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The Euro-Crisis, the Western Balkans and Enlargement Perspectives

CeSPI (Centro Studi di Politica Internazionale)

Foreword

This report is the fourth of a series realised within the SeeNet Programme by a research network coordinated by CeSPI and composed by six research organisations from South East Europe.

Research activities aim at supporting the SeeNet programme through the analysis and systematization of governance experiences for local development in involved territories of South East Europe. The research unit of analysis is the territory. Seven territories in South East Europe have been chosen, according to the following criteria: i) articulation of partnership relations; ii) coverage of the four themes of the SeeNet Programme; iii) representation of partner local authorities of South East Europe; iv) coverage of different administrative levels of South East Europe; and v) different Italian partners.

Each territory is involved in a SeeNet project, led by local partners supported by an Italian region or autonomous province on a specific theme. Each of the seven partner research organization has been entrusted with the analysis of a territory and relative theme.

Table 1: Case studies

	Territory	Theme
Albania	Region of Shkodra	Social planning
Bosnia & Herzegovina	Municipality of Trebinje	Rural tourism
Croatia	Region of Istria	Cultural and environmental heritage
Kosovo	Municipality of Pejë/Peć	Environmental tourism
Montenegro	Municipality of Budva	Territorial and environmental planning
Serbia	Autonomous Province of Vojvodina	Local productive systems

This fourth report is focused on the state of the art in the selected territories and topics in the field of decentralised cooperation. The aim of the report is to collect and present information on cooperation experiences of different actors, in order to identify potential opportunities for joint strategies and projects with the Italian decentralised cooperation in the near future.

All the reports have followed the same approach, based on the common methodological framework for SeeNet research activities: the analysis has been conducted in a multi-level perspective, taking into consideration the following levels: local, other eventual sub-national, national, European, and other international level. It also adopts a multi-stakeholder perspective. Among key local development stakeholders analysed are: i) representatives from local institutions; ii) representatives from the central government; iii) public administration, public and public-controlled local bodies; iv) actors of territorial/decentralized and international cooperation; v) civil society; vi) education, culture and research bodies; vii) economic actors; viii) trade unions; and ix) the media.

The reports are policy oriented and try to offer recommendations for decentralised and territorial cooperation.

This introduction offers some insights on the effects of the global economic crisis on Western Balkans territories, with a specific focus on its impact on enlargement perspectives. Overall, Western Balkan countries are still in favour of an enlargement process, although this has become harder than in the past. Notwithstanding the negative impact of the economic crisis also on the amount and number of international cooperation initiatives, the ongoing international projects - as shown by the reports of our Balkan research partners summarized in the final section of this introduction - are even more relevant in the current complex situation.

Executive Summary

This introduction to the fourth SeeNet report offers some insights on the effects of the global economic crisis on Western Balkans territories, with a specific focus on the impact on enlargement perspectives. The economic crisis had strong effects on the Balkan territories: since 2009, one year after the crisis hit the European Union, the Western Balkans have followed the trend of European and other world countries, suffering the effects of the ongoing economic crisis. Although some countries of the region were at the beginning less affected (particularly Albania, Bosnia Herzegovina and Kosovo), events such as the contraction of export demand, falling remittance flows, decreased bank credit and reduced flows of FDI soon affected the Balkan economies as well. These countries import instability from the Eurozone and suffer their peripheral position.

The economic crisis has negatively affected also the enlargement perspectives of Western Balkan countries, for at least three different reasons: first of all, the euro-crisis pushed the EU to adopt a “wait-and-see” approach towards new enlargements; second, dealing with the crisis Balkan governments have in many cases slowed down the reform process towards fulfilment of the *Aquis Communautaire*; finally, due to the crisis the EU is putting even more emphasis on economic and financial stability of candidate countries, asking for higher standards than in the past. However, Western Balkan countries are still in favour of an enlargement process, although this has become harder than in the past.

In the second section, this introduction presents a summary of the Balkan Countries progress reports towards accession for 2012. Croatia is excluded from this analysis, as it will join the European Union in July 2013. Some of the report explicitly mention the economic crisis as particularly problematic, affecting the situation of public finance.

The most advanced country from an enlargement perspective is Montenegro, candidate country since 2010, that has started accession negotiations on 29 June 2012. The 2012 Progress report includes an analysis of the achievements and challenges for Montenegro’s path towards integration. According to the report, Montenegro alignment with the *acquis* is overall moderately advanced, although further efforts are needed.

Serbia became a candidate country in March 2012. Negotiation is still not open, after significant improvements in its relations with Kosovo: although the Country is still contesting Kosovo’s declaration of independence and opposing any recognition of Kosovo by third parties, it has actively participated in a dialogue with Pristina since March 2011. With regards to Serbia’s ability to take on the obligations of membership, the analysis of the state of the art in the 33 chapters of the membership procedure shows that, overall, Serbia is at a moderately advanced level of compliance in most considered fields.

Bosnia Herzegovina is still a potential candidate country. The Stabilisation and Association Agreement has been ratified but has not yet entered into force. The report emphasizes that the situation in the country is still complex almost two decades since the end of the war. In terms of the EU *acquis*, the Country has a long way to go to meet European standards for membership. Overall, the report suggests that efforts towards the approximation to EU standards need to improve, in order to ensure coordinated and harmonised alignment with EU legislation and to support the enlargement perspective.

Finally, in the case of Kosovo the European Commission has published in October 2012 a document on a “Feasibility Study for a Stabilisation and Association Agreement between the European Union and Kosovo”. The document recognizes the difficulties of the situation in Kosovo, emphasizing the issue of Belgrade-Pristina dialogue, which has been improving since March 2011 but needs to be urgently improved. However, it is also recognized that the signature of a Stabilisation and Association agreement with the EU could encourage the population of Kosovo towards further advancements in the relationship with Serbia, also in the Northern regions.

In the last section of this introduction the main findings of the research activities carried out by our partner institutes in SeeNet territories are summarized. The aim of this fourth series of reports within the SeeNet programme was to analyse ongoing cooperation initiatives on the selected topics and territories, in order to: (i) better understand the cooperation framework where SeeNet initiatives were developed and (ii) identify potential partners and relevant stakeholders for future activities of Italian decentralised cooperation actors in the Western Balkan.

Although the analysis of the economic crisis was not an explicit objective of these studies, the significant impact of the ongoing economic processes on development paths and perspectives has resulted in an explicit mention of the crisis dynamics and their effects in several reports. Even though the impact of the crisis is visible also on the reducing amounts and number of international cooperation projects, the role of the ongoing initiatives is considered even more relevant in the above mentioned framework, as a fundamental mean to pursue sustainable development. In terms of future perspectives, the reports focus in particular on the IPA funds for the next programming period: the Accession Policy of the European Union is considered by the SeeNet Network researchers as the most significant opportunity to further advance in the development path of the Balkan Countries.

All the reports offer a general framework of cooperation initiatives in the selected topics and territories, analysing in depth some specific case studies. Overall several opportunities of cooperation and exchange arise for Italian decentralised cooperation actors in their future cooperation initiatives with Western Balkan countries. Coordination of different projects should be based, on the one hand, on European standards and procedures, in order to support the harmonization required by the enlargement procedures and access to IPA funds; on the other hand, such coordination should be based on needs, ideas and goals expressed at local and/or national level in the beneficiary country, in order to support a locally owned development path. The support to the creation of local capacities in absorbing and managing external funds is considered as a key component of this process.

1. The Eurocrisis and Enlargement Perspectives in the Western Balkans

Since 2009, one year after the crisis hit European Union, the Western Balkans have followed the trend of European and other world countries, suffering the effects of the ongoing economic crisis. Some countries of the region were at the beginning less affected¹; but events such as the contraction of export demand, falling remittance flows, decreased bank credit and reduced flows of FDI soon affected the Balkan economies as well (Jeleva, 2012).

The effects of the crisis are particularly severe in Western Balkan countries, that have boomed in the past years (after the end of the long conflict in the region in 2001) registering decent levels of economic growth and reaching an average GDP growth of 5% per year (Ismahil and Sahin, 2009). As shown in the following table, in Albania the GDP growth had an annual average growth rate of 6% from 2004 to 2008; in 2009 it shrank by around 4%. Similarly in Bosnia and Herzegovina a GDP growth rate of around 6% in the previous years slumped to a negative percentage in 2009. In Montenegro real GDP growth slowed down from 10.7% in 2007 to 7.5% in 2008, and turned -5.7% in 2009. In Serbia the robust economic growth of the mid-2000s (around 5-7% per year from 2005 to 2008) has reversed its course in 2009. Also in Kosovo, where the limited participation of the country in the system of international relations partly preserved it from suffering from the global economic crisis, 2009 was a particularly negative year for GDP growth.

Tab. 1: Real GDP Growth and projections, percentage change, 2001-2011

	2001-2003	2004-2006	2007	2008	2009	2010	2011	2012 (proj)
Albania	6.0	5.6	6.0	7.7	3.6	3.3	3.0	0.5
BiH	4.3	5.6	6.8	6.0	-2.8	0.7	1.3	0.0
Macedonia	-0.3	4.1	5.9	4.8	-1.0	1.9	3.1	1.0
Montenegro	1.8	5.7	10.7	7.5	-5.7	2.5	2.4	0.2
Serbia	4.0	7.0	6.9	5.5	-3.5	1.0	1.6	-0.5
Kosovo	n.a.	3.3	6.3	6.9	2.9	3.9	5.0	3.8
Western Balkans	3.2	5.6	7.3	6.4	-1.1	2.2	2.7	0.8
EU-10	3.4	5.8	6.3	4.2	-3.6	2.2	3.4	2.4

Source: S. Penev, 2012, p. 19

The big challenge everywhere is the bad economic situation and the high unemployment rate which was high even before the crisis, increased after 2009, and is well higher than the EU 27 average (Jeleva, 2012; Institute for Regional and International Studies, 2010).

According to the South East Europe Regular Economic Report of the World Bank (2012) Kosovo has an unemployment at 43%, FYR Macedonia at 31%, BIH and Serbia at about 28%. The situation in Macedonia and Kosovo was quite stable in the last years with a overall moderate growth; on the contrary, Serbia's unemployment rate soared by 1% points, and in BIH the rate went up by almost 5% in the last years. These four countries are outliers in Europe as a whole and also rank high globally. According to the World Bank's World Development Indicators, few countries in the world have unemployment rates higher than 25 percent. Youth and long-term unemployment are specific problems of the region. Montenegro's unemployment rate is also higher than it was before the crisis, though the impact has been less stark. Albania is probably in the same group, with a return of some migrants from Greece adding to the unemployment problem, but labour force survey data are not available (World Bank, 2012).

¹ Serbia, Montenegro and Former Yugoslav Republic of Macedonia were hit by the crisis in the last quarter of 2008, while Bosnia and Herzegovina, Albania and Kosovo in the first quarter of 2009 (Penev, 2012).

What it is clear is that in the case of the Western Balkans the crisis penetrated into the regions from outside. Indeed, “among the causes of its severe impact on the Western Balkan countries are the lack of demand on the world Market for their local products, reduced trade in general, limited access to funding, reduced direct foreign investment and (...) the decreased amount of remittances flowing back into the region from migrant workers” (Jeleva, 2012, p. 30). The countries of the region are small economies with not very large markets. As a consequence, it is difficult to build a recovery unless it is driven by external demand.

The economic crisis has definitely created big challenges to be faced also in the enlargement process (Jeleva, 2012). The economic crisis negatively affected the enlargement process at least in three different ways:

“First, preoccupied with the economic troubles, the EU put the enlargement agenda to the backseat. Second, fighting the crisis is draining the Balkan governments’ resources and attention away from the necessary accession reforms and advocacy efforts. (...) Third, as the EU is devising a new regime of economic governance, it will undoubtedly put more emphasis on the candidates’ economic and financial policies. The EU will likely seek to prevent (...) accession of countries which are generally perceived as economically weak and potentially disruptive and unable to conform to its newly established, stricter rules” (Institute for Regional and International Studies, 2010, p. 6-7)

Furthermore, the EU economic and political influence in the area is challenged by the stagnation in the region, encouraging competitors. As a consequence, the role of other global players (like China, the US, Russia and Turkey) is growing in the Western Balkans, as in the other EU neighbouring not candidate countries (Bechev, 2012; Bryn, 2012; Zielonka, 2012). According to Bechev (2012), the USA influence is particularly evident in Kosovo, where they have a greater leverage over the government than the EU. The Balkans are strongly dependent on Russia for energy supplies. Turkey’s investments in the region are increasing, and China too is increasingly present in South-Eastern Europe economies.

Finally, it should be noted that “the economic improvement of the population is an essential precondition for public support of European Union Integration” (Jeleva, 2012). As a consequence, the euro-crisis and all the difficulties faced by Balkan economies have caused a marked decline of the EU popularity in the Western Balkans, negatively affecting the enlargement process. A strong negative impact came from the Greek situation: the drama of the Country, culturally and physically very close to the Western Balkans region, has seriously undermined the idea of a possible convergence in the European Union: “Greece is a warning about the perils of Europeanisation without deeper transformation” (Bechev 2012, p. 6).

Nevertheless, although the popularity of EU in the Western Balkans is declining, it is definitely still respectable: recent studies confirmed the pro-European orientation of the Western Balkan countries (Bechev, 2012; Jeleva, 2012), although at varying levels in the different countries. According to the 2011 Gallup Monitor report, EU support continued to increase in Montenegro (from 67% of respondents in 2009 to 73% in 2010) and Bosnia Herzegovina (from 48% in 2008 to 69% in 2010). On the other hand, it experienced a downward trend in Macedonia (from 62% to 60%), Serbia (from 50% to 44% in 2010) and Albania (from 88% in 2009 to 81% in 2010). In Kosovo the level of support remained roughly unchanged.

