhancing capacities to prepare and manage effective cross-border projects.

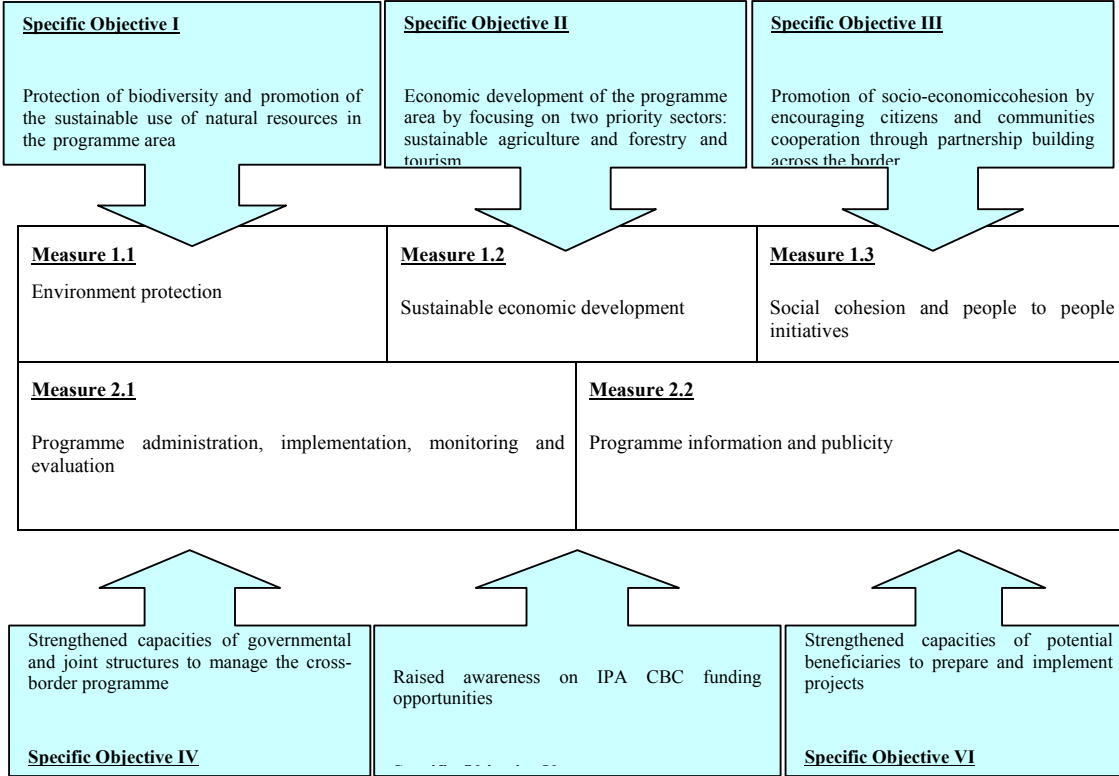
A set of indicators is proposed for some of the measures presented above. Indicators will serve to evaluate the efficiency and effectiveness of the actions undertaken to implement the cross-border cooperation programme in relation to the set objectives, while providing a concrete and useful instrument to assess quantitatively as well as qualitatively the results achieved.

**OVERALL OBJECTIVE**

**SOCIO ECONOMIC DEVELOPMENT OF THE PROGRAMME AREA BY FOSTERING CO-OPERATION AND JOINT INITIATIVES**

**PRIORITY AXIS 1**

**ECONOMIC AND SOCIAL DEVELOPMENT AND PROMOTION OF NATURAL RESOURCES**



**PRIORITY AXIS 2**

**TECHNICAL ASSISTANCE**

### 3.1. PRIORITY AXIS I: economic and social development and promotion of natural resources

This priority is a response to the concerns expressed by Montenegro and Kosovo stakeholders during the consultation process. It is in line with the existing governmental and local development strategies and supports their implementation. This priority will be implemented through joint small-scale infrastructure investments of a cross-border nature as well as people-to-people projects which will strengthen the link between communities, and local organisations and institutions.

This priority will include **three specific measures**:

	Measures
Measure I.1	Environment protection
Measure I.2	Sustainable economic development
Measure I.3	Social cohesion and people-to-people initiatives

#### 3.1.1. Measure I.1: Environment protection

The regional economic strategies in Montenegro and in Kosovo rely a lot on the sustainable exploitation of the very rich and diverse natural resources of the programme area. These resources are currently endangered by the lack of adequate basic infrastructure (e.g. waste water and solid waste treatment systems) and by the pressure exerted by the mass tourism in the coastal region in Montenegro. Protection of biodiversity and promotion of the sustainable use of natural resources are therefore main pillars or a pre-conditions for any local development plan. It is also a sector where cross-border cooperation can be very fruitful.

The specific objective of this measure is to support joint initiatives aimed at protecting, promoting and managing the valuable and sensitive ecosystems of the programme area.

An indicative list of eligible activities under this measure can include:

- Operations for improving the management of the National Parks and protected areas. Projects aiming at establishing cross-border synergies for the management of the protected areas located in the border area are fully eligible (e.g. Prokletije in Montenegro and Bjeshkët e Nemuna in Kosovo);
- Joint researches for a better knowledge of the wildlife and plant resources of the programme area;
- Operations aiming at protecting rare or endangered animal and plant species in the programme area;
- Operations for improving the usage and maintenance of pasture areas;
- Operations for improving the usage and management of the public and private forests;
- Awareness campaigns on environmental protection issues;
- Small infrastructure projects, joint researches and technical studies aiming at identifying pollution hot spots and/or at reducing their impact on sensitive sites;
- Joint researches and technical studies on the renewable energy potential in the programme area; small-scale infrastructure projects in the field of renewable energy having a cross-border dimension are eligible.

### 3.1.2. Measure I.2 Sustainable economic development

The measure takes into account the weaknesses identified by the SWOT analysis: unemployment and poverty in the programme area, need for increasing competitiveness and promotion of local/regional products. It aims at implementing economic development initiatives with a cross-border impact, and contributes to building a strong and specific identity of the cross-border region. The measures focused particularly on the priority sectors identified as main potentials for the programme area:

- Sustainable agriculture and forestry: the specific objective is to support the development of the agricultural and food processing activities as well as wood processing activities in the programme area. More particularly, the measure aims at improving the protection, the production and the marketing of regional products, specific to the programme area (e.g. dairy and meat products, fruits and vegetables, medical and aromatic plants, forest fruits, olives in the coastal region in Montenegro, etc.). Organic agriculture (production, access to markets) is also emphasised by the measure. Most of all, the measure aims at strengthening collective organisations of farmers and processors (e.g. associations of organic producers, associations of private forest owners, etc.).
- Tourism is the second priority sector. The measure aims particularly at developing a joint tourism offer in the Northern Region of Montenegro and in Kosovo, complementary to the sea side tourism in Southern Montenegro. Activities related to the protection and the promotion of the cultural and historical heritage, as well as local handicrafts, are also included in this measure.
- As a transversal objective the measure also aims at facilitating trans-boundary business cooperation (i.e. organisation of fairs, consumer studies, business-to-business events, and mechanisms for supporting SMEs. etc.) in all economic sectors.

This measure on economic development may also include joint infrastructure projects having a clear cross-border impact and likely to facilitate the economic cooperation within the programme area. This could be for the example the rehabilitation of a road connecting Montenegro and Kosovo and/or the upgrading of cross-border points.

An indicative list of eligible activities under this measure can include:

- Protecting, branding and promoting on internal and international markets traditional and organic agro-food products as well as wood products and handicrafts
- Cooperation among farmers associations, food processors, wood processors, etc.
- Introduction of standards and labels, trainings and guidelines for improving private accommodation facilities, etc.
- Defining and promoting joint tourism products (hiking and biking tours, rafting, etc.)
- Sign-posting campaigns.
- Training activities for improving the capacities of the local stakeholders in tourism sector
- Improving and systematizing the use of Internet for promoting the tourism offer; connecting local stakeholders with internal and international operators (e.g. tour operators)
- Protecting and promoting the cultural and historical heritage
- Research and development projects in economic sectors involving the education and research centres (e.g. faculties)
- Infrastructure projects facilitating trade and communication within the programme area.

### 3.1.3. Measure I.3: Social cohesion and people-to-people initiatives

The specific objective of this measure is to support joint initiatives aimed at fostering economic and social development through people-to-people and institution-to-institution initiatives.

People-to-people actions are expected to directly enhance and facilitate the strengthening of cooperation among CSOs, local communities, institutions and encourage these actors to engage in cross-border partnerships.

This measure focuses on the main strengths and weaknesses identified during the consultation process: need to improve the education system, weakness of the CSO network in rural areas and limited cooperation between local authorities and CSOs, etc.

It covers therefore a wide range of potential operations and intends to encourage further inter-municipal cooperation. Universities are invited to participate in establishing innovative partnerships with other private and public stakeholders in the field of Research and Development.

An indicative list of eligible activities under this measure can include:

- Operations supporting regional CSOs networking, and common grassroots CSOs' initiatives in rural areas (e.g. partnership between experienced CSOs/grassroots CSOs; capacity building for CSOs, exchange of experiences and knowledge);
- CSOs cooperation in social inclusion, culture, environment, health protection, etc.;
- Support to promoting health in schools and building sustainable health awareness systems in particular for vulnerable and socially marginalised people;
- Inter-municipal cooperation: transfer of experiences on decentralisation process; services to citizens;
- Operations aiming at strengthening members of minorities' rights;
- Cooperation and joint activities of youth and sport associations;
- Joint operations of aim to promote education and academic exchanges at all levels;
- Support to promotion of regional products through organisation of cross-border business exhibitions, etc
- Research & Development projects involving universities and professional actors or local and regional authorities;
- Youth exchange activities.

### 3.1.4. Project selection criteria

In general, the eligible actions within each measure must fulfil the following pre-requisites:

- include partners from both sides of the border;
- establish contacts and links between local communities and between relevant institutions/organisations from both sides of the border;
- encourage equal participation by women and marginalized groups;
- be environmentally sustainable.

### 3.1.5. Beneficiaries of Measures 1, 2 and 3 under Priority axis I

***The beneficiaries of Measures 1, 2 and 3 under Priority axis I may include, inter alia:***

- Local Government units and their depending institutions;
- Regional Development Agencies;

- Professional associations;
- Chambers of Commerce, Crafts and Trades, agriculture extension service centres, business support organisations and social partners;
- Public institutions/organisations at governmental, regional and local level;
- State Agencies;
- Public enterprises dealing with local/regional utilities and services;
- Bodies supporting the workforce;
- Health care institutions;
- Universities, schools, educational and research institutions;
- Vocational Training Centres;
- National Parks;
- Civil Society Organisations, including Foundations
- Local Action Groups
- International inter-governmental organisations

### 3.2 PRIORITY AXIS II: Technical Assistance

Specific objectives of this priority are to:

- Strengthen capacities of governmental and joint structures to manage Cross-border Programmes;
- Prepare and disseminate programme information;
- Strengthen capacities of potential beneficiaries to prepare and implement projects and provide technical expertise for external programme evaluations.

Technical assistance will be used to support the work of the two Operating Structures (OS) and the Joint Monitoring Committee (JMC) ensuring the efficient and effective implementation, monitoring, control and evaluation of the programme.

This will be achieved, inter alia, through the establishment and operation of a Joint Technical Secretariat (JTS) to be located in Kosovo, and its antenna to be located in Montenegro. Technical assistance will cover operational costs of the JTS and its Antenna, including staff costs (with the exception of salaries of public officials).

Technical assistance will support actions which ensure the preparation and selection of high quality programme operations and the dissemination of information on programme activities and achievements.

**The Technical Assistance (TA) component will account for a maximum of 10% of the total financial allocation.**

Considering that, for the implementation of the cross-border programme, the Operating Structures in Montenegro and in Kosovo enjoy a *de facto* monopoly situation (in the meaning of Art. 168.1.c of the Implementing Rules to the Financial Regulation), the EU Delegation to Montenegro and the European Commission Liaison Office to Kosovo (ECLO) may decide to conclude individual direct grant agreements without call for proposals with the respective Operating Structures for up to the total amount provided under Priority axis II. The implementation of the activities covered by the direct grant agreements may require subcontracting by the Operating Structures for the provisions of services or supplies. The direct grant agreements can be signed as soon as the Financing Agreements are concluded.