The general pro-European attitude of Western Balkan countries is confirmed by recent events like the Referendum in Croatia on the EU accession (held on 22 Jan 2012) or the Serbian efforts to reach an understanding with Kosovo in order to obtain the EU candidate status. This trend could be explained considering a natural attention of Western Balkan countries towards the European Union, but it could also depend on a sort of “Euro-realism”:

“For all practical intents and purposes, the Balkans are already part of the EU (...). Since the 2007 accession of Bulgaria and Romania, the region is now encircled by the EU. Croatia’s membership shrinks the geographical perimeter even further. Trade and financial liberalisation between EU and the region is now complete and nearly two-thirds of the Western Balkans’ exchange is with the EU. (...) The EU is by far the most important source of financial flows – be it foreign direct investment or

remittances. The Balkan banking sector is controlled by institutions from Austria, Italy, France, Slovenia and Greece: Balkan countries are the spokes in a financial system whose hubs are in Vienna, Milan and Athens. Kosovo and Montenegro use the euro, while Bosnia and Herzegovina's unit (...) operates under a currency board regime, effectively delegating monetary policy to Frankfurt. (...) AS of 2009-10, all Balkan citizens except those from Kosovo enjoy visa-free access to the Schengen Area. Given their advanced integration, and therefore exposure, to the single market, accession is the only way to get access to EU decision-making and resources." (Bechev, 2012, p. 3-4).

Overall the enlargement process is not dead, although over the last years it has become more complicated (Friends of Europe, 2011).

2. The Balkan Countries Progress Reports Towards Accession in 2012²

Croatia will become the 28th Member State on 1st July 2013, and the other countries of the region are proceeding in their path towards integration. As already analysed in the previous section, the global economic crisis negatively affected the enlargement perspectives of Western Balkan Countries; anyway the process is still underway, as clearly shown by the analysis of the 2012 progress reports summarized in the following pages. These reports assess progress achieved during the reporting period (October 2011-September 2012), and summarize the country's overall level of preparations.

2.1 Montenegro

The most advanced country in terms of enlargement perspectives is Montenegro, candidate country since 2010, that has started accession negotiations on 29 June 2012.

The 2012 Progress report includes an analysis of the achievements and challenges for Montenegro's path towards integration.

As regards political criteria for accession (based on the progress made by Montenegro towards meeting the Copenhagen political criteria) in the field of "democracy and the rule of law", the report recognizes the important progress made by the country in the fields of Parliament's functioning (and its legislative and oversight role in matters including the rule of law), Government policy-making, and public administration reform. In the judiciary field some progress has been made, but the process of constitutional reform to strengthen the independence of the judiciary in line with European standards remains incomplete. Similarly, some progress has been made on fighting corruption, but this remains widespread and continues to be a serious cause for concern. As regards "human rights and protection of minorities", good progress is recognized to the country in improving the legal and administrative framework for civil and political rights in Montenegro, and progress is recognized in protecting social and economic rights, minorities and cultural rights. In terms of regional issues and international obligations, Montenegro is doing fine, although some bilateral issues with neighbouring countries are still unresolved.

In terms of economic criteria a marked progress has been achieved, but the country still has deep weaknesses, in terms of the performance of several sectors, export capacity, unemployment rate, inflationary pressure (that have been increasing); the current economic crisis has definitely an

² The analysis covers the Balkan Countries that are involved in research activity within the Seenet programme. FYROM is thus not included.

adverse impact on the process of economic development. Anyway further reforms are expected in the next years.

The analysis of Montenegro's ability to take on the obligations of membership is articulated on the list of 33 *acquis* chapter, summarized in the following table. Overall, Montenegro alignment with the *acquis* is moderately advanced in numerous sectors, although further efforts are needed. Some big challenges are still ahead in those (numerous) sectors where preparations are still at an early stage.

Montenegro's ability to take on the obligation of Membership (2012)

Chapter	State of the art
Chapter 1: Free movement of goods	Some progress has been achieved. Additional efforts, better coordination and stronger ownership are needed. Overall, preparations in the area are relatively advanced
Chapter 2: Freedom of movement for workers	Little progress. Alignment with the <i>acquis</i> is still at an early stage
Chapter 3: Right of Establishment and freedom to provide services	Some progress can be reported. Considerable efforts are still needed. Overall, preparations in the area are moderately advanced
Chapter 4: Free movement of capital	Little progress can be reported, although preparations are on track.
Chapter 5: Public Procurement	Good progress has been achieved in the area. Preparations are moderately advanced
Chapter 6: Company Law	Little progress can be reported in this field. Overall, preparations are moderately advanced
Chapter 7: Intellectual property law	Some progress can be reported; further efforts are needed to align with the <i>acquis</i> in this area and to implement it effectively in the medium term. Preparations are moderately advanced.
Chapter 8: Competition policy	Some progress has been made in the area of competition. Further efforts are needed; overall preparations are moderately advanced
Chapter 9: Financial Services	Some progress has been made; substantial efforts are required to align with and implement the existing <i>acquis</i> in the area. The level of alignment remains moderately advanced
Chapter 10: Information society and Media	Some progress has been made; anyway, preparations are moderately advanced
Chapter 11: Agriculture and rural development	Alignment with the <i>acquis</i> is at a very early stage in this area
Chapter 12: Food safety, veterinary and phytosanitary policy	Limited progress has been made. Alignment with the <i>acquis</i> remains at an early stage
Chapter 13: Fisheries	Some progress was made; overall, preparations in this area are at an early stage
Chapter 14: Transport policy	There has been good progress in the area of transport, but there is a need to ensure effective implementation of the <i>acquis</i> . Overall, preparations in this area are advanced
Chapter 15: Energy	Alignment with the <i>acquis</i> is at an early stage in this area
Chapter 16: Taxation	Little progress was made in this area. The alignment with the <i>acquis</i> is at an early stage
Chapter 17: Economic and monetary policy	Some progress has been made, but substantial efforts are still needed to complete the alignment with the <i>acquis</i> ; the level of alignment is overall moderately advanced
Chapter 18: Statistics	Good progress is reported; the alignment is moderately advanced
Chapter 19: Social policy and employment	Some progress has been made; further efforts are needed, especially in the area of health and safety at work.
Chapter 20: Enterprises and Industrial Policy	Little progress can be reported in this area
Chapter 21; Trans European Networks	Some progress has been achieved; anyway, preparations in this area are still at an early stage
Chapter 22: Regional policy and coordination of structural instruments	Some progress has been made, in particular with regard to the institutional framework and programming. Further efforts are needed to strengthen administrative capacity

Chapter 23: Judiciary and fundamental rights	Some progress has been achieved; implementation of recently adopted legislation has started. Overall, preparations in this area are moderately advanced
Chapter 24: Justice, freedom and security	The country is moderately advanced in this area
Chapter 25: Science and Research	Good progress has been made; preparations are on track
Chapter 26: Education and culture	Overall, preparations are moderately advanced in this area
Chapter 27: Environment and climate change	The country has made little progress in this area. Preparations are still at an early stage
Chapter 28: Consumer and health protection	Preparations in these areas are moderately on track
Chapter 29: Customs unions	Overall, preparations in this field are moderately advanced
Chapter 30: External relations	Some progress has been achieved; Montenegro has become a member of the WTO. Preparations are moderately advanced
Chapter 31: Foreign, security and defence policy	Montenegro has aligned itself with all EU declarations and Council Decisions and has continued to actively contribute to regional stability. Preparations are moderately advanced in this area.
Chapter 32: Financial control	Preparations in this field are at an early stage
Chapter 33: Financial and budgetary provisions	Limited progress can be reported. Overall, preparations are at an early stage

Source: Elaborated by the author on Progress Report 2012

“Crisis and rising unemployment” are mentioned as problematic in particular in the field of social reforms (Chapter 19), where it is recognised that “the situation of public finances continues to adversely affect reforms in the social area” (p. 41).

2.2 Serbia

Serbia has become a candidate country in March 2012. Negotiations have not started yet. It is well known that a milestone in Serbia’s path towards integration consists in “taking steps towards a visible and sustainable improvement of relations with Kosovo” (p. 4). Serbia has made significant improvements in this direction: although the Country is still contesting Kosovo’s declaration of independence and opposing any recognition of Kosovo by third parties, it has actively participated in a dialogue with Pristina since March 2011. In February 2012 agreements were reached on regional cooperation, representation of Kosovo and integrated management of border crossing points (although implementation of these agreements was long delayed). It is thus not surprising that the upgrade to candidate status was accorded to Serbia just following these events, in recognition of the important steps taken towards normalising links with Kosovo³.

According to the 2012 Progress Report, Copenhagen Political criteria are substantially complied with in terms of Constitution, Parliament and Elections and Government stability. On the other hand, the public administration reform is proceeding slowly and with insufficient political commitment, little progress was made in the reform of the judicial system and corruption is still a serious problem. In terms of human rights and protection of minorities, some measures were taken and some progress is visible, but further efforts are required.

³ According to Bechev (2012) the economic crisis had a relevant role in the latest evolution of Serbia-Kosovo relations: “Counter-intuitively, the crisis has also boosted certain facets of EU policy. Germany’s economic weight has propelled it to the centre of decision-making and allowed it to act more assertively on the external front too. Thanks to Chancellor Angela Merkel’s decisive intervention, Belgrade started approaching normalisation talks with Pristina seriously, rather than as a box-ticking exercise, and delivered concrete results. Most of the five Member states that do not recognise Kosovo have, in turn, been enormously debilitated by the crisis and therefore are much less willing to antagonise Berlin or the pro-independence majority in the European Council on a second-order issue such as Kosovo” (Bechev, 2012, pp. 2-3)

In terms of the Copenhagen economic criteria, there is a consensus on the fundamentals of a market economy. Anyway efforts are needed in order to improve the economic performance. In this case as well, the effects of the crisis are visible especially in terms of unemployment: “Both activity and employment rates declined to their lowest levels in a decade. Most of the unemployment is structural as around three quarters of all unemployed have been without a job for more than a year” (p. 23).

Finally, with regards to Serbia’s ability to take on the obligations of membership, the analysis of the state of the art in the 33 chapters of the membership procedure (next table) shows that, overall, Serbia is at a moderately advanced level of compliance in most of the considered fields.

Serbia’s ability to take on the obligations of membership

Chapter	State of the art
Chapter 1: Free movement of goods	Some progress has been achieved, although implementation of the legislation, administrative capacity and coordination among institutions need to be enhanced. Overall, preparations are moderately advanced.
Chapter 2: Freedom of movement for workers	There has been some progress, but further efforts are needed. Overall, preparations are moderately advanced
Chapter 3: Right of Establishment and freedom to provide services	Overall, preparations in the area are moderately advanced
Chapter 4: Free movement of capital	Overall, preparations in the area are moderately advanced
Chapter 5: Public Procurement	There has been some progress, especially with regard to public-private partnerships. Preparations are moderately advanced
Chapter 6: Company Law	Good progress was made. Preparations are well advanced.
Chapter 7: Intellectual property law	Good progress was made. Preparations are advanced-
Chapter 8: Competition policy	Some progress has been made in the area of competition. Further efforts are needed; overall preparations are moderately advanced
Chapter 9: Financial Services	Some progress has been made. The level of alignment is moderately advanced
Chapter 10: Information society and Media	Little progress has been made; anyway, preparations are moderately advanced
Chapter 11: Agriculture and rural development	There has been progress, also in the field of agricultural statistics. Anyway, alignment with the <i>acquis</i> is at an early stage
Chapter 12: Food safety, veterinary and phytosanitary policy	Some progress was made. Alignment with the <i>acquis</i> is moderately advanced
Chapter 13: Fisheries	Some progress was made; overall, preparations in this area are moderately advanced
Chapter 14: Transport policy	Some progress can be reported. Preparations in this area are moderately advanced
Chapter 15: Energy	Little progress can be reported and further efforts are needed. Anyway, alignment with the <i>acquis</i> is moderately advanced.
Chapter 16: Taxation	Some progress was made in this area. The alignment with the <i>acquis</i> is moderately advanced
Chapter 17: Economic and monetary policy	Some progress has been made; the level of alignment is overall moderately advanced
Chapter 18: Statistics	Good progress is reported; the alignment is moderately advanced
Chapter 19: Social policy and employment	Some progress has been made, especially in the fields of employment policies, health and safety at work and social inclusion.
Chapter 20: Enterprises and Industrial Policy	Progress was made; preparations are on track
Chapter 21; Trans European Networks	Some progress was made but challenges are still present. Overall, preparations in this field are moderately advanced
Chapter 22: Regional policy and coordination of structural instruments	Progress was noted in the area of regional policy and coordination of structural instruments. Preparations in this area are advancing
Chapter 23: Judiciary and fundamental rights	Little progress has been achieved

Chapter 24: Justice, freedom and security	The country made some progress and is moderately advanced in this area
Chapter 25: Science and Research	Some progress has been made; preparations are on track
Chapter 26: Education and culture	Little progress can be reported. Overall, preparations are moderately advanced in this area
Chapter 27: Environment and climate change	Some progress was made, but further efforts are needed
Chapter 28: Consumer and health protection	There has been some progress. Preparations in these areas are moderately on track
Chapter 29: Customs unions	Serbia made good progress in this field. Overall, preparations are well on track
Chapter 30: External relations	Some progress has been made; preparations are moderately advanced
Chapter 31: Foreign, security and defence policy	Serbia significantly improved its alignment with EU declarations and Council decisions. Preparations are well on track
Chapter 32: Financial control	Some progress was made, but preparations in this field are still at an early stage
Chapter 33: Financial and budgetary provisions	No progress can be reported. Overall, preparations are at an early stage

Source: Author's elaboration on Serbia Progress Report, 2012

2.3 Albania

Albania is still a potential candidate country. Anyway in October 2012 the European Commission recommended the candidate status for Albania; the next step should be the Council's decision.

In terms of political criteria, the report recognizes a relevant impact of the November 2011 political agreement in terms of the functioning of Parliament and political dialogue. Some progress is recognized also in the work of government, but further efforts are needed in order to align legislation with the *acquis*, including in the field of local government and decentralisation. Progress is recognized in the public administration reform, but further efforts are needed to implement the adopted legislation. Moderate progress has been made in addressing judicial reforms and in the fight against corruption.

In the human rights section, progress is recognized in the field of political rights, that anyway are generally upheld. Some progress is recognized also in certain economic and social rights (like gender equality, children's rights, anti-discrimination policies), while policies targeting socially vulnerable and/or persons with disabilities are still weak. Moderate progress is recognized in the field of the protection of minorities.

In terms of economic criteria, macroeconomic stability has been maintained notwithstanding the global economic crisis, Anyway the relatively high and rising government debt is a source of macro-financial vulnerability.

The ability to take on the obligations of membership, articulated in the 33 *acquis* chapter, is summarized in the next table. Overall, Albania's approximation to the *acquis* is not very advanced, but progress has been made in almost all fields.