This priority will be implemented through **two measures**:

	Measure
Measure II.1	Programme administration, implementation, monitoring and evaluation
Measure II.2	Programme Information and Publicity

### 3.2.1 Measure II.1: Programme administration, implementation, monitoring and evaluation

An indicative list of eligible activities under this measure can include:

- Support to Operating Structures, Joint Monitoring Committee, Joint Technical Secretariats and any other structures (e.g. Steering Committee) involved in the management and implementation of the programme
- Establishment and functioning of Joint Technical Secretariat and its antenna, including staff remuneration costs (with the exclusion of salaries of public officials)
- Expenses for participation in different meetings related to the implementation of the programme
- Administrative and operational costs related to the implementation of the programme, including the costs of preparation and monitoring of the programme, appraisal and selection of operations, organisation of meetings of the Joint Monitoring Committee, etc.
- Training for potential beneficiaries in the preparation of project applications and to beneficiaries in project implementation and reporting
- Programme and projects monitoring
- Programme and projects evaluations

### 3.2.2 Measure II.2: Programme Information and Publicity

An indicative list of eligible activities under this measure can include:

- Preparation, translation and dissemination of programme related information and publicity material, including the programme website
- Organisation of public events (conferences, seminars, workshops, etc.)
- Awareness raising and training for potential beneficiaries, including partner search forums

### Beneficiaries of Measures 1 and 2 under Priority axis II

*The beneficiaries of Measures 1 and 2 under Priority axis II may include, inter alia:*

- Operating Structures;
- Joint Monitoring Committee;
- Joint Technical Secretariat (Main Office and JTS antenna);
- All other structures/bodies related to development and implementation of the CBC Programme (e.g. Steering Committee);
- Programme beneficiaries.

### 3.3. OUTPUTS AND RESULTS INDICATORS

<b>Priority I</b>					
<b>Promotion of economic and social development and promotion of natural resources</b>					
<b>Measure I.1: Environment and protection</b>					
<b>Type</b>	<b>Indicator</b>	<b>Measurement</b>	<b>Baseline 2011</b>	<b>Target 2013</b>	<b>Source of information</b>
<b>Output</b>	Number of initiatives related to the management of protected areas	number	0	1	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
	Number of joint researches and studies on environment resources and biodiversity	number	0	2	
	Number of initiatives aiming at protecting endangered or rare species	number	0	2	
	Number of initiatives for a better management of pastures and forests	number	0	2	
	Number of initiatives for identifying pollution hot spot and/or reducing their impact	number	0	1	
<b>Result</b>	Number of cross-border partnerships created in the field of environment	number	0	20	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
	Number of persons with direct or indirect benefit from above activities	number	0	Population in programme area	
	Number of studies and reports on the environmental situation in the programme area	number	0	8	
<b>Measure I.2: Sustainable economic development</b>					
<b>Type</b>	<b>Indicator</b>	<b>Measurement</b>	<b>Baseline 2011</b>	<b>Target 2013</b>	<b>Source of information</b>
<b>Output</b>	Number of joint initiatives in the field of agriculture, forestry, food and wood processing	number	0	3	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
	Number of joint initiatives in the field of tourism, handicrafts and cultural/historical heritage	number	0	4	
	Number of initiatives aiming at supporting entrepreneurs and SMS	number	0	2	
	Number of joint infrastructure project	number	0	1	
<b>Result</b>	Number of cross-border partnerships created in economy, trade and environment	number	0	20	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
	Number of persons with direct or indirect benefit from above activities	number	0	Population in programme area	
	Number of facilities enabling efficient border management, communication, services, tourism, trade and transport in the eligible area	number	0	2	
<b>Measure I.3: Social cohesion and people to people initiatives</b>					
<b>Type</b>	<b>Indicator</b>	<b>Measurement</b>	<b>Baseline 2011</b>	<b>Target 2013</b>	<b>Source of information</b>
<b>Output</b>	Number of initiatives fostering social cohesion, educational and cultural exchange	number	0	8	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
	Number of initiatives aiming at social integration of marginalized groups, minorities, unemployed, rural youth and women labour force	number	0	2	
	Number of initiatives fostering creation of CSOs networks and inter-municipal cooperation.	number	0	2	
	Number of initiatives supporting Research & Development, education and youth and sports associations.	number	0	2	
	Number of joint cultural events and activities aiming at promoting and protecting cultural and historical heritage	number	0	4	
<b>Result</b>	Number of partnerships created	number	0	30	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
	Number of persons with direct or indirect benefit from above activities	number	0	150	



<b>Priority II</b>						
<b>Technical assistance</b>						
<b>Measure II.1: Programme administration and implementation</b>						
<b>Type</b>	<b>Indicator</b>	<b>Measurement</b>	<b>Baseline 2011</b>	<b>Target 2013</b>	<b>Source of information</b>	
<b>Output</b>	Number of the Joint Monitoring Committee held	number	0	9	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports	
	Number of JTS staff recruited	number	0	5		
	Number of training events for potential final beneficiaries	number	0	4		
	Number of training events for evaluators and assessors	number	0	1		
	Number of project proposals assessed	number	0	180		
	Number of on-the-spot visits carried out	number	0	50		
	Number of officers acquiring competences in programme management and successfully performing their duties in JTS and other programme bodies	number	0	10		
	Number of monitoring reports drafted	number	0	50		
<b>Result</b>	Number of Calls for projects finalised	number	0	3	Annual report on implementation; Monitoring reports; Evaluation reports;	
	Functional Joint Technical Secretariat and antenna	number	0	1+1		
	Increased number of project proposals received	Percentage	100%	120%		
	Increased quality of project proposals	Percentage	100%	120%		
<b>Result</b>	Ratio (%) of funds used versus of funds allocated	percentage	0	95%		
	<b>Measure II.2: Information, Publicity and Evaluation</b>					
	<b>Type</b>	<b>Indicator</b>	<b>Measurement</b>	<b>Baseline 2011</b>	<b>Target 2013</b>	<b>Source of information</b>
	<b>Output</b>	Number of information and promotion events	Number	0	15	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
		Number of participants at the information and promotion events	Number	0	600	
Number of publicity materials disseminated		Number	0	1000		
Website established		number	0	1		
Number of printed publications prepared		number	0	3		
<b>Result</b>	Number of Programme evaluation	number	0	1	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports	
	Number of users visiting the website	number	0	1000		
	Number of published newspaper articles and TV and radio features	Number	0	15		
	Number of publications of best practices	number	0	1		
	Number of studies and analyses published	number	0	1		

## 4. COHERENCE WITH OTHER PROGRAMMES

The Cross-border Programme is defined within the frame set up by the Multi-annual Indicative Planning Document (MIPD) 2011-2013 of IPA Component II. It proposes cross-cutting measures, identified as priorities in almost all existing governmental and local strategic plans.

### 4.1. MONTENEGRO

In Montenegro, the Cross-border Programme complies with all national strategic documents. Particularly relevant in regards to the CBC programme are:

- The National Strategy of Sustainable Development of Montenegro (2007);
- The Regional Development Strategy of Montenegro 2010-2014;
- The Montenegro Tourism Development Strategy to 2020;
- The National Programme of Cultural Development (2011-2016);
- The National Forest and Forest Land Administration Policy (2008).

The CBC programme is also complementary to the Rural Development Program (IPA component V) which is under preparation. By focusing on agriculture (measure I.2) and more particularly by aiming at strengthening the collective organisations of farmers and food processors, the CBC programme is likely to have an impact on the absorption capacity of IPARD funds.

Several multi-lateral and bilateral donors are active in Montenegro in the fields of regional development and municipal infrastructures. Their programmes were taken into consideration while drafting the CBC programme. Some of them may also facilitate its implementation by supporting local stakeholders in defining project ideas and preparing project documents. These are:

- ADA (Austria) Austria is active in the field of regional development mainly focussing on mountain tourism in the northern region. ADA is also supporting the RDA for the northern region.
- GTZ (Germany) is supporting the development of tourism in the Prokletije and Skadar Lake National Parks.
- DANIDA (Denmark) runs a programme supporting organic agriculture in Montenegro. Danida also provides capacity building to Monteorganica, the certification body for organic products.
- USAID is starting an important programme focusing on social and regional development in the northern region.
- SNV (Netherlands) is focusing on agriculture and renewable sources of energy in the northern region.
- The World Bank funds projects for the economic development and environmental protection in the Skadar Lake region.
- Funds for modernisation of existing infrastructure (particularly waste water and solid waste treatment systems) have been provided by loans from EIB, EBRD and KfW. The latter is also involved in the energy sector.

### 4.2. KOSOVO

Kosovo has prepared similar IPA funded CBC Programmes with Albania and the former Yugoslav Republic of Macedonia. Their implementation will start in 2011.

Both Montenegro and Kosovo participate in regional cooperation initiatives: Stability Pact and Regional Cooperation Council (RCC), as well as in the Swedish International Development Cooperation Agency (SIDA) - Partnership Programme initiated in December 2008 and covering the period 2009-2011. One of the expected results of the SIDA programme is to increase cooperation within the IPA instrument and to identify contractual forms that suit possible new cooperation formats.

Both Montenegro and Kosovo have signed a free-trade agreement in the framework of the Central European Free Trade Agreement (CEFTA).

Other complementary initiatives in Kosovo that are related to CBC include:

- Local Development Strategies – for each of the Municipalities involved in the programme. These documents emphasize the cross-border cooperation as a tool for supporting socio-economic development and the protection and preservation of the environment.
- Regional Development Strategies - developed with support of EU funding (EURED). Regional Economic Development Strategies aim at strengthening the Kosovo economic regions and expanding a regional development framework in line with EU standards. They will support reinforcement of institutional capacities to manage the process of economic development, and supporting economic regeneration, job creation and human infrastructure development in different regions.
- 2008 Laws on Social Self-Government and 2008-2010 Action Plan for the Implementation of Decentralisation – aiming at establishing a sustainable system of local self-government and improving the efficiency of local public services throughout Kosovo.
- European Partnership Action Plan (EPAP) for Kosovo – which put great emphasis on regional development and cooperation as a vehicle for development of Kosovo in the view of overall European Integration Process

The ongoing EU and other donors' initiatives active in the region, such as OSCE, UNDP, East-West Institute, SIDA, the World Bank, have also been taken into consideration, while drafting this document.

## 5. CROSS CUTTING ISSUES

**Environmental protection:** The assumption in both sides of the border is that the economic and social development of the programme area will be reached through a sustainable use of the environmental resources of the region. The measure I.1 is therefore entirely dedicated to the protection of biodiversity and the promotion of the sustainable use of natural resources in the border region and it is expected that all projects are taken this aspect into account.

**Respect for and protection of minorities:** the programme area is characterised by the presence of ethnic members of minorities communities on both sides of the border. Respecting and protecting minorities, promoting anti-discrimination policies and full participation in CBC initiatives enhancing the economic and social development of the programme area are objectives of the Cross-border Programme.

**Displaced persons:** On both sides of the border, displaced and internally displaced persons, and especially Roma, Ashkali and Egyptian communities, face numerous problems, including access to legal status and to basic rights and related public services. The CBC programme would be useful

instrument to support the access of displaced persons to personal documentation necessary for the legalisation of their situation in Montenegro as well as to support the ongoing efforts to facilitate voluntary returns. The Cross-border Programme has to address these gaps, in particular under measure I.3.

**Gender equality:** the situation analysis reveals significant gender inequalities in the programme area, particularly concerning the situation of the women in the labour market. Under the measures I.2. and I.3, projects addressing this issue will therefore be highly encouraged.