Albania's ability to take on the obligations of membership

Chapter	State of the art
Chapter 1: Free movement of goods	Some progress has been made in the standardization procedure for the free movement of goods. Preparations are moderately advanced
Chapter 2: Freedom of movement for workers	There has been little progress and preparations are not very advanced
Chapter 3: Right of Establishment and freedom to provide services	There has been some progress, but preparations are still at an early stage
Chapter 4: Free movement of	There has been progress in legislative measures. Preparations in the area are

capital	moderately advanced
Chapter 5: Public Procurement	There has been little progress. Overall, preparations are moderately advanced
Chapter 6: Company Law	There has been some progress; overall, preparations are moderately advanced.
Chapter 7: Intellectual property law	Progress has been limited and preparations are not very advanced
Chapter 8: Competition policy	Some progress can be reported, in particular in legislative alignment. Preparations are on track
Chapter 9: Financial Services	Some progress has been made, but administrative capacity in the banking and non-banking sectors remains insufficient. Overall, preparations are moderately advanced
Chapter 10: Information society and Media	Little progress has been made; preparations are not very advanced
Chapter 11: Agriculture and rural development	Progress was uneven. Efforts are needed especially in capacity-building. Overall, Albania has begun to address its priorities
Chapter 12: Food safety, veterinary and phytosanitary policy	Progress has been limited. Preparations are at an early stage
Chapter 13: Fisheries	Progress has been limited. Preparations are not very advanced
Chapter 14: Transport policy	There has been little progress, concentrated in the maritime sector. Overall preparations are not advanced
Chapter 15: Energy	Little progress can be reported and further efforts are needed, in terms of diversification, energy market reform and administrative capacity. Preparations are not very advanced
Chapter 16: Taxation	Some progress was made in this area. The alignment with the acquis is moderately advanced
Chapter 17: Economic and monetary policy	No progress has been made. Preparations are not yet sufficient
Chapter 18: Statistics	Some progress has been made, but substantial efforts are still needed. Overall preparations are moderately advanced
Chapter 19: Social policy and employment	Little progress has been made. Overall preparations are not very advanced
Chapter 20: Enterprises and Industrial Policy	Progress was made; preparations are moderately advanced
Chapter 21: Trans European Networks	Some progress was made but rail transport remains underdeveloped and further efforts are needed in the field of energy networks. Overall preparations are not very advanced
Chapter 22: Regional policy and coordination of structural instruments	Some progress has been made in the areas of regional policy and coordination of structural instruments, but considerable efforts are still needed. Preparations are still at an early stage
Chapter 23: Judiciary and fundamental rights	Some progress has been achieved, but significant gaps in the legislative framework remain. Overall preparations are not very advanced
Chapter 24: Justice, freedom and security	The country made some progress, in particular in border management, international cooperation in investigations and fight against organised crime. Preparations are advancing.
Chapter 25: Science and Research	Little progress has been made; preparations are not very advanced
Chapter 26: Education and culture	Good progress can be reported. Overall, preparations are moderately advanced
Chapter 27: Environment and climate change	Some progress was made in the alignment with the acquis in the field of environment, but little progress was made in addressing climate change. Preparations are still at an early stage
Chapter 28: Consumer and health protection	There has been some progress but overall preparations are not very advanced
Chapter 29: Customs unions	There was progress in legislative approximation to the acquis; overall preparations are moderately advanced
Chapter 30: External relations	Albania has good cooperation within the WTO and CEFTA, but little progress was made in strengthening the administrative capacity in trade policy. Overall preparations are moderate
Chapter 31: Foreign, security and defence policy	Albania continued to align with the aquis; overall preparations remain on track

Chapter 32: Financial control	Limited progress was made, but preparations in this field are not very advanced
Chapter 33: Financial and budgetary provisions	No progress can be reported. Overall, preparations are at an early stage

2.4 Bosnia and Herzegovina

Bosnia Herzegovina is still a potential candidate country. The Stabilisation and Association Agreement has been ratified but has not yet entered into force.

The situation in the country is still complex, almost two decades since the end of the war. An international presence under UN auspices (the Office of the High Representative) has been in place in Bosnia and Herzegovina since 1995. The EU is present not only with its delegation but also with the European Union Special Representative.

In June 2012 a High Level Dialogue on the Accession Process was launched in Brussels, with representatives of the authorities and political parties of Bosnia and Herzegovina. As a result, the country's representatives agreed on a roadmap on EU integration, to implement the conditionalities for the entry into force of the Stabilization and Association Agreement and for a credible membership application. Anyway, the first timeline of the roadmap (an agreed proposal, based on political consensus, amending the Constitution to ensure compliance with the European Convention on Human Rights) was not met so far. However, the dialogue with the EU is active and fruitful.

As for the political criteria, Bosnia and Herzegovina has made little progress in establishing functional and sustainable institutions. The Parliament has made some progress in adopting EU-related legislation, while little progress was made in improving the functionality and efficiency of all levels of government, in the public administration reform, in the area of the reform of the judicial system and in the fight against corruption.

In terms of human rights, Bosnia Herzegovina has ratified all major UN and international human right conventions; anyway the implementation of human rights standards remains uneven. Civil and political rights are broadly respected, and so are economic and social rights. Protection of minorities is broadly ensured. The development of civil society requires further support.

In term of economic development and structure, according to the report Bosnia Herzegovina faces several challenges: from the weak consensus on the economic and fiscal policy, to a weak labour market; from continuous delays in the planned privatisation process to significant barriers for private-sector development and a weak and unreliable legal framework that impairs the business environment. On the other hand, the monetary and financial stability has been preserved.

The next table summarizes the capacity of Bosnia and Herzegovina to cope with European Standards, according to the 33 chapters for the approximation to the *acquis*. Although the report doesn't adopt the structure of the chapter and not all the chapters are addressed in Bosnia Herzegovina (due to the BiH's status of potential candidate), in this brief analysis we have maintained the *acquis* structure in order to make the situation easily comparable with the other Balkan countries in the different fields. The Country has a long way to go to meet European standards for membership. Overall, the report suggests that EU-related matters need to improve in order to ensure coordinated and harmonised alignment with EU legislation and to support the enlargement perspective.

Bosnia and Herzegovina's ability to meet European standards

Chapter	State of the art
Chapter 1: Free movement of goods	Some progress has been made in the field of standardisation, accreditation, conformity assessment, market surveillance and consumer protection. Overall, preparations are moderately advanced
Chapter 2: Freedom of movement for workers	No progress can be reported in this area. Preparations are at a very early stage

Chapter 3: Right of Establishment and freedom to provide services	No progress was achieved in the area of freedom to provide services; little progress was made on the right of establishment. Overall, preparations are at a very early stage.
Chapter 4: Free movement of capital	No progress can be reported; however, preparations are moderately advanced
Chapter 5: Public Procurement	There was no progress in the area; preparations are at the initial stage
Chapter 6: Company Law	-----
Chapter 7: Intellectual property law	Some progress was made; overall preparations are well advanced
Chapter 8: Competition policy	Some progress was made in the area of competition, but overall preparations remain at an early stage
Chapter 9: Financial Services	-----
Chapter 10: Information society and Media	Overall, little progress was made. Preparations remains at an early stage
Chapter 11: Agriculture and rural development	There was little progress on alignment with European standards in this area. Preparations are at an early stage
Chapter 12: Food safety, veterinary and phytosanitary policy	-----
Chapter 13: Fisheries	Little progress was made. Preparations remains at an early stage
Chapter 14: Transport policy	Little progress was made; overall preparations are at an early stage
Chapter 15: Energy	Little progress was made in the field of energy. Overall, preparations remains at an early stage
Chapter 16: Taxation	Limited progress was made in the fields of customs and taxation. Overall, preparations are at an early stage
Chapter 17: Economic and monetary policy	-----
Chapter 18: Statistics	Little progress was made; preparations are moderately advanced
Chapter 19: Social policy and employment	There was little progress on employment policy and the labour market situation did not improve. There was no progress in social policies, while some progress can be reported in public health policy. Overall preparations are at a very early stage
Chapter 20: Enterprises and Industrial Policy	Little progress can be reported on industrial policy and SME policies. Preparations remains at an early stage
Chapter 21: Trans European Networks	-----
Chapter 22: Regional policy and coordination of structural instruments	-----
Chapter 23: Judiciary and fundamental rights	-----
Chapter 24: Justice, freedom and security	Some progress has been achieved on visa policy, border management, asylum and migration, fight against money-laundering, drugs trafficking and police. Little progress was made in the fight against organized crime, terrorism and trafficking in human beings. Overall in these areas preparations are moderately advanced.
Chapter 25: Science and Research	Some progress was made on research and innovation policy. Overall, preparations are moderately advanced
Chapter 26: Education and culture	Little progress can be reported in the field of education; some progress was achieved in the field of culture. Overall, preparations are moderately advanced
Chapter 27: Environment and climate change	There was little progress in the field of environment and no progress on policy development regarding climate change. Administrative capacity in the environment sector is weak; preparations are at an early stage
Chapter 28: Consumer and health protection	-----
Chapter 29: Customs unions	-----
Chapter 30: External relations	Progress was made in the negotiations for accession to the WTO; however, there are outstanding issues in the negotiations with the US and Ukraine
Chapter 31: Foreign, security and defence policy	-----
Chapter 32: Financial control	The was some progress in this field; however, preparations are at an early stage

2.5 Kosovo

In the case of Kosovo, the European Commission has published in October 2012 a document on a “Feasibility Study for a Stabilisation and Association Agreement between the European Union and Kosovo”. The document recognizes the difficulties of the situation in Kosovo, emphasizing the issue of the Belgrade-Pristina dialogue, which has been improving since March 2011 but urgently needs to be further improved. However, it is also recognized that the signature of a Stabilisation and Association agreement with the EU could encourage the population of Kosovo towards further advancements in the relationship with Serbia, also in the Northern regions.

Overall, the report recognizes the progress made by Kosovo on its path towards EU integration and suggests that Kosovo is “largely ready to open negotiations for a Stabilisation and Association Agreement”, but it has to take important steps in the field of Rule of Law, Public administration, Protection of minorities, Trade and internal market issues, Judiciary, Electoral Reform and the Assembly, Human and fundamental rights, Phytosanitary and veterinary issues. The Commission invites Kosovo to intensify reforms in these areas in order to approximate EU integration.

The study is based on the findings illustrated in the Commission Staff Working Document of October 2012, that presents a progress report on Kosovo’s situation. As the other progress report, this document is articulated on the progress achieved by Kosovo in terms of political and economic criteria.

In terms of political criteria, and particularly democracy and the rule of law, it is recognized that Kosovo has put in place: an institutional framework for legislation and control of the executive which is based on democratic principles; the necessary institutions of the executive; an appropriate legal framework for the public administration; the constitutional and legal framework to regulate its security sector; a comprehensive legal framework for independence, impartiality, accountability and efficiency of the judicial system. Furthermore, it has achieved significant progress in terms of decentralisation. However, under the SAA all these aspects need to be further strengthened, with particular attention to the implementation phase of all the legislation. Furthermore, in view of an SAA Kosovo needs to elaborate an anti-corruption legislative framework.

In terms of human rights, it is recognized that Kosovo has a solid legal basis for the protection of human and fundamental rights, although improvements are required in the management of such legislation. Furthermore, a specific legislation guaranteeing the protection of minorities and cultural rights should be elaborated; the document emphasizes that enforcement of these rights should be supported by an adequate institutional structure.

In terms of economic criteria, “Kosovo has implemented the initial essential reforms towards establishing a fully functioning market economy. This is sufficient to establish contractual relations with countries from the Western Balkans, as stated by the Council Conclusions of April 1997” (p. 15). However, there is a long way to go for Kosovo in economic reforms, and in particular in terms of strengthening the rule of law.

The ability to approximate to European Standards is measured in terms of the ability to assume the obligations resulting from a Stabilisation and Association Agreement. It is well recognized that an SAA would offer Kosovo the opportunity to enhance a policy dialogue with the EU and to commit itself to the active promotion of regional cooperation. On the other hand, the report recognizes that to meet its obligation under an SAA Kosovo needs to ensure its commitment in several fields, to gradually approximate to the European *Acquis*.

3. The Role of International Cooperation: Evidences from SeeNet Territories

The aim of this fourth series of reports within the SeeNet programme was to analyse ongoing cooperation initiatives on the selected topics and territories, in order to: (i) better understand the cooperation framework where SeeNet initiatives were developed and (ii) identify potential partners and relevant stakeholders for future activities of Italian decentralised cooperation actors in the Western Balkan.

Although the analysis of the economic crisis was not explicitly an objective of these studies, the significant impact of the ongoing financial and economic processes on development paths and perspectives have resulted in an explicit mention of the crisis dynamics and their effects in several reports. In particular in the case of the Trebinje area, the report includes an analysis of the devastating effects of the crisis on the Municipality and the whole Herzegovina region. In the other reports, authors refer to the economic crisis more loosely: anyway it is a recurrent topic in all the analyses.

The economic crisis has affected planned investments on the territory, slowing down the development process of the various sectors that have been analysed. However, according to the authors, the crisis also represents a strong element that pushes to take further advantage of international cooperation projects as a mean to sustain ongoing development paths. In particular, IPA 2014-2020 cooperation funds are identified as key resources to support the reform and ongoing development processes in the Balkan territories.

Each report offers an overview of ongoing cooperation in the selected territory and topic, presenting some specific case studies. Some elements and insights of the reports are summarized here as follows:

In the **Skoder Region (Albania)** activities in the framework of social services are carried out according to the “Sectoral Strategy for Social Protection 2008-2013”, part of the National Strategy to achieve European standards and Millennium Development Goals. This is the reference strategy also for initiatives carried out at regional level. The Shkodra Region is trying to become the main actor in the Policy design with regards to Social protection and Social Services delivery in its territory. According to the national strategies the main priorities for the immediate future are the Decentralization of Social Services, increasing the role of Local Governments, and Deinstitutionalization of Social Services, assisting the individuals in their usual environment. Several initiatives in the social sector are carried out by different actors, including Austrian cooperation, Swiss Development Cooperation, Italian Cooperation and the United Nations. Furthermore, Shkodra is eligible in the IPA CBC Albania-Montenegro Programme, that supports territorial cooperation and includes projects focused on social services. The paper presents three case studies of specific social interventions in the framework of bigger programmes aimed at regional development: (i) an intervention on gender equality in the framework of the Regional Development Programme of the Swiss Cooperation; (ii) One Stop Shop Service (e-government) established in the framework of the Decentralisation and Local Development Programme implemented by the Swiss Cooperation and the Council of Europe; and (iii) Boosting the achievement of Albanian Millennium Development Goals and Human Development, in the framework of the Art Gold Programme, funded by the Italian Government through UNDP, UNDP HUB Geneva and UN Coherence Fund. The donors activities in Albania are coordinated by the European Commission, USAID, UNDP, Swiss Development Cooperation and Council of Europe, and the donors criteria and procedures present similarities; however, according to the report, there is still room for further harmonization and alignment of those criteria. This process should be oriented by the procedures and criteria of the most important (current and future) funds, that are those provided by IPA in the framework of the EU's enlargement policy.