## SECTION III FINANCIAL PROVISIONS

The financial allocation of the Cross-border Programme for the period 2011-2013 is as follows:

Year / Priorities		Montenegro				Kosovo			
		EU funding	MNE funding	Total funding	Rate of EU contribution	EU funding	Kosovo funding	Total funding	Rate of EU contribution
		(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)	(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)
2011	I - Priority I	540,000	95,294	635,294	85%	540,000	95,294	635,294	85%
	II - Technical Assistance	60,000	10,588	70,588	85%	60,000	10,588	70,588	85%
	<b>TOTAL 2011</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85%</b>
2012	I - Priority I	540,000	95,294	635,294	85%	540,000	95,294	635,294	85%
	II - Technical Assistance	60,000	10,588	70,588	85%	60,000	10,588	70,588	85%
	<b>TOTAL 2012</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85%</b>
2013	I - Priority I	540,000	95,294	635,294	85%	540,000	95,294	635,294	85%
	II - Technical Assistance	60,000	10,588	70,588	85%	60,000	10,588	70,588	85%
	<b>TOTAL 2013</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85%</b>
<b>2011 2012 2013</b>	<b>TOTAL</b>	<b>1,800,000</b>	<b>317,646</b>	<b>2,117,646</b>	<b>85%</b>	<b>1,800,000</b>	<b>317,646</b>	<b>2,117,646</b>	<b>85%</b>

In both Montenegro and Kosovo, the eligible expenditure is based on the total expenditure as referred to in Article 90 of the IPA Implementing Regulation.

## SECTION IV IMPLEMENTING PROVISIONS

The implementation provisions for this Cross-border programme are based on the Commission Regulation (EC) No 718/2007 (hereinafter referred to as the 'IPA Implementing Regulation'), implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance as amended by EU Regulation (EU) No 80/2010 of 28 January 2010.

In line with Article 10(2) IPA Implementing Regulation, both Montenegro and Kosovo will be managing the programme according to the centralized management model where the Delegation of the European Union to Montenegro and the European Commission Liaison Office to Kosovo will be the Contracting Authorities.

The programme implementing provisions are based on the principle of both Montenegro and Kosovo being equal partners and having an equal role in the cross-border cooperation management structures. The joint management of the programme will ensure local ownership, wider involvement, better planning and will create the base for genuine cross-border activities.

### 1. PROGRAMME STRUCTURES

#### 1.1. ORGANISATIONAL STRUCTURES AT Governmental LEVEL

In accordance with Art 32(1) of the IPA Implementing Regulation (IPA IR), each partner has designated a National IPA Coordinator (NIPAC).

In **Kosovo**, the IPA Coordinator is *the Permanent Secretary, Ministry of European Integration*<sup>30</sup>. The IPA Coordinator has designated the **Ministry of Local Government Administration** as the IPA-Component II Coordinator.

In **Montenegro** the IPA Coordinator is *the State Secretary for European Integration*. The IPA Coordinator has designated the **Ministry of Foreign Affairs and European Integration** as the IPA-Component II Coordinator.

The IPA-Component II Coordinator is the main contact point between both Montenegro and Kosovo and the Commission for all issues related to participation in programmes under the IPA CBC Component.

#### 1.2. OPERATING STRUCTURES

The Cross-border Programme shall be implemented by the Operating Structures (OS) (Art. 139 IPA IR) which are:

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<sup>30</sup> The Ministry of European Integration was established in April 2010 as the successor of the Agency for Coordination Development and European Integration.

Montenegro	Kosovo
<b>Ministry of Foreign Affairs and European Integration</b> Stanka Dragojevića 2a 81000 Podgorica Tel: (+382 20) 246 264 Fax: (+382 20) 225 591	<b>Ministry of Local Government Administration</b> Ish ndërtesa e Rilindjes Katet: 11, 12 dhe 13, Prishtinë/Priština Tel: (+381 38) 213 010 Fax: (+381 38) 213 904

According to Article 139 of IPA IR the Operating Structures cooperate closely in the programming and implementation of the relevant Cross-border Programmes. The OSs shall jointly set-up the Joint Technical Secretariat (JTS) to assist them and the Joint Monitoring Committee.

**Operating Structures are, inter alia, responsible for:**

- Preparing the CBC programme;
- Preparing the programme amendments to be considered and approved by the Joint Monitoring Committee (JMC);
- Appoint their representatives on the JMC;
- Setting up of the Joint Technical Secretariat (JTS) and guiding its work;
- Preparing and implementing the strategic decisions of the JMC where necessary with the support of the Joint Technical Secretariat;
- Reporting to the respective NIPACs/Cross border Cooperation coordinators on all aspects concerning the implementation of the programme;
- Establishing a system, assisted by the JTS, for gathering reliable information on the programme's implementation and provide data to the JMC, the Cross border Cooperation Coordinators and the Commission;
- Ensuring the quality of the implementation of the Cross-border Programme together with the Joint Monitoring Committee;
- Ensuring the monitoring of commitments and payments at programme level;
- Ensuring that grant beneficiaries make adequate provisions for financial reporting (monitoring) and sound financial management (control);
- Sending to the Commission and the respective IPA coordinators the annual report and the final report on the implementation of the Cross-border Programme after examination by the Joint Monitoring Committee;
- Promoting information and publicity-actions;

Under centralised management the tendering, contracting and payments are responsibilities of the Delegation of the European Union to Montenegro and the European Commission Liaison Office to Kosovo (Contracting Authorities).

**1.3. JOINT MONITORING COMMITTEE**

Within three months after the first financing agreement relating to the programme enters into force, Montenegro and Kosovo shall establish a Joint Monitoring Committee (JMC) in accordance with Article 142 of the IPA IR.

The JMC is the Cross-border Programme's decision making body. The JMC consists of representatives at governmental, regional and local level of the beneficiaries, including representatives of the Operating Structures and of stakeholders in the programme area. The European Commission representatives shall participate in the work of the JMC in an advisory capacity.

The JMC shall meet at least twice per year at the initiative of the participating beneficiaries or of the European Commission and is chaired by a representative of Montenegro or Kosovo on a rotating basis.

At its first meeting, the Joint Monitoring Committee shall draw up its rules of procedure, and adopt them in order to exercise its missions pursuant to the IPA IR.