Key aspects for the future of social services in Albania are the need for a stronger horizontal partnering, especially among municipalities and communes, and helping sub-national level governments to install “absorption capacity” of IPA (and hopefully in the next future cohesion policy) funds. According to the report and based on the opinion of local stakeholders, SeeNet partners had a relevant role in the past few years in strengthening local government in the Shkodra Region, in fostering inter-municipal cooperation and helping local governments towards the deinstitutionalization of social services. SeeNet activities are thus harmonized with the main priorities of Albania in the social sector. The role of SeeNet partners is seen as potentially very relevant also in the next years, not least to face new challenges and opportunities such as the development of Information and Communication Technologies for the Social Sector and the need to create synergies among local governments, civil society and private sector.

In the case of **Trebinje (Bosnia Herzegovina)**, the SeeNet programme was the first international initiative focused on the valorisation of local resources to promote rural tourism. Currently, several projects deal with rural development and rural tourism as a potential growth booster in Herzegovina. Rural tourism can represent a key strategy for the development of Herzegovina, as it involves different public and private actors and institutions towards a common goal. Although with different approaches, the projects share common goals such as sustainable development, valorisation of local resources, employability and attraction of new investments. The report concentrates on the analysis of four specific projects: (i) CREDO, a project funded by the Swedish International Development Agency, aimed at assisting small and medium enterprises and local and regional development authorities to enhance competitiveness on a regional basis; (ii) the projects POPOWO (People Organize Prevention of Water Overflow), funded by the EU and carried out by a partnership among the Local Development Agency of Mostar, the Entrepreneurship and Business Association LINK Mostar and the Centre for Development of Herzegovina, aimed at increasing the political representation of farmers, agricultural producers and local SMEs in the valorization of Popovo field resources for further rural development of the region; (iii) the Integrated Local Development Project (ILDIP), funded by the Swiss Agency for Development and Cooperation and UNDP with the goal of supporting the harmonization of local strategic planning and capacity building of local governments to manage development processes; and (iv) the project “Strengthening Local Self-Government”, funded by the German Government through the GIZ Agency and aimed at strengthening local authorities' management capacities and resources for governance, planning, budgeting and project implementation.

The main obstacle to coordination among different initiatives in the case of Bosnia Herzegovina is the lack of clear policies at the Entity and State level. In this situation, each donor keeps its own approach to rural development. As in the case of Albania, most initiatives point at IPA funds as the most important resources for the immediate future; but differently from what happens for the social services, there are no general priorities in terms of rural tourism development in the framework of the EU enlargement criteria that could guide the initiatives of international actors. However, possible partnerships among international actors should be based on the latter to support locally generated ideas, goals and projects. In the specific case of Trebinje, there is a Development Strategy for the period 2008-2017; although it has proved difficult for the local administration to implement this strategy (for a lack of resources and vision), this could represent a starting point for international donors interested in operating in the municipality. Furthermore, international donors should help improve the scarce capacities of local authorities to attract and manage international funds.

Not many international projects are underway in the **Budva Municipality (Montenegro)**, which was not direct beneficiary of any IPA-funded project. Budva is situated in Southern Montenegro, that constitutes the country's most developed region, while most of the poor population resides in the North. Furthermore, local authorities are yet to establish and build up internal capacities that would enable them to take a more proactive role in international cooperation activities. However, the long list of Budva's twin towns might represent a resource to boost international cooperation

activities in the future. On the other hand, national organizations have been more active in sustaining projects with international organizations in the field of Territorial and Environmental Planning. The report focuses on the analysis of features and outcomes of three projects, carried out at national and international level but with a direct impact on Budva's territory: (i) the programme of integrated coastal management in Montenegro (CAMP CG) launched by the Ministry of Sustainable Development of Montenegro in cooperation with the Mediterranean Action Plan (UNEP) in order to ensure a sustainable development of the coastal areas; (ii) the NAUTOR project, funded under the IPA CBC Croatia-Montenegro Programme and managed in Montenegro by the Hydro-metereological Institute and the National Tourist Organization, aimed at the joint promotion and advancement of the safety level of nautical tourism in Croatia's Dubrovnik-Neretva County and the Montenegro coast; and (iii) the “Building future – support to more transparent and accountable spatial planning and development in Montenegro” project, managed by the Ministry of Sustainable Development and the Green Home NGO with IPA funds, focused on quality production and reliable environmental impact assessments (including on Budva's territory). As for the reports of Albania and Bosnia Herzegovina, IPA resources here are identified as the most relevant source of funding for the immediate future. Key recommendations for future cooperation activities include strengthening the transfer of knowledge in absorbing EU funds in the field of spatial planning and sustainable tourism, and improving communication and cooperation among different actors, both vertically (local, national and international actors) and horizontally (institutions, civil society, private sector). A key topic could be represented by the idea of creating an integrated coastal zone management in Montenegro, due to its inherent importance for both spatial planning and tourism.

In the case of the **Pejë/Peć Municipality (Kosovo)**, a number of international actors play a key role in the development of Mountain tourism. The report concentrates in particular on three cases: (i) the Kosovo Private Enterprise Program (KPEP), carried out by USAID, that has been actively supporting the tourism sector in the Pejë/Peć region, primarily focusing on income generation activities; (ii) the regional project 2011 – 2012 carried out by GIZ (Germany) as part of its Open Regional Fund for Foreign Trade Promotion in South-East Europe. This project included activities aimed at promoting cross-border hiking tourism between Montenegro, Kosovo and Albania. The Pejë/Peć region is an integral part of this project, covering most of the Kosovo part of the hike. The project developed: a common hiking trail; common standards on marketing; signposting; unified hiking guides training; international publicity and acknowledgement; and (iii) the ‘Support to the Promotion of Cultural Diversity in Kosovo’ programme, implemented by the European Union and the Council of Europe to support capacity development, education and public awareness, local economic development and community well-being, including the promotion of cultural tourism, cultural heritage and diversity in the Pejë/Peć region. The Municipality of Pejë/Peć is the main public institution responsible for mountain tourism in the region and has proven to be a good partner for international organizations, playing an important role in coordinating and guiding the development of the tourism sector. A better coordination among different donors should be based on cooperation with the Municipality, and, according to the report, should focus on three priorities: 1) support Kosovo as a tourist destination as part of the Western Balkans/South Eastern Europe; 2) concrete activities rather than the development of government policies, legislation and strategies; 3) the private sector development, in order to guarantee sustainability to the initiatives relying on other resources than the local insufficient public budget.

In **Vojvodina (Serbia)** several international projects support local economic development. According to the report, these projects can be distinguished based on geographical coverage (country-wide projects, geographically disbursed projects, geographically concentrated projects) or on the nature of intervention (Preparation of strategic and action plans for local development, Capacity building for Project Cycle Management, Development of Infrastructure, Establishing Local Economic Development offices). The report is focused on the analysis of the following projects: (i) the Integrated Regional Development Plan of the Autonomous Province of Vojvodina, a joint initiative by the Government of Vojvodina and the Austrian Development Agency aimed at

supporting the implementation of the provincial development plan; (ii) the Regional Integrated Programme of economic and social cooperation (PRICES), funded by the Italian Government through the APQ Balkans to create dynamic partnerships between Italian and Serbian companies; and (iii) the project Assistance to the Competitiveness and Compatibility for the EU of Serbian SME (ACCESS), implemented by the German GIZ in partnership with the Ministry of Finance and Economy of the Government of Serbia, with the aim of enhancing competitiveness of Serbian SMEs in regional and EU markets. According to the report, the main challenge for future cooperation activities is to concentrate on the needs of the private sector, also stimulating the creation of public-private partnerships and joint ventures between local and foreign partners. The private sector in Vojvodina needs assistance also in terms of representation and association mechanisms, and local self-government should be supported in order to be able to offer evidence-based local development policies.

Finally, the **Istria County (Croatia)** has a very strong international profile, with around 155 international projects underway (mainly funded by the EU but also by different sources). The preservation and valorisation of the cultural and environmental heritage are key topics across many of these projects, as that heritage is recognized as one of the main assets of the Istria County. Furthermore, the County participates in several international fora and initiatives that include the topic of environmental and cultural protection. The case studies are focused on EU-funded projects, also keeping in mind the impending enlargement of the European Union to Croatia (July 2013). In particular, the paper includes an analysis of the following projects: (i) the REVISTAS project (Revitalisation of the Istrian Hinterland and tourism in the Istrian Interland), funded in the framework of the IPA CBC Slovenia-Croatia Programme, with the aim to create «Istria» as a recognizable joint cross-border tourist destination; (ii) the AMAMO project (Through the Sea and the Mountains), funded in the framework of the Interreg IIIA Adriatic/Phare 2005, aimed at fostering in the European tourism market the opportunities deriving from cross-border local resources of maritime and mountain areas; (iii) the County Waste Management Centre (CWMC) Kastijun project, co-funded under the IPA III B (Environment), aimed to create a modern landfill facility to cover the needs of the County of Istria; and (iv) the AdriaMuse project, financed through the CBC IPA Adriatic 2007-2013 and aimed at the harmonization of culture and tourism among partner territories, with museum heritage as the focal point. By joining the EU, Croatia will become part of the European Common Market, removing border barriers and opening possibilities for further cooperation. Furthermore, the Country will have access to the EU structural funds, a key source for financing development projects. In the field of culture and in terms of international cooperation, the department of Culture of Istria County has proven to be an active partner; a further decentralization of Croatia is expected to bring fiscal decentralization, that will open new possibilities for local and regional development. Important future challenges are represented by the enhancement of private sector investments in culture and of networks among cultural artists and workers. The field of environment international cooperation – and especially cross-border cooperation – will be very relevant also in the future, due to the transnational nature of the Adriatic basin.

Overall, the analysis of cooperation projects shows that different cooperation initiatives are underway in all the selected territories covered by SeeNet activities. Consequently, several opportunities arise for further cooperation of Italian decentralised cooperation actors in the future. All the reports put forward final reflections on the activities carried out within the SeeNet programme, trying to identify possible convergences and complementarities with other ongoing projects in similar topics that might improve the impact of cooperation projects on the development of the concerned territories. All the reports agree that the most relevant resources for the immediate future will be those available through IPA funds. Coordination of different projects should thus be based, on the one hand, on European standards and procedures in order to support the harmonization required by enlargement procedures; on the other hand, coordination should be based on needs, ideas and goals expressed at local and/or national level in the beneficiary country, in

order to support a locally owned development path. The support to the creation of local capacities in absorbing and managing external funds is a key component of this process.

The only exception to this framework is represented by Croatia, that will join the EU in July 2013 and will thus benefit of the structural funds in the 2014-2020 programming period. However, cooperation opportunities with Croatia and in particular with the Istria Region will still be very relevant, in the framework of Territorial Cooperation Objective and for the common management of the Adriatic Sea, also as a bridge between old member states and new candidate countries.

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Regional Social Policy Reform in the Dynamic of the Albanian National Social Protection Strategy

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Acronyms

AAC	Albanian Association of Communes
AAM	Albanian Association of Municipalities
ADA	Austrian Development Agency
CBC	Cross Border Cooperation
CoE	Council of Europe
SCO	Civil Society Organizations
DSDC	Department of Strategy and Donor Coordination
DLDP	Decentralization and Local Development Programme
EC/EU	European Commission/European Union
FTI	Fast Track Initiative
GoA	Government of Albania
IC / HSI	Intercooperation / HELVETAS Swiss Intercooperation
IPA	Instrument for Pre-Accession Assistance
IPS	Integrated Planning System
LGDS	Local Government and Decentralisation Strategy
LGU	Local Government Unit
MADA	Mountain Area Development Agency
MDG(s)	Millennium Development Goal(s)
METE	Ministry of Economy, Trade and Enterprise
MIPD	Multi-Annual Indicative Planning Document 2011-2013
MoI	Ministry of Interior
MoLSAE	Ministry of Labor and Social Welfare
NSDI	National Strategy for Development and Integration
OSSh	One Stop Shop
PASARP	Programme of Activities in Support of Albanian Regions and Prefectures
RDP	Regional Development Programme
RCDS	Regional Development Cross Cutting Strategy
SCO-A	Swiss Cooperation Office in Albania
SDC	Swiss Development Cooperation
SAA	Stabilization and Association Agreement
SEE	South East Europe
SWG	Sectorial Working Group
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Executive Summary

In keeping with the main objective of this research - ‘to collect and present information on cooperation experiences of different actors, in order to eventually identify opportunities of joint strategies and projects with Italian decentralised cooperation in the next future’ - this paper will draw a picture of the cooperation framework in the Region of Shkodra, in part as a result of the exploratory phase – a continuation of previous work done – and after further consultation with local actors in the Region as well as with Tirana-based stakeholders. The paper also portrays the latter’s concerns and experiences, the role they play and their contribution to the Social Policy Reform of the Region; and their common interest in the area of social planning and policies. The analysis focuses on the main steps towards the objectives of the Social Policy Reform in parallel with decentralization and de-institutionalization processes.

The City of Shkodra and the adjoining area is one of the most attractive regions in Albania. The Shkodra Region is familiar with a number of donor programs and with various external assistance instruments for social policies development with a view to optimizing the match of regional priorities and multi/bilateral donor programs/aid instruments. The European Commission, USAID, UNDP, SDC, and CoE were given the leadership of the coordination process by the donor community in-country, supported by the efforts of a number of bilateral donors and international organisations.

The report analyzes three case studies of relevant experiences in Shkodra: the **Regional Development Programme** which aims to contribute significantly to an equitable social and economic development in Shkodra, while improving ‘equal access of citizens to quality public services and economic opportunities, in particular in disadvantaged areas, by strengthening the Qarks; the **Decentralisation and Local Development Programme**, which aims to support various LGUs in developing and establishing instruments to increase local government transparency and accountability, mostly by introducing innovative communication and information mechanisms; and the **Art Gold Programme** which supports the national government in outlining and implementing decentralized and regional development policies to achieve the MDGs and contribute to the implementation of the National Strategy for Development and Integration’ goals in a coordinated way and in partnership with various stakeholders. The analysis of these cases will be focused on specific actors, their experience in the Shkodra Region, their strategies in the selected issues and future perspectives in the framework of IPA funds.