**The responsibilities of the Joint Monitoring Committee are, inter alia, as follows:**

- It oversees the programming and effective implementation of the Programme;
- It shall consider and approve the criteria for selecting the operations financed by the Cross-border Programme and approve any revision of those criteria in accordance with programming needs;
- It shall periodically review progress made towards achieving the specific targets of the Programme on the basis of documents submitted by the Operating structures;
- It shall examine the results of implementation, particularly achievement of the targets set for each priority axis and the evaluations referred to in Article 57(4) and Article 141 of IPA IR;
- It shall examine the annual and final implementation reports prior to their submission, by the OSs, to the respective IPA coordinators and to the Commission (Article 144 of IPA IR);
- It shall be responsible for selecting operations. To this aim, as appropriate (and on a case-by-case basis), it may delegate this function to a Joint Steering Committee (to perform the role of an evaluation committee) whose members should be designated by the OSs. The composition of the Joint Steering Committee shall be endorsed by EU Delegation in Montenegro and/or the ECLO in Kosovo;
- It may propose any revision or examination of the Cross-border Programme likely to make possible the attainment of the objectives referred to in Article 86(2) of IPA IR or to improve its management, including its financial management;
- It shall consider and approve any proposal to amend the content of the Cross-border Programme;
- It shall approve the framework for the Joint Technical Secretariat's tasks.

***1.4. JOINT TECHNICAL SECRETARIAT***

According to Article 139(4) of the IPA IR, the Operating Structures shall set up a Joint Technical Secretariat (JTS) to assist the Joint Monitoring Committee and the Operating Structures in carrying out their responsibilities. Job descriptions of the JTS members, as well as detailed Rules of Procedures for JTS shall be developed jointly by the OSs.

The JTS is jointly managed by both OSs.

The location of the JTS is in **Pejë/Peć, Kosovo**. It has an Antenna in **Berane, Montenegro**.

The Joint Technical Secretariat is the administrative body of the programme responsible for its day-to-day management. The costs of the Joint Technical Secretariat and its Antenna are co-financed under the programme's Technical Assistance budget provided and related to tasks eligible for the operation and co-financed according to EU rules.

The JTS consists of employees from both sides of the border, contracted by the respective OSs.

**The JTS is responsible, inter alia, for the following tasks:**

- support the JMC and the OSs in programme implementation;
- perform secretariat function for the Joint Monitoring Committee, including preparation of all necessary activities for organising the JMC meetings and the follow-up activities. The tasks of JTS shall be defined in the rules of procedures of the JMC;



- set up, regular maintenance and updating of the monitoring system (data input at programme and project level);
- prepare and make available all documents necessary for project implementation (general information at programme level, general information at project level, guidelines, criteria, application for collecting project ideas, application pack-guidelines, criteria for project selection, eligibility, reporting forms, contracts);
- run info-campaigns, trainings, help-lines and web-based Q&A in order to support potential applicants in the preparation of project applications;
- assist potential beneficiaries in partner research and project definition;
- assist the JMC and the Joint Steering Committee in organising the process of selection of project proposals and check whether all relevant information for making a decision on project proposals are available;
- manage the Call for Proposals process, including receiving and registering project applications and preparing documentation for the evaluation process;
- make sure that all the relevant documentation necessary for contracting is available to the Contracting Authorities on time;
- prepare standardized forms for project application, assessment, contracting, monitoring and reporting based as much as possible on templates and models included in the PRAG;
- organise and manage an ad-hoc data base of the programme, on the basis of the information direct collected during the call for proposals process and those transferred regularly by the OSs;
- carry out joint information and publicity activities under the guidance of the JMC and the Operating Structures, including setting up and maintaining an official programme website;
- prepare, conduct and report on monitoring of the projects;
- provide inputs to annual and final reports on the Cross-border Programme;
- plan its activities according to a work plan annually approved by the JMC.

#### 1.5. CONTRACTING AUTHORITIES

The EU Delegation to Montenegro and the European Commission Liaison Office to Kosovo will be the Contracting Authorities (CA).

Kosovo	Montenegro
<p><b>European Commission Liaison Office to Kosovo</b></p> <p>Kosovo Street 1, Prishtinë/Priština            Tel. (+381 38) 51 31 200            Fax: (+381 38) 51 31 305</p>	<p><b>Delegation of the European Union to Montenegro</b></p> <p>Vuka Karadžića 12, Podgorica            Tel. (+382 20) 444 600            Fax: (+382 20) 444 666</p>

In both Montenegro and Kosovo, in line with Article 140(1) of the IPA Implementing Regulation, the European Commission retains overall responsibility for approval of calls for proposals, and for awarding grants, tendering, contracting and payment functions.

**The Contracting Authorities' responsibilities are, *inter alia*, the following:**

- In case of Calls for proposals:
  - Endorsing calls for proposals documentation;
  - Endorsing composition of Joint Steering Committees;

- Approving the evaluation reports and list of projects;
  - Sitting in the Joint Monitoring Committee in an advisory capacity;
  - Signing contracts with grant beneficiaries, including budget revisions (with support provided as appropriate by the OSs and JTS).
- In case of a joint strategic project:
- Tendering and contracting supply, services and/or works

#### 1.6. *PROGRAMME BENEFICIARIES (in case of grants awarded through Calls for proposals)*

##### **Definition of lead beneficiaries and other beneficiaries**

According to Article 96(3) of the IPA IR, if there are several final beneficiaries of an operation on each side of the border, they shall appoint a lead beneficiary among themselves prior to the submission of the proposal for an operation. The lead beneficiary shall assume the responsibilities set out below regarding the implementation of the operation.

##### **Responsibilities of lead beneficiaries**

According to the provisions of Article 96(3) of the IPA Implementing Regulation, the lead beneficiary shall assume the following responsibilities for the part of the operation taking place respectively on Montenegro and Kosovo territory:

- It shall lay down the arrangements for its relations with the final beneficiaries participating in the part of the operation taking place respectively in Montenegro and Kosovo in an agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
- It shall be responsible for ensuring the implementation of the part of the operation taking place respectively in Montenegro and in Kosovo;
- It shall be responsible for transferring the EU contribution to the final beneficiaries participating in the part of the operation taking place respectively in Montenegro and Kosovo;
- It shall ensure that the expenditure presented by the final beneficiaries participating in the part of the operation taking place respectively in Montenegro and Kosovo has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the final beneficiaries participating in the operation.