The analysis brings out the context of Shkodra Regional Cooperation in which the EC and other donors with relevant experience in social policies - in keeping with the national “Sectorial Strategy of Social Protection 2008 – 2013” and the “Strategical Concept of Shkodra Regional Development 2010 – 2016” - support the implementation of the National Strategy for Regional Development. The process of institutional strengthening of the Regions, their functioning and democratization through the European integration process, presents new challenges to the donors community, to national and local actors as well as to the business community and civil society.

While looking to the future, to the road towards the EU integration, regional development will obviously continue to be dependent on external support. In this context, the EU and other donors should already look for ways to build up ‘**absorption capacities**’ at **sub-national level** as one of the prerequisites for an effective use of development funding. Both the analysis and the lessons learned tell us that the donors should make use of existing capacities at regional level (Qarks) in the management of grant schemes. The project development up to date more and more requires that a **scaling up of some of the investments** from very local interventions to supra-local levels, from inter-municipal to regional, and from regional to inter-regional levels be considered. On the one hand this can counterbalance the fragmented and inefficient territorial administration, while on the other it can create stronger horizontal and vertical links among development actors.

1. Cooperation Activities in Shkodra in the Field of Regional Social Policy

1.1 The general framework of cooperation activities

The City of Shkodra and the adjoining area is definitely one of the most attractive regions in Albania. The European Commission, USAID, UNDP, SDC, and CoE were given leadership of the coordination process by the donor community inside the country, supported by the efforts of a number of bilateral donors and international organisations. The Shkodra Region is familiar with a number of donor programs and with various external assistance instruments in social policies development with a view to optimizing the match of regional priorities and multi/bilateral donor programs/aid instruments.

In the context of the Stabilization Association Agreement (SAA) and the EU Pre-Accession Programme, a particular relevance has been assigned to LGU's capacity strengthening. In this framework the Shkodra Regional Development strategy puts a strong emphasis on the aim of strengthening the cooperation process, in terms both of cross border cooperation and international cooperation.

In keeping with the national "Sectorial Strategy of Social Protection 2008 – 2013" and the "Strategical Concept of Shkodra Regional Development 2010 – 2016", the EC and other donors with relevant experience in social policies have ensured their support to the implementation of the National Strategy for Regional Development, facing the challenges of the region's institutional functioning, democratization and European integration. The Government has approved similar actions. The latest slogan of the Albanian Government for donor cooperation is "Bringing Policy and Practice Together" which - as stated in the latest donors round table - highlights the role of the regions in driving development. In this platform, with a special focus in Social Policies, a "*Map of Social Service tools*" is provided by the Ministry of Labor and Social Welfare (MoLSAE), with the support of National and Local Social Services, UNICEF, World Vision and the National Center for Social Studies⁴, in order to help actors working in this field.

The North of Albania, in particular the Shkodra region, remains the priority of the Development Plans of Albania. This is reflected in the **municipality of Shkodra** which is one of the most active actors in cooperation activities in the Shkodra district: it is the main urban center of this district, with a long tradition of cooperation with its northern neighbours.

A number of important projects have been implemented in the region that have to be taken into consideration in any intervention planned. These include the EC/UNDP-funded project "Integrated Support for Decentralization" for the period October 2008 – December 2012; the SDC-funded project "Decentralization and Local Development Programme in Shkodra and Lezha Region" (DLDP II) for the period March 2010 - 2013; the USAID "Local Government Programme in Albania", from September 2007 to mid-2012 (a follow-up USAID-funded programme is now beginning).

Building on strong historical ties, **Austria** has continued to support Albania's sustainable development and the EU integration efforts in such areas as good governance, regional development, social inclusion and protection, gender equality, environment and renewable energy, vocational education, water and sanitation. As part of Albania's convergence with EU standards, special attention is paid to the protection of human rights. Austria's focus has been on gender equality, women's empowerment and social inclusion.

A number of relevant programs with a special focus on Social policies have been carried out by the Austrian Cooperation together with the Swiss Cooperation. Key issues of these intervention have

⁴ <http://www.sherbimeshoqerore.gov.al/Default.aspx>

been social inclusion (through training and professional training), gender equality as well as the development of children security network.

In this context, the Regional Development Programme (RDP) - funded by two donors, the **Austrian Development Agency (ADA)** and the **Swiss Development Cooperation (SDC)** - running from 2011 to 2014, is significantly contributing to an equitable social and economic development in the Shkodra region (overall objective), while improving 'equal access of citizens to quality public services and economic opportunities, in particular in disadvantaged areas, through the **strengthening of The Qark institutions**' (programme purpose). The RDP also wants to support the Government of Albania and the Qark institutions in the process of accession to the EU. To this end and in line with the NSDI, the RDP advocates appropriate improvements of the legal framework as well as contributes to the further development of the capacities of Qarks and other relevant institutions in order to fully meet the EU standards in their regional development activities.

The North of Albania – and the Shkodra region in particular - remains a priority in the Programmes of the **Italian Cooperation**. In cooperation with AdP - Amici dei Popoli, COL'OR - Camminiamo Oltre l'Orizzonte, CARITAS SHKODRA and the local government have implemented an Integrated Rural Development Project. This programme was implemented for the period January 2009 – end 2012.

A cooperation agreement was signed between the Swiss Cooperation Development and the Ministry of Interior (4th of August 2011)⁵ aiming to strengthen and improve Local Governments' functioning in North Albania. According to this agreement the assistance will be aimed at increasing the capacities of municipalities and communes in Shkodra, which in turn will facilitate the decentralization process. A new element in this programme is the focus on sharing experience and good practices at the national level with municipalities and communes in other regions of Albania⁶. The Swiss Cooperation has also supported a Programme on "Decentralisation and Local Development – DLDP", - reacting to the Local Government's needs in the Shkodra region, aimed to improve local governance and institutionalize good management and administration of public services and responsibilities.

As part of the global development context, UNDP has promoted the achievement of the Millennium Development Goals at local level, particularly through its Local Governance Programme (LGP), while the Government of Italy financed a large programme on local economic development, the PASARP (Programme of Activities in Support of Albanian Regions and Prefectures) in the Albanian regions of Vlora, Durres and Shkodra (2000 – 2006).

The ART GOLD Western Balkans Programme in Albania (ART GOLD 2) has been funded by the Italian Government by means of a contribution to the "ART" Trust Fund of UNDP. The aim of the Programme was to consolidate successful practices and strategies already developed in Albania through UNDP's LGP (2000 – 2005) and UNOPS's PASARP (2000 – 2006) programmes.

Based on its results, as well as its objectives, targets and the additional generated expectations and identified niches, the ART GOLD 2 Programme has subsequently received support from UNDP HUB Geneva and the One UN Coherence Fund for expansion and extension. The Programme ended in 2012, but possibilities and prospects for its further extension are being discussed.

The Cross-Border Cooperation Programme Albania – Montenegro 2007-2013, which identifies Shkodra as an eligible region for funding, has, as its main goal, the promotion of cooperation between peoples, communities and institutions from bordering areas, aiming at sustainable development, stability and prosperity in the common interest of citizens of the two countries. In particular its Priority axis I is the "Promotion of regional cohesion and competitiveness through an approach that integrates economic, environmental and social development". The measure

⁵ (<http://www.osce.org/sq/albania/86416?download=true>).

⁶ (<http://www.dldp.al/>).

“Enhancing social cohesions through people-to-people actions” indicates the following activities to be implemented⁷:

Support to non government organizations active in social inclusion activities.

Education and training initiatives.

Support of joint health protection related activities.

Youth exchange activities from both sides of the border.

Organization of local exhibitions or fairs.

Bilateral actions for the joint solution of common social problems.

In the framework of the EU-funded CBC Programme, the project “Development of Local Strategies for Social Services in the Cross-Border Region” (2007-2013) is aiming at supporting Shkodra and Montenegro communities in creating and sustaining Children Friendly milieus, as well as engaging the border’s local authorities in common projects benefiting the citizens. The project aims to contribute to social development and the promotion of social cohesion in the Shkodra Region and the Ulcinj Region in Montenegro, in the mutual interest of citizens of the two countries, through the use of their social and economical assets in pursuing regional development and facilitating cross-border cooperation. The project’s specific objective is the development of a regional social strategy & plan of action with the participation of communities in accordance with national policies on regional social development; to increase public awareness on child participation, and budgeting through structured and professional information dissemination. The project promotes the “Child-Friendly City” as defined by UNICEF: A child friendly city is a local system of good governance committed to fulfilling children’s right.

1.2 Local actors of decentralized/territorial cooperation in the region

The Albanian **Ministry of Interior** plays a key role in supporting the implementation of the programmes, providing political and institutional support as well as technical and practical expertise through its consultants. The Ministry also contributes to the programmes’ sustainability, ensuring the dissemination of their results and the future use of their tools. The **Albanian Development Fund (ADF)** is a public agency with the mission of increasing sustainable economic and social development in balance with social cohesion at local and regional level. In this framework the main objectives of ADF are improvement of local public services, local government institutional strengthening, and the increase of good local governance.

The **Qarks of Shkodra** and its **Council** are the second level of local government. Their primary responsibilities are to coordinate and harmonise regional policies, carry out the functions assigned by the central government as well as those transferred to them by local governments.

The Decentralisation and Local Development Programme (2010 – 2013) has required the active involvement of the **Albanian Association of Municipalities (AAM)** and the **Albanian Association of Communes (AAC)** and foresees also a wide range of activities requiring continuous communication and the assistance of the two Associations. The latter provide in particular technical and practical expertise to the Programme and facilitate the implementation and organisation of activities at the municipal and commune level and in particular in the pilot LGUs.

The **Prefecture of Shkodra** - which represents the central government at the Qark level - is responsible for the supervision of the legal compliance of local government operations, as well as for coordinating the work of de-concentrated central government agencies.

Civil Society Organizations (CSO) based in Shkodra are active in different sectors relevant to RDP which need to be considered.

⁷ (http://www.albania-montenegro.org/en/index.php?run=spec_obj|1|1|1|1|1|3|3|1).

2. Selected Case Studies

2.1 The Regional Development Programme (RDP)

Project Purpose: the RDP aims to contribute significantly to an equitable social and economic development in the Shkodra and Lezha regions (overall objective) while improving ‘equal access of citizens to quality public services and economic opportunities, in particular in disadvantaged areas, by strengthening Qark institutions’ (programme purpose).

Duration (First Phase): January 2011-December 2014

Promoters/founders: Swiss Cooperation Office Albania; Swiss Agency for Development and Cooperation (SDC)

The main partners are: Qarks (regions) of Shkodra and Lezha; Municipalities and Communes in Shkodra and Lezha; the Ministry of Interior and DSDC. The Implementing Consortium is ÖAR-Regionalberatung, Helvetas Swiss Intercooperation and Co-Plan.

RDP is a direct response to the ambition of the Albanian Government to achieve a balanced regional development. In doing so it is also connected to the new “National Strategy for Gender Equality and Domestic Violence” (2011 – 2015) which defines the framework policy to promote gender equality. RDP interacts and works closely with a number of institutions which include MoI; METE; DSDC; Qarks of Shkodra; Municipalities and Communes of Shkodra; Local Government Associations; Prefecture of Shkodra; Albanian Development Fund; Mountain Areas Development Agency (MADA) and Civil Society Organizations.

Beneficiaries: the Shkodra and Lezha Qarks as decentralised government institutions will be the direct beneficiaries of the project, while indirect beneficiary will be a population of over 560 thousands inhabitants and their organizations consisting of 33 LGUs (5 municipalities, 28 Communes)

RDP is a *regional development project* that identifies the gender issues as a key dimension of development: not only because gender is indicated as a dimension and indirect outcome of RDP, but also because regional development is successfully achieved when all stakeholders’ groups are addressed and equity is increased. Good governance and gender-related issues are mainstreamed as transversal topics. Emphasis is also put on promoting disadvantaged areas and vulnerable groups. In this sense, the proposed partnership approach may well be focused on the poverty and gender equality dimensions.

The assessment carried out by the programme shows that while gender equality initiatives do exist in the area, they remain scattered and produce an impact only in few specific areas of the region. One of the main reasons behind this is the gap between gender equality *de jure* and *de facto*.

Selected intervention case: Gender Equality

The legal and policy framework in Albania related to gender equality has recently improved, but in general there is a poor implementation of it at local level. *Unemployment is quite high among women and they have a low representation in local governments, both at administration (somehow better) and decision-making (extremely low) levels. Women working in the public sectors are mostly involved in education and health services, while those employed in the private sector seem to be engaged in agriculture, handcraft and retail*⁸. In the latter, the rate of businesses owned by women is very low compared to the businesses owned and initiated by men. In the field of education there is no visible difference between males and females. However, very recent trends show an increase

⁸ SDC and ADA’ Gender Assessment for Shkoder and Lezhe Qark, Regional Development Programme Northern Albania, Shkoder 2011.

in dropouts among girls, especially in the more remote areas of the region, more evident in Northern areas. Attendance at vocational training is not satisfactory although there are vocational education institutions in the region. Access to urban areas (difficult mobility) was one of the main reasons.

As the gender issues remain the key to a successful development, the RDP programme's aim is to make sure that gender-sensitiveness objectives are clearly spelled out within the project framework. For this reason, a gender assessment was undertaken during the RDP inception phase in order to provide recommendations for the improvement of the RDP intervention logic. The RDP has therefore been carefully revised to include activities or aspects that directly or indirectly: 1) Improve women's access to economic opportunities; 2) improve women's access to social services; 3) Strengthen institutional mechanisms in support of gender equality at local and regional levels; 4) Enhance women's participation in decision-making at local and regional levels; and 5) Support the implementation and monitoring of gender equality commitments⁹.

The regional development concepts already existing in the Shkodra qarks seem to have a weak or not well articulated gender perspective. Given that strategies are not yet reflected in the qark councils' budgets, budgetary provisions regarding gender issues at qark level are also missing. This is true at the municipality/commune level as well. The research in both qarks has shown that very little is done to inform women. Of course this is then reflected in their low participation in projects implementation, let alone decision-making.