The lead beneficiaries from the participating countries shall ensure a close coordination among them in the implementation of the operation.

##### **Responsibilities of other beneficiaries**

Each beneficiary participating in the operation shall:

- Participate in the operation;
- Be responsible for ensuring the implementation of the operations under its responsibility according to the project plan and the agreement signed with the lead beneficiary;
- Cooperate with the other partner beneficiaries in the implementation of the operation, the reporting for monitoring;
- Provide the information requested for audit by the audit bodies responsible for it;
- Assume responsibility in the event of any irregularity in the expenditure which was declared, including eventual repayment to the Commission;

- Be responsible for information and communication measures for the public.

### **Functional Lead Partner**

In case of joint projects (where Lead Beneficiaries from both sides are participating and are separately contracted by the Contracting Authorities of MNE and of KOS) the two Lead Beneficiaries shall appoint among themselves a Functional Lead Partner prior to the submission of the project proposal.

The Functional Lead Partner is:

- Responsible for the overall coordination of the project activities on both sides of the border;
- Responsible for organising joint meetings of project partners;
- Responsible for reporting to the JTS on the overall progress of the joint project.

## **2. IMPLEMENTING RULES**

### *2.1. BASIC IMPLEMENTATION RULES*

As a rule, cross-border programmes are implemented through single, joint call for proposals (grant schemes). In line with Article 95 IPA IR, Montenegro and Kosovo may also identify joint operations outside calls for proposals

### **Joint Strategic Projects/ (Operations outside calls for proposals)**

Joint Strategic Projects are defined as those which have a significant cross-border impact throughout the Programme area and which will, on their own or in combination with other Strategic Projects, achieve measure-level objectives. The respective Contracting Authorities will tender and contract the projects on the basis of PRAG procedures for the relevant types of contracts (works, supplies and/or services). The Terms of Reference (services) and/or Technical Specifications (supplies and works) may be drafted by the Operating Structures.

### **Grant scheme**

Operations selected shall include final beneficiaries from both Montenegro and Kosovo which shall co-operate in at least one of the following ways: joint development, joint implementation, joint staffing and joint financing (Art. 95 IPA Implementing regulation).

The JMC is responsible for selecting the operations.

The Contracting Authority is responsible for ex-ante approval of the grant award process and for issuing the grant contracts and subsequent payments.

### *2.2. GRANT AWARD PROCESS*

The Grant award process shall be compliant with provisions of the IPA Implementing Regulation (e.g. Articles 95, 96, 140, 145, etc.)

Where appropriate, PRAG procedures and standard templates and models should be followed – adapted as appropriate – unless the provisions of the IPA Implementing Regulation and/or the joint nature of calls for proposals require otherwise.

#### a) Preparation of the application package

- The JTS, under the supervision of the JMC, drafts the single Call for proposals, i.e. an application package including the Guidelines for applicants, the Application form and other documents related to the implementation of the grant schemes, explaining the rules regarding eligibility of applicants and partners, the types of actions and costs, which are eligible for financing and the evaluation criteria following as close as possible the formats foreseen in the PRAG.
- The Application Form should cover both parts of the operation, but with clear separation of the activities and costs on each side of the border. The elements contained in the Application Package (eligibility and evaluation criteria, etc.) must be fully consistent with the relevant Financing Agreement.
- Once approved by the JMC, the Chairperson of the JMC submits the Call for proposals, i.e. the Application Package (the Guidelines for applicants and its annexes) to both Contracting Authorities for endorsement.

#### b) Publication of the single Call for Proposals

- When launching the Call for Proposals, the Operating Structures, with the assistance of the JTS, take all appropriate measures to ensure that notice about the publication of the call for proposals reaches the target groups in line with the requirements of the Practical Guide (publicity, equal treatment and transparency). The Application Package is made available on the programme website, the websites of the Contracting Authorities, the website of EuropeAid and in paper copy.
- The JTS is responsible for undertaking an information campaign and answering questions of potential applicants. Prior to the publication of the call, the JTS may provide advice to potential project applicants in understanding and formulating correct application forms.
- Frequently Asked Questions must be available on all websites where the call was published.

#### c) Selection of the operations

As provided by the IPA Implementing Regulation, the submitted project proposals will undergo a joint selection process. The project evaluation should follow PRAG rules (Chapter 6.4.) as amended by the provisions of the IPA Implementing Regulation (e.g. Article 140 on the role of the Commission in the selection of operations)<sup>31</sup>. A Joint Steering Committee, designated by the JMC, will evaluate projects against the criteria set in the Application Package and will establish a ranking list according to PRAG. On that basis, the Joint Monitoring Committee will then bring the final decision on the projects to be recommended for financing to the Contracting Authorities.

The main steps of the procedure should be as follows:

- Incoming operation proposals are collected and registered by the JTS
- The JMC is responsible for evaluating the applications compliant after the first check (i.e. administrative and/or eligibility) in the call, according to the selection and award criteria specified in the guidelines for applicants; however, when deemed necessary, it can designate a **Joint Steering Committee** for the assessment of administrative and eligibility compliance, as well as the assessment of the technical and financial quality of the applications.

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<sup>31</sup> IPA Implementing Regulation for Component II provides, *inter alia*, a certain degree of decentralisation in the evaluation and selection process, namely in beneficiary countries where IPA funds are managed under a centralised approach (e.g. where the evaluation committee is nominated by the national authorities sitting in the JMC, not by the Commission i.e. the Contracting Authority).