However, the insufficient gender mainstreaming measures and indicators in the current regional development concepts of the Shkodra qark were considered by RDP as the starting point towards radicating the gender dimension into the development efforts of the region in a comprehensive and holistic way. Based on the research, the project highlights some findings on women participation in community projects, and the type and quality of information tools that LGUs use to reach or address women. The intervention has been built over the lessons learned from previous projects which have also explored instruments to inform women on projects, their rights, opportunities for participation in project implementation, budgets, and other local government activities.

In line with the multi-scalar approach, the structure of the RDP fund has three different windows¹⁰:

Flagship Projects	Small Projects	Social Initiatives
Focus: Regional level covering the project area (Shkodra Qarks)	Focus: Sub-regional levels/areas	Focus: disadvantaged groups (youth, unemployed) and areas, non-governmental actors, women
Rationale: Implementation of projects in line with strategic priorities of existing planning documents, partnership in project implementation	Rationale: Area-based development concepts, participatory planning process	Rationale: Social innovative approaches, balanced development, empowerment.

Grant scheme for social initiatives: Social initiative projects should be selected via targeted calls for proposals, addressing specific groups of people, particularly women, young people, unemployed, people with limited capabilities (disabled) and others. During the programme's implementation (2010 -2014), round of calls for proposals should address special issues or objectives in coherence with the strategies and needs at regional or sub-regional level.

In this process, the RDP tried to harmonise as much as possible procedures and templates already used by RDF, DLDP and IPA CBC. It also prepared standardized forms for project applications,

⁹ Idem.

¹⁰ Source: Gender Assessment for Shkodër and Lezhë Qark.

assessment, contracting, and implementation, monitoring and reporting. Where appropriate, the RDP was taken into consideration as much as possible templates and models included in the PRAG.

Finally, gender and equality indicators are included in the RDP monitoring systems with specific gender-disaggregated data, so as to be able to measure progress by empirical information along the programme implementation.

The following table provides information on NGOs and women specific projects in the qark of Shkodra.

Women’s NGOs and projects implemented in Shkodra

Women NGO’s	Aim of the project
Intellectual Women of Shkodra	Awareness-raising on trafficking Training course for rural women on how to create new businesses
The Women of Shkodra	Training sessions targeting women in need
Woman to Woman	Counseling for women and girls Training sessions on domestic violence, trafficking, and gender issues Awareness-raising campaign on trafficking and prostitution
Light Steps	Engaging community members in environmental initiatives, such as creating green spaces at the neighborhood level Reproductive health Training sessions on leadership

Source: Gender Assessment for Shkodra and Lezhe Qark, Regional Development Programme Northern Albania, SDC, ADA.

The process of facts finding on gender issues gave the following outcomes: Out of the 32 LGUs addressed by the survey in Shkodra qark, 24 have replied that they involve women in the community groups/meetings (thus involving women in project cycle management), while 3 LGUs have not involved women and 5 LGUs have not answered at all. The frequency of involvement varies from “never to always” and in this range, 56% fall under the category “sometimes”. The participation of women in local council meetings is still very low. 11 LGUs (34%) out of 32 have not responded at all to this issue. Another 34% state that women participate sometimes in local councils meetings, while 28% (9 LGUs) fall under the “never” category. As for the issue of women’s participation in community meetings specifically organised for women, the situation seems to be worse, with 38% (12) of the LGUs not responding at all on this issue and another 38% falling under the “never” category¹¹.

¹¹ SDC and ADA’ Gender Assessment for Shkoder and Lezhe Qark, Regional Development Programme Northern Albania, Shkoder 2011

It appears that meetings (both in public venues and in the households), media, and publication of information in commune/municipality venues are the most widespread forms of outreach and information provided to women. However, due to the difficult journeys from one LGU to the other, even in these cases the outreach is very low (10-20% of the women – in Shkodra the average is 50% and above, even though the latter is not related to the LGUs role in informing women).

The involvement of women in projects or their information is ensured by LGUs as well as NGOs operating in the region, mainly through projects specifically addressed to women. Most NGOs, however, are based in urban areas (Shkodra), and thus their outreach is not satisfactory.

2.2 Decentralisation and Local Development Programme (DLDP)

Project Purpose: DLDP aims to support various LGUs in developing and establishing instruments to increase local government transparency and accountability, mostly by introducing innovative communication and information mechanisms *for per period March 2010 - 2013*

Promoters/funders: The Programme on “Decentralisation and Local Development – dldp”, is implemented by HELVETAS Swiss Intercooperation in synergy with the “Empowerment of Local and Regional Governance Structures” programme implemented by the Council of Europe, with the support of the Swiss Development Cooperation Agency, under the care and direct interest of the Ministry of Interior.

Partners: The main partners of the programme are: Shkodra Region, Ministry of Interior, Association of Municipalities, Association of Communes and LGU Partners.

Beneficiaries: The programme builds on the previous investments in support of the decentralization process in Albania, as well as on the efforts aimed at enabling communes and municipalities in Shkodra to improve public services, increase communication with citizens and better plan and manage local resources.

Intervention: One Stop Shop Service Establishment

One of the success story presented as “case study” is the “One Stop Shop” (OSSh), established with the objective to improve efficiency and effectiveness in service delivery and to make information accessible to all citizens including women, poor and marginalized groups. This intervention - the pilot phase of which was implemented in Dajc Commune - consists in a 9-months intervention (2011-2012). It aims to strengthen local democracy through citizen participation in decision making to enable effective local governance and quick and timely response to the needs of the community, with the specific goal of establishing a social services system for vulnerable people using OSSh.

The main activities are: Designing and developing the OSSh structure and functions; Establishing a functional and logistic citizens-oriented infrastructure; Constructing the OSSh premises; Installing hardware and IT software; Putting in place a comprehensive IT system along with its modules; Providing training for municipality key management and staff; Establishing social services with a focus on gender, using the OSSh office to effectively address the concerns of vulnerable groups.

The Project beneficiaries include: In total 114.674 inhabitants in the Municipality of Shkodra, 57,347 of which are female; 3,783 families that receive economic assistance; 1,805 inhabitants who receive disability payments; 5,083 private businesses (of which 1,936 big businesses). Businesses will receive a quick and qualitative service and direct information.

The reported achievements of these initiatives are: Staff performance meeting the needs of citizens is improved; Citizens needs are better considered; Investments and budget are discussed and shared with citizens; Quality of services is improved based on citizen’s feedback; Emigrants involvement in local governance is enabled.

This successful case elicits some considerations at this stage: There are good practices throughout the chain of e-government which need to be replicated, and that are originated by a strong and

motivated leadership ready for change; a more systemic approach with a better guidance and developed standards would speed up ICT processes; the administration's response to the new ICT development and its use is sometimes "reluctant", while citizens' reception is positive.

The programme's transversal themes are: dissemination of these good practices and centers of competencies; strengthening the AAM/AAC and good practices' influence on policy making; liaising with other donors/programmes¹².

Dldp participated in the third edition of the leading e-Democracy event in the region, which took place on 23-25 September 2012 in Ohrid, Macedonia. Developing ICT strategy to increase transparency and accountability and to promote innovative citizens communication was the core of its presentation.

2.3 Art Gold Programme

Project Purpose of the programme is supporting the national government in outlining and implementing decentralized and regional development policies to achieve the MDGs, and contributing to the implementation of the goals of the National Strategy for Development and Integration in a coordinated way and in partnership with various stakeholders as well as other thematic national development policies and strategies, in particular those of the Ministries of Health, Education, Environment and Culture.

The Programme focuses its activities in the two Regions prioritized by the Albanian Government, namely Vlora and Shkodra. Through its technical assistance, the Programme has been instrumental in the organization of regional strategic planning exercises, including the identification and implementation of strategic projects involving public, associative and private social actors, as well as the local offices and representatives of central institutions: an effort that has culminated in the formulation of Regional Strategic Planning documents for both Albanian Regions.

Period: the Programme's implementation ended in 2012 (initial year 2010), but further possibilities and prospects for extension are being discussed¹³. A Programme evaluation carried out in the first months of 2013 will enlighten in more detail and examine the adequacy of the assistance provided, in view of drawing lessons and make recommendations for improved future assistance.

Promoters/funders: the Western Balkans Programme in Albania (ART GOLD 2) has been funded by the Italian Government by means of a contribution to the UNDP "ART" Trust Fund. The Programme has subsequently received support from UNDP HUB Geneva and the One UN Coherence Fund for expansion and extension.

The aim of the Programme was to consolidate successful practices and strategies already developed in Albania thanks to UNDP's LGP and UNOPS's PASARP programmes.

The Programme is composed of three interrelated components, managed distinctly by UNDP Albania, UNOPS and UNDP HUB Geneva. UNDP Albania is responsible for the implementation of the Programme in Albania, while UNOPS is in charge of the international technical assistance and UNDP HUB Geneva provides overall guidance and coordination, as well as facilitates partnerships and collaboration with various potential development actors and institutions.

Beneficiaries: Roma and Egyptian communities (the most excluded/marginalized groups in Albania) for a total population of 9586. Other direct beneficiaries are the employees in Local Government structures, in particular women. The whole community of Shkodra is considered as an indirect beneficiary.

Intervention: Boosting the achievement of Albanian MDGs and Human Development

¹² (http://www.dldp.al/images/docs/Government_Donor_Dialogue_Issue_No_48-March_2011.pdf).

¹³ Terms of Reference for Independent External Evaluation of Art Gold 2 Programme in Albania. January 2013.

ART GOLD 2 Albania is part of the UNDP’s ART Initiative, which is intended to promote national co-operation framework programmes for governance and local development in developing countries. In line with the Programme objectives, the key achievements to date of ART GOLD 2 are intended for direct and indirect beneficiaries as highlighted above.

Among the main results achieved regarding multi-level governance, the programme continued to actively promote at central level other sectoral national development policies and strategies, in particular those related to Health, Education and Environment. The programme has ensured participation of different local, national and international actors, creating and supporting innovative partnerships within a global system of cooperation. In the MDG framework, among activities to be considered for Promotion and Exchange of Innovations is *The innovative Mother Kangaroo Technique for underweight newborn babies*. Previously implemented by the Department of Paediatrics of the Tirana Hospital, the programme was replicated in the Shkodra regional hospital with the support of the Florence Meyer Hospital, the Region of Tuscany, three health specialists from Sri Lanka's Ministry of Health and the ART Programme in Sri Lanka.

Together with UNOPS’s Universitas Programme, UNDP ART GOLD 2 has established partnerships with the Ministry of Education and Science, the Ministry of Labour and Social Affairs, with the Shkodra University, and with local authorities. The programme established successful “Universitas laboratories of local human development” in Shkodra: innovative approaches to practical professional training and applied research, in which Albanian and international students and professional interns were hosted, with the academic support of local universities. The laboratories served as “think tanks” aimed at generating ideas on regional socio-economic development and cooperation.

The main results achieved regarding public policies will serve not only for the social and economic development of the selected project areas, but also as “best examples” to be replicated in other regions of Albania. Therefore, discussions have continued with national counterparts for the potential replication and institutionalization of these structures/mechanisms. The best practices of this programme can be summarized as following:

Successful initiatives, processes or activities	Criteria of best practices		
	Integration in the local Government’s programmes, institutionalization	Empowerment of benefited population	Articulation with other actors
Creation of Albania’s first Human Laboratories of Learning	No	Yes	Yes
Facilitating dialogue at various level: national, regional, municipal, communal. Assistance in designing a unified Regional Strategic planning	No	Yes	Yes

Source: UNDP, Annual Report ArtGold2 Programm 2011-2012.

3. Indications for Future Possible Partnerships and Convergences among Cooperation Actors

3.1 Donor Coordination and the EU Financial Platform for Regional Development

The social policy reform is based on the “Sectorial Strategy of Social Protection 2008 – 2013” (SSSP) within the National Strategy for Development and Integration (NSDI), the country’s fundamental strategic document that gathers together and harmonizes both the perspective of sustainable economic and social development, and integration into the European Union. Regional Development is part of the NSDI: domestic objectives are seen as part of the EU integration process and of the achievement of Millennium Development goals. Meanwhile, this strategy will serve as a basic document in determining Policy Priorities, Medium Term Budget Programme design and orientation of donor funding, especially from the IPA EU programme for the period 2013-2020.

Coordination among projects and donors is endured at the central level through the Sectorial Working Group (SWG) on Decentralization that is co-chaired by the deputy Minister of Interior and the Deputy Country Director of the Swiss Development Cooperation in Albania. Within this working group several donors coordinate sub-thematic issues. There are three SWGs active in the Social/Human Resource Development Sector. The first one addresses “Social Protection and Inclusion”, the second one deals with “employment and VET” and the third one covers “education”. For the first SWG the UN is the lead coordinating donor while Switzerland, Austria and the EU lead the European Donors under the Fast Track Initiative (FTI¹⁴). The lead donor for the second SWG is Switzerland and the other active European donors are Austria, Germany, Italy and the EU. Finally, the third SWG is led, on the donor side, by the WB. Italy and the EU are closely associated partners under the FTI. Overall, many other donors are active in this field.

The Department of Strategy and Donor Coordination (DSDC) documents and evidences from the Italian Bilateral Cooperation show the continued investments through the years in the field of regional decentralization and in social sectors such as health and education. Albania benefits today from different EU-funded programmes, i.e IPA-CBC Adriatic; IPA CBC Albania Montenegro; SEE- South East Europe; MED-Mediterranean. A number of them have as main objective the intervention in social policies:

IPA Component I - Transition assistance and institution building, which include social inclusion and civil society development.

IPA Component II - Cross-Border Cooperation which includes investment aimed to: Enhance economic and social development in border areas; Address common challenges in public health areas; promote joint activities involving partners and border regions; Support networks between urban and rural areas; Develop cooperation in sectors such as health, culture, tourism and education; Stimulate the integration of cross-border gender equality, social inclusion etc..

Currently, under the Bilateral Cooperation in the framework of the Cross Border Cooperation Programme Albania – Montenegro, IPA 2007 – 2013, Component II – funded by the European Union – the already mentioned project “Local development strategies on social services in Shkodra and Ulcinj region” is being implemented. The project aims at developing bilateral actions for the joint solution of common social problems by promoting education and training initiatives that clearly benefit the cross-border area, in compliance with the national legislation of Albania and Montenegro related to national strategies for sustainable socio-economic development.

¹⁴ The EU Fast Track Initiative on Division of Labour and Complementarity (FTDoL) aims to support a selected group of partner countries in the process of implementing in-country Division of Labour (DoL). Albania was selected as a pilot Country for FTI/DoL where Italy acts as “facilitator”.

3.2 An overview of the SeeNet Programme activities in Shkodra

The SeeNet Programme is widely recognized and considered as very active and having an important role in the process of strengthening local government in the Shkodra Region. This recognition comes very significantly from the representatives of Shkodra Municipality, who highlight all SeeNet regional activities as well as its scope of work and objectives.

The role of SeeNet as partner is strongly emphasized in the Inter Municipal Cooperation through the programme on reinforcing local and regional government structures. This is in fact one of the objectives of SeeNet, which aims at contributing to increase the effectiveness of social policies, promoting the definition and implementation of an integrated system of social services and interventions (territorial social plan) based on public private partnership and person-centred, able to identify the needs and possible answers coming from the territory. Inter-municipal cooperation is quite a new experience for the Region of Shkodra, indeed for almost the whole of Albania. The role of SeeNet in working closely with LGUs in the de-institutionalization of services is considered as an important intervention and experience in the field of social services.

There is today an active user-friendly electronic platform that makes social service info and details accessible both to groups in need or to the suppliers and other interested actors¹⁵.

Some of the interventions under SeeNet target minors in situation of parental abandonment and confirm the double value of the projects. The programme supports the regional vocational training centre in Shkodra in order to build up a system of management, planning, and evaluation of training according to the dynamics of the local labour market, taking into account the enhancement of the decentralisation process for vocational training in keeping with the EU integration process. In addition, there are activities aimed at shaping innovative training courses by testing the intersection of work supply and demand and calibrating the effectiveness of training. SeeNet partners in this are the Regional Centre for Vocational Education and the “Light Step” Women Centre.

The SeeNet Programme also includes activities specifically aimed at establishing and strengthening a network of integrated local services working to fight violence against women. In Shkodra this action - led by the Emilia-Romagna Region – involves activities related to job-market analysis and professional training aimed at providing a way into employment for both women and youth, with particular attention to those leaving orphanages. The Programme Action also assisted the local authorities in their social planning and programming tasks at the municipal level. Some of the results of these interventions are:

- The promotion of institutional agreements for the establishment of integrated systems of social services and of various interventions;
- The professional qualification of the main public and private local operators;
- Services of work placement for disadvantaged groups in Shkodra have been qualified;
- Even though Local Governments already regulate and coordinate the participation and the role of different stakeholders based on the local strategic plan, they still do need help for more assistance in this respect.

3.3 Opportunities of future partnership in framework of EU perspective

In the current dynamics, coordinating the different roles and responsibilities at the local and central level remains the key to the success of the reform. Even though it's a hard job, the Shkodra Region is taking steps to be the main actor in the Policy Design regarding Social Protection and Social Service Delivery.

In keeping with the central level priorities, the social service reform requires two main priorities:

¹⁵ (<http://irps-al.org/db/index.php?group=20&database=Shkoder#>).

Decentralization of services – to encourage and increase the responsibility of LGUs;

Deinstitutionalization of social services by switching to “house/family” residential services within the community services, where people are assisted and supported within their usual environment.

Services do not have to be provided only by the local government, but can be offered by a mix of governmental and non-governmental providers and actors. The Shkodra Region has an intensive and dynamic financing from international donors that covers various regional development aspects. The Strategic Concept of Shkodra Regional Development 2010-2016 articulated regional development in five fields of action with their respective vision, objectives, priorities, and indicators which include social services and education training and capacity building among them. What is evident is the significant ability of LGUs to use funds to boost and achieve their social policies objectives.

While the donors’ criteria and procedures show similarities, there is still room to further harmonize and even align them, along the lines of the procedures and criteria applied by the most important (actual and future) funds, such as EU IPA. The priorities of the IPA 2012 National Programme for Albania are in line with those of the Multi-Annual Indicative Planning Document 2011-2013, which are, in the social sector: Reinforce the protection of human rights, notably for women, children and Roma, and effectively implement anti-discrimination policies; support *acquis*-related issues in social sector. The indicative financial allocation for the year 2011-2013 for the Social Development sector is 25.77 million Euro as compared with 13.40 mill Euro for the period 2007-2010.

The main objective of IPA support to this sector is prepare Albania for the implementation and management of the European Social Fund and bring the country closer to EU policies. The European Commission’s recommendations contained in the European Partnership with Albania 2011-2013 list the following priorities:

improve social protection systems and fight social exclusion;

adopt measures to increase school enrolment rates at secondary level and among children in rural areas, in particular girls, and in vocational schools;

improve the education and training system in order to increase the offer of required skills; continue efforts to improve the quality of education and training and establish a modern vocational education and training system; and continue efforts to improve the quality of education and create a modern vocational education and training system; and promote regional cooperation in the field of higher education.

Furthermore, the aim is to prevent social exclusion and develop social inclusion policies/measures for the most vulnerable groups, notably the **Roma population**, *inter alia*, and other minorities such as **Balkan Egyptians**. Finally, **equality between men and women** shall be promoted, and the fight against discrimination shall be strengthened.

The representatives from the Shkodra Municipality and other LGUs appreciate the assistance of donors in their region, highlighting their patience in dealing with some concerns or barriers in the administrative work while dealing with public financial resources, such as: following the LGUs administrative time-line which sometime is not compatible with a project time-line implementation; following administrative regulations and procedures which also sometimes create delays in achieving a particular project’s objective set, etc. It is unquestionable, however, that while municipalities and communes participate in the planning process together with the real project promoters and cooperate in identifying needs, generating project ideas and developing them, applying for funding and then implementing projects, qarks still remain without clear functions and in a vacuum of resources. The donors should make use of the existing capacities at regional level (Qarks) in the management of grant schemes. **The grant funds should be accompanied by the development of the LGUs capacity both in project cycle management and in thematic training on relevant areas of service provision.** Training should be provided to Qark experts to increase

their capacities. The transparency of the decision-making process of every grant scheme is of crucial importance.

As the Minister of MOLSAE stated during the SeeNet Conference on Decentralization of Social Services” (October 2012):

“Now, local government units should show special care and even more attention to manage actual services and raising new ones aimed at providing help to categories such as children, the elderly, persons with disabilities, etc.. This require that local units, along budget infrastructure and other voices, foresee and plan funds for social services”¹⁶.

There is evidence of the **lack of horizontal partnership**, especially among municipalities and communes. In a situation of extreme LGUs fragmentation, undefined regional scope of functions, and generally limited financial resources for development, inter-municipal cooperation (IMC) should be the first and natural way to overcome these barriers. Actually there is evidence of a successful IMC for some LGUs in Albania (*inter alia* in Shkodra). This good experience should be upgraded and applied in social services using the lessons learned from the actual achievements, the interventions which up to now have been focused on economic aspects.

Further more, **scaling up some of the investments** from a very local dimension to supra-local levels, from inter-municipal to regional, and from regional to inter-regional levels should be considered. This on the one hand can counterbalance the fragmented and inefficient territorial administration, and on the other it can create stronger horizontal and vertical linkages among development actors.

Thanks to the Information and Communication Technologies (ICT), MoLSAE has recently initiated a significant initiative in the field of social services, one step of which is the creation of the “Map of Social Service” tool which facilitates all actors operating in this field and at the same time assists society in orienting and informing them about the policy. Nowadays, developing efficient, reflective, sustainable governance mechanisms in public organizations has become a necessity. **The advancement of the Information Society** calls for involvement of diverse stakeholders including international organizations, public institutions, private sector, academia and civil society representatives. This should be addresses from both the policy and technical perspectives, as the ICT can help improve transparency, accountability and effectiveness in public institutions. The objective of this strategy is to review and coordinate the commitments related to the creation of an information-based economy, therefore ensuring a coordinated society-wide fulfillment of responsibilities of the relevant actors. This objective is part of the vision of the progress of Albania towards a knowledge-based society through a sustainable development that would lead to a society where all citizens benefit from the communications and information technologies, with the aim of increasing the level of knowledge, effectiveness and transparency in the public administration.

In pursuing these priorities there is a need for a wider participation, in particular for partnership and coordination with experienced NGOs. There are various NGOs working in the field of social services with different levels of efficacy, and the LGUs representatives recommend to avoid partnerships with any NGOs which have previously showed “weak” performances, so as to avoid disappointing results. In several LGUs – especially rural municipalities/communes – a formal NGO sector is missing. There are also open issues in the **involvement of the business community actors** in the process of regional development on the basis of common interests. More should be done to increase the private sector participation as a development actor and include it more deeply in the initiatives presented in the region. The local government is looking for more innovative ideas in the upcoming future in order to improve the business community participation in the regional development process, in particular for the deinstitutionalization of services, forcing them to listen to the community voice and needs through collaboration and partner’s cooperation.

¹⁶ (<http://www.mpcs.gov.al/zedhenesi/6-njoftime-per-shtyp/908-ministria-e-punes-dhe-ambasada-italiane-konference-per-decentralizimin->).

4. Conclusions

On the issue of decentralisation, the 2011-2013 MIPD says: “Albania is a highly decentralised country but the administrative and technical capacities at the local and regional level need to be further strengthened.” Furthermore, today local governments are in charge of delivering basic services to citizens for which considerable investments have been carried out in recent years through the state budget and EU support. Therefore, it is necessary that local government capacities in managing these services are increased, as well as the central government’s capacity to coordinate and monitor them for increased accountability.

Currently Albania is in a very important stage in the process of achieving the EU Candidate status. In this perspective cooperation initiatives should concentrate on quality institutional strengthening projects.. Regional and local development will depend for a long time on external support, and with the EU integration, the EU and other donor funds should already be looking into the best ways of **installing ‘absorption capacities’ at sub-national levels** as one of the prerequisites for the effective use of development funding.

Using the current experience of the various projects in the region of Shkodra in the framework of regional development, and in particular those dealing with social services, the most relevant recommendation for the donor community at this stage is to expand the geographical coverage and number of beneficiary institutions, promoting successful experiences of previous and current programs and projects. Even though there are LGUs where specific and/or sets of investments are carried out, the need for further implementation and investment is still widespread.

The expansion and replication of successful implementations might sometime prove difficult and suffer financial limitations as a result of the global crisis. Due to this, an efficient use of financial resources is more important than ever. Financial instruments should ensure the achievement of RD policy objectives and be applied consistently and transparently, on a competitive basis among regional/local actors. Even though the EU-IPA funds are expected to offer considerable financial support for regional development, a special focus should be placed on current and past investments in social services and capacity building in that field, so as to optimize further investments. For sustainable investments in the field of social services, domestic development needs to originate from national and sub-national efforts combined with assistance from the international donor community.

Optimizing the resources allocated to social protection services and having a result-oriented vision of public expenses, the Municipality of Shkodra highlights the need that the budget formulation process should be characterized by a more participatory approach, which implies the involvement of more actors in discussing budget allocations according to local needs and priorities. The territorial/decentralized cooperation can also be essential in assisting the horizontal context for the *harmonization of integrated decentralized social services*, therefore reducing the local level project fragmentation. Promoting the involvement of all actors - such as local communities, civil society and the business/private sector - and the improvement of partnership dialogue requires a special focus from cooperation actors on assisting the decentralization process, so as to help those actors to synergize the efforts and increase the sustainability of investments by increasing the sense of ownership.

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Rural Tourism and Local Development in a Time of Economic Crisis

Aleksandar Draganic (EDA Banja Luka)

Executive Summary

The ongoing economic crisis has had devastating effects on the Trebinje Municipality and the Herzegovina Region. The crisis has affected planned investments in rural development and tourism in the selected territory. The latest figure for 2011 shows that the average official unemployment figure for Trebinje is more than 20% higher than the average for the Republic of Srpska and Bosnia and Herzegovina. It is evident that rural tourism in Trebinje and Herzegovina is an important factor in the revitalization and sustainable development of rural areas. However, rural tourism in Trebinje and in the rest of Herzegovina is still in its early stage and presents a great potential which has not been given enough attention so far.

The SeeNet programme has been the first international initiative focused on the valorisation of local resources in the promotion of rural tourism in the Trebinje area. The project has generated many positive results but it seems that those results will not be sustainable in the long run due to the lack of municipal commitment to a new economy based on tourism, rural development and valorization of local resources which has been Trebinje's strategic goal for the period 2008-2017. Recovery of large industrial enterprises was seen as more significant than transformation of the local economy. Also, there is an open dispute between Trebinje and the Dubrovnik area that prevents further normalization of relations and joint initiatives in tourism¹⁷.

Other international/donor projects have targeted the aspect of local (rural) development and (rural) tourism as a potential growth area in Herzegovina. In this report, we have focused on four projects: CREDO Herzegovina (SIDA), Integrated Local Development Project – ILDP (UNDP), Strengthening Local Self-Government – SLS (GiZ) and People Organize Prevention of Overflow Water - Popowo (EU through LDA Mostar and Link Mostar). The economic crisis has had adverse effect on these efforts. However, it can be seen that all those approaches, in spite of their differences, have at least several common goals – based on sustainable development, focused on the valorisation of local resources and on the search for new investments and employment creation. It should be noted that everybody perceives future EU funds as the main source for further development of the region, while private investments are sporadic and insufficient.

Possible partnerships among cooperation actors in the Trebinje Municipality and the Herzegovina region are based on their attitudes to support locally generated ideas, goals and projects. Trebinje's development strategy in the period 2009-2017 has identified 91 priority projects. Whether cooperation initiatives are funded by bilateral or multilateral donors, it is evident that all interventions need to be based on the same strategic documents that were produced by local authorities and higher level governments.

¹⁷ See Third Seenet Report for the Municipality of Trebinje, "At the crossroads, Towards new projects for (tourism) development between Trebinje and Dubrovnik", by Aleksandar Draganic (EDA Banja Luka) (www.cespi.it/seenet.html).

1. Introduction

The SeeNet Programme has started in 2010, in the third year of the global economic crisis. At that time, nobody could predict that it would be so severe and that the consequences would last even at the beginning of 2013. The ongoing economic crisis has had devastating effects on the economy in general, and on tourism and rural development in particular. It is a well known fact that the global economic crisis has had an impact on tourism.¹⁸

Tourism is especially vulnerable to economic uncertainty and volatility for a simple reason. Most travel and tourism involves unnecessary expenses. During hard economic times people save their cash to cover the essentials of life, food, accommodation and family necessities. However, this does not mean that tourism stops. The trend shows that people continue to travel but they will travel differently from the way they do during times of economic buoyancy.