- Members of the Joint Steering Committee are designated exclusively on the basis of technical and professional expertise in the relevant area. The Contracting Authorities endorse the composition of the Joint Steering Committee. Observers designated by the Contracting Authorities may participate in its proceedings.
- The Joint Steering Committee assesses the projects against the conditions and criteria established in the Call for proposals–Application Package and according to PRAG procedures.
- The JMC receives from the Steering Committee the Evaluation Reports for the each phase in the process and if these reports are approved, the Chairperson of the JMC transmits them, with recommendations, as appropriate, to the Contracting Authorities.
- If required, the JMC may request clarifications from the Joint Steering Committee. In case of disagreement with the conclusions of the Evaluation Reports, or if the JMC wants to deviate from the results of deliberations by the Joint Steering Committee, it must outline its concerns in their transmission letter to the Contracting Authorities justifying its position. However, under no circumstance is the JMC entitled to change the Steering Committee's scores or recommendation and must not alter the evaluation grids completed by the evaluators.
- ECLO, acting as Lead Contracting Authority, will approve each and every Evaluation Report on the selection process and the final list of grants to be awarded. This Lead Contracting Authority may request clarifications from the JMC.
- Following the approval of corresponding evaluation report by the Lead Contracting Authority, the Chairperson of the JSC or the JTS notify each applicant, in writing, of the result of the selection process.
- The Delegation of the European Union to Montenegro and the European Commission Liaison Office to Kosovo issue the grant contracts to the respective lead beneficiary of each selected project.

### *2.3. CO-FINANCING AND ELIGIBILITY OF EXPENDITURE*

According to article 90.2 of the IPA IR, the EU contribution for cross-border programmes at the level of priority axis shall not exceed the ceiling of 85 % of the eligible expenditure.

According to article 90.3 of the IPA IR, the EU contribution for each priority axis shall not be less than 20% of the eligible expenditure.

In both Montenegro and Kosovo, the eligible expenditure is based on the total expenditure as referred to in article 90.1 of the IPA IR.

The co-financing of grants awarded through calls for proposals, will be provided by the final beneficiaries and it can be from public funds as well as from private funds.

The co-financing to the TA priority (priority II) and a potential 'joint strategic project', if any, should be provided by public funds.

At the operation level, the eligibility of expenditure must respect the provisions of articles 34.3 and 89 of the IPA IR.

## **3. INFORMATION, PUBLICITY AND CONSULTING**

Authorities of Montenegro and Kosovo shall provide information and publicise the programme and operations with the assistance of the JTS, as appropriate.

In accordance with Article 90 of Regulation (EC, Euratom) No 1605/2002, the European Commission shall publish the relevant information of the contracts. The European Commission shall publish the

results of the tender procedure in the Official Journal of the European Union, on the EuropeAid website and in any other appropriate media, in accordance with the applicable contract procedures for EU external actions.

The information and publicity measures are presented in the form of a communication plan, whereby the implementation is the responsibility of the respective Operating Structure and the IPA–Component II Coordinators. Such detailed information and publicity plan will be presented to the JMC in a structured form by the JTS, clearly setting out the aims and target groups, the content and strategy of the measures and an indicative budget funded under the Technical Assistance budget of the CBC programme.

The particular measures of information and publicity will focus mainly on:

- Ensuring a wider diffusion of the cross–border programme (translated into the local language, as appropriate) among the stakeholders and potential beneficiaries;
- Providing publicity materials, organising seminars and conferences, media briefings and operating a programme web site to raise awareness, interest and to encourage participation;
- Providing the best possible publicity for the Calls for proposals;
- Publishing the list of the final beneficiaries.

The JTS, in cooperation with the JMC, will develop an overall strategy for the information and publicity for the implementation of the programme and to develop an overall system for the public relations related to the programme;

- To appoint a person responsible for the information and publicity.
- To develop and maintain the programme website;
- To maintain necessary public relations and media communications;
- To develop information and publicity materials;
- To organise joint project development seminars and conferences;
- To involve representatives of the European Union in the information and publicity,

#### **4. FINANCIAL MANAGEMENT**

Under centralised management, the European Commission will handle all tendering, contracting and payment functions for the procurement of services, supplies and works (e.g. in case of joint strategic projects, if any) and contracting and payment functions for the grants on the basis of documents provided by final beneficiaries, in accordance with the rules set out in the "Practical Guide to Contract Procedures for EU external actions " (PRAG).

The Joint Monitoring Committee will ensure that reliable computerised accounting; monitoring and financial reporting is in place that will provide an adequate audit trail.

The European Union and auditing authorities of Montenegro and Kosovo will have the power of audit over the cross-border programme.

#### **5. MONITORING AND EVALUATION**

##### **5.1. MONITORING**

Lead Beneficiaries should send narrative and financial interim and final reports to their respective Contracting Authorities according to the standard terms of their grant contracts.

In addition, where relevant, the Functional Lead Partner of the project submits progress reports to the JTS, giving an overview of the project activities and achievements on both sides of the border and their coordination according to the indicators defined in the joint project proposal.

Based on the project progress reports collected, the JTS drafts the Joint Implementation Report and submits it for the examination of the Joint Monitoring Committee.

## 5.2. PROGRAMME EVALUATION

Evaluations shall take place in compliance with Article 141 of the IPA Implementing Regulation. The evaluation shall aim to improve the quality, effectiveness and consistency of the assistance from the EU funds and the strategy and implementation of cross-border programmes while taking account the objective of sustainable development and the relevant EU legislation concerning environmental impact.

An *ex ante* evaluation of this programme has not been carried out in line with the provisions of Article 141, in the light of the proportionality principle.

During the programming period, participating countries and/or the European Union shall carry out evaluations linked to the monitoring of the cross-border programme in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of cross-border programme. The results shall be sent to the JMC and to the European Commission.

Evaluations shall be carried out by experts or bodies, internal or external. The results shall be published according to the applicable rules on access to documents. Evaluation shall be financed from the technical assistance budget of the programme.

## 6. REPORTING

The Operating Structures shall send to the European Commission and to the respective IPA Coordinators, an annual report and a final report on the implementation of the cross-border programme after examination by the JMC.

The annual report shall be submitted by 30 June each year and for the first time in the second year following the adoption of the cross-border programme.

The final report shall be submitted at the latest 6 months after the closure of the cross-border programme.

The content of reports shall be in line with the requirements of Article 144 of the IPA Implementing Regulation.