After nearly 10 years of relatively stable economic growth since mid '90s, the BiH's economic performance has deteriorated markedly, partly because of the global economic crisis but also because of the generally slow pace of transition reforms. High taxes, inefficient government spending, as well as widespread corruption, discourage entrepreneurial and economic activities. The GDP growth rate in 2010 and 2011 was around 1.0 %, while in 2009 the country endured recession with the GDP real growth dropping at -1.8 % after a 7.0 % growth in 2008¹⁹. The average official unemployment rate in 2012 was as high as 28.0 %²⁰. Per capita income, measured in purchasing power standards (PPS), decreased to 29% of the EU – 27 average in 2011 from 30% in 2010²¹. The informal economy remains quite large²².

The situation is even worse in certain regions such as Herzegovina and especially in the Eastern Herzegovina region and the Trebinje Municipality²³. The latest figure for 2011 shows that the average official unemployment figure for the Trebinje Municipality was 35.31%, which is more than 20% higher than the average for the Republic of Srpska and Bosnia and Herzegovina. The reason for these trends in Trebinje is that two big companies – Novoteks (textile) and Agrokop (agriculture) – went into bankruptcy (see graph below for number of employed and unemployed in the period 2007–2011). The global crisis coupled with the austerity measures adopted by the local government prevented Trebinje Municipality to carry out their strategic intent and change the previous development pattern that was based on the huge industrial complexes. This has had devastating effects on a new economic structure based on entrepreneurship and SMEs, which tries to use the competitive advantage of Trebinje.

¹⁸ Papatheodorou, A., Rosselló J., Xiao H., Global Economic Crisis and Tourism: Consequences and Perspectives, *Journal of Travel Research*, February 2010 vol. 49, no. 1, p. 39-45.

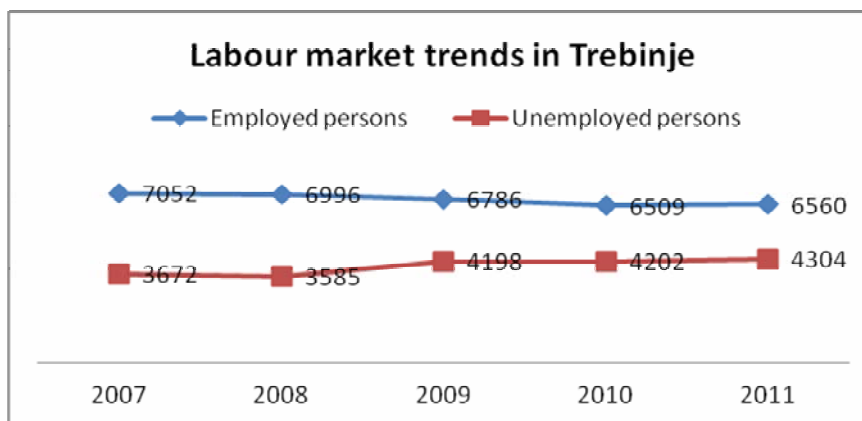
¹⁹ Source: BiH Directorate for Economic Planning.

²⁰ Unemployment rate by ILO definition, Labour Force Survey, 2012; Source: BiH Agency for Statistics, (<http://www.bhas.ba>).

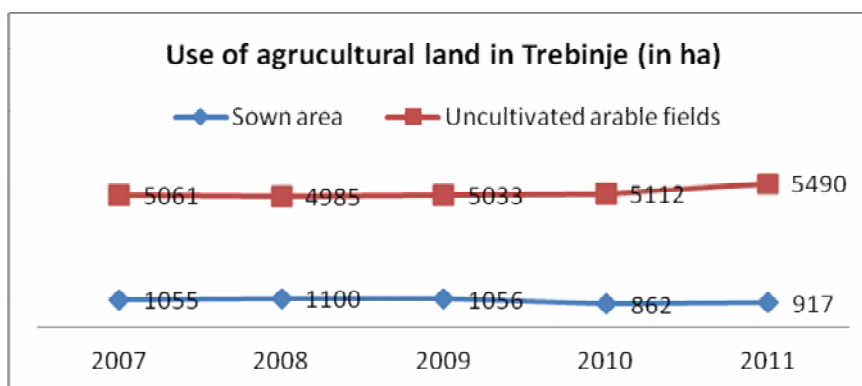
²¹ Bosnia and Herzegovina 2010 Progress Report, European Commission, October 2012.

²² The official figures from the RS statistics show that the production of wine in 2010 in the Republic of Srpska was around 400.000 liters, which is several times lower than the real production only in the municipality of Trebinje.

²³ Trebinje got the status of city in August 2012, jointly with 3 other previous municipalities (Prijedor, Bijeljina and Dobo). However, nothing has changed as far as the level of competences is concerned.

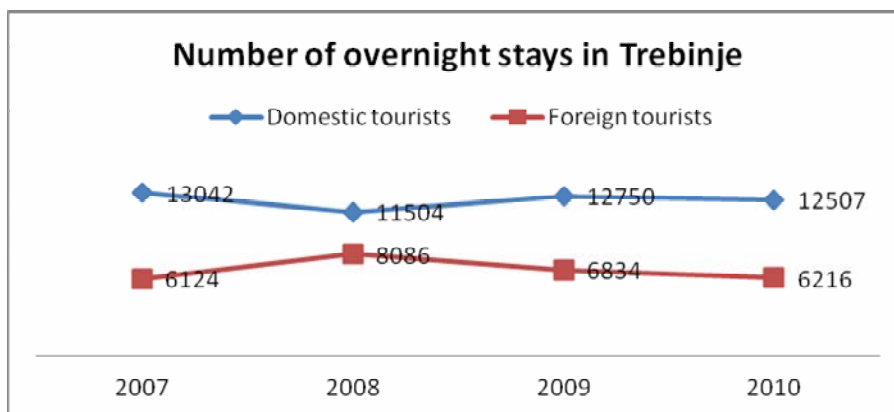


One of the biggest challenges in BiH is the considerable poverty and a widening development gap among different areas, most notably between urban centres and rural areas, characterised by social exclusion among vulnerable groups. These growing disparities reflect the concentration of economic activity and employment possibilities in several large cities, combined with the general decline of the agricultural sector which is the main income source for households in many areas country-wide. They also reflect the absence of a sustainable regional and territorial development policy.²⁴ It should be noted that, as a result of the late-2000s recession, tourism suffered a strong slowdown beginning in June 2008. This had adverse effects on prior plans for investment in agriculture and rural tourism in Trebinje and Herzegovina. Generally, total sown area in Trebinje Municipality has decreased in the period 2007 – 2011 while the uncultivated arable fields area has increased in the same period.



At the same time, the number of touristic overnight stays (both domestic and international) in the Trebinje Municipality has decreased in the period 2007–2010, which shows the impact of the economic crisis on local tourism. This has had additional negative effect on people’s incentives to consider rural development and rural tourism as an opportunity to get additional revenue sources in this sector.

²⁴ While basic elements of such a policy have been introduced by the EU some time ago, a comprehensive, consistent approach has yet to be adopted and applied by national stakeholders, especially considering forthcoming preparation of BiH for full compliance with EU policies and more particularly with the policy framework for sustainable regional development and territorial cohesion.



The economic crisis, poverty, high unemployment and lack of job opportunities have triggered political changes in the Municipality of Trebinje. The independent social democrats (SNSD) with the Mayor Dobroslav Cuk have lost elections in October 2012 after 8 years in power, while the old “hard liners” candidates - the conservative nationalists - have won the elections. This may affect negatively the cooperation efforts and the general political climate between Trebinje and Dubrovnik and the potential valorization of local resources for rural tourism.

For centuries, Dubrovnik and Trebinje had good neighbourhood relations that backed mutual exchange of goods and products, linking South with North. The 35 km distance between the two cities created certain patterns – people from Trebinje regularly went to Dubrovnik for daily visits to the seaside and shopping of luxury goods, while people from Dubrovnik regularly visited Trebinje’s market, buying local food and agricultural products. There were no borders between areas while trade, transports and tourism developed smoothly.

As the former Yugoslavia fell apart during the early 1990s, with Slovenia, Croatia, and Bosnia seeking independence, Dubrovnik and Trebinje captured the world’s attention once again. This time, it was because of the “iron curtain” that fell between these two cities/areas. Former neighbours and friends became the worst enemies. Everything stopped – trade, transports, and tourism while the area became the play yard of local warlords. The last 15 years in relations between Trebinje and Dubrovnik can be described as silent continuation of the war hostilities although small improvements were made with huge assistance from the international community and donor organisations.

However, it is still unclear how new local policies will diverge from the previous path of reconciliation and mutual cooperation in the Herzegovina/Dubrovnik area. It is evident that positive progress in the region cannot be reverted but there are possibilities to make it slower, especially after Croatia enters the EU in July 2013. Croatia's accession to the European Union introduces a number of controversies in terms of future relations between Croatia and Bosnia and Herzegovina, particularly related to the future management of the new external EU border.

2. Relevance of (decentralised) cooperation for improvement of rural tourism – the case of the Municipality of Trebinje

Rural tourism in Trebinje and Herzegovina is an important factor in the relaunch and sustainable development of rural areas, as it helps save the local identity, traditions and customs, strengthening the traditional and organic production and supporting the development of rural areas based on sustainable development. However, rural tourism in Bosnia and Herzegovina is in its early stage: it presents a great potential which has not been given enough attention so far.

The first two SeeNet reports for the Trebinje municipality²⁵ show that the potential for the valorization of local resources for rural tourism remains not used due to many factors (lack of support from upper level, prevalent focus on former industrialization patterns, lack of initiatives for agriculture production, lack of proper decentralization, etc.).

The importance of rural tourism is primarily reflected in the very important interactions between agricultural production, production of traditional products, preservation of traditions, traditional gastronomy and tourist services, or the use of existing resources. Rural tourism development is based on the concept of sustainable development. It is visible in the restoration and revitalization of traditional buildings and heritage, which are being given a new purpose – a touristic one. Rural tourism, in a completely different way, tries to unite, restore and organize the territory and to offer a completely new perspective and purpose. There is no need to build new physical infrastructure; rather, rural tourism development is faced with the challenge of using the existing structures in the best and most effective way.

In the historical center of Trebinje, in front of the Museum of Herzegovina, the SeeNet programme is supporting the local government in the intended creation of the Center for the promotion, sale and tasting of traditional Herzegovina products. The Center will be located in a building of great historical and cultural value (of the Austro-Hungarian period, it used to be a postal station for pigeons). This project gathers all local stakeholders - producers' associations and local NGOs involved in promotion activities and valorization of typical products, in close collaboration and coordination with local institutions. Small interventions of restructuring will be also conducted at the historic bell tower which is located next to the museum. It is foreseen that the bell tower and future Center for the sale and promotion of typical products will be a focus of great tourist interest in the historical center of the town of Trebinje; and from there tourists will be directed to the attractions and restaurants in the rural areas.

A complete reconstruction, evaluation and protection of touristic resources, as well as the creation of an integrated touristic offer, are associated with the programme of revitalization of rural areas through the development and branding of rural tourism destinations and rural tourism. Particularly tourism in the framework of touristic farms must be viewed as an essential component of the overall sustainable development.

Although rural tourism in Trebinje and the rest of Herzegovina is not given the necessary importance, recently - thanks to its significance in the creation of new values in rural areas - an increase is registered in the interest of public administration, local governments, institutions and individual entrepreneurs in rural areas for the development and promotion of that activity. However, further development, education, financing, promotion and cooperation are needed on different levels.

²⁵ “Local Democratic Governance in Trebinje Municipality” (November 2010) and “Decentralisation, power of self-government and multi-level dynamics in Trebinje Municipality” (May 2011). Both the reports have been realized by Aleksandar Draganic (EDA Banja Luka) and are available on the website (www.cespi.it/seenet.html).

The SeeNet programme was the first international initiative that has focused on the valorisation of local resources for the promotion of rural tourism in the Trebinje area. Through the first SeeNet Program and other initiatives of decentralized cooperation, since 2003 the Tuscany Region, the Province of Arezzo and Oxfam Italia have been contributing to the development of rural territories of Herzegovina by the promotion of producers associations, the improvement of the quality of typical food products and their promotion. The success of the first SeeNet programme was the base for the continuation of activities in Herzegovina through the project Enhancement of local resources for the development of rural tourism in the regions of Herzegovina and Dubrovnik. The project aimed to:

- Create a cross-border Wine and food route between the regions of Herzegovina and Dubrovnik through the activation of a network of public and private actors of the tourism and food sectors
- Provide training and technical assistance for the strengthening of local actors' skills on the themes of development planning of rural areas, territorial marketing and enhancement of traditional products
- Strengthen the Centres for the information, promotion and sale of traditional Herzegovina products (in Livno, Nevesinje and Trebinje).

Generally, the project outcomes are difficult to evaluate since the project activities are still in progress. However, it is clear that some of its goals will not be achieved in the planned manner – the wine and food route will be based on an “interactive map” and not on the real route, the development plans of rural areas are not formally accepted by Trebinje local authorities while the Centre for the promotion, sales and information of traditional products of Herzegovina in Nevesinje is faced with a lack of tourists, and consequently a lack of interest for additional support. It is therefore necessary to encourage stronger collaboration among all relevant institutions (higher level governments, local governments, tourist organisations, local and regional development agencies, professional institutions, NGOs and trade associations) with the purpose of initiating joint activities to develop rural tourism and elaborate a national programme (strategy) for the development of rural areas. Also, it is necessary to encourage cooperation of touristic farms and other rural entrepreneurs in rural tourism, by way of strengthening the existing and establishing new associations and cooperatives. Finally, it is necessary to stimulate a touristic demand for rural products and amenities.

A new opportunity for the promotion of the Herzegovina region and of rural tourism is seen in the EU-funded project “Environmentally Sustainable Socio-Economic Development of Rural Areas”, within which the local organisation Okusi Herzegovinu is one of nine partners of the Italian organization Slow Food. Although Okusi Herzegovinu risked failing in the last two years due to the lack of funding, a new regional project initiative is a good impetus for further work on promotion of traditional products (cheese, “Poljak” beans, honey or wine) from Herzegovina. The project started in December 2012 and it will be implemented in the next 3 years.

The overall objective of the project is to support the EU integration process by strengthening the capacity of and giving voice and visibility to CSOs in the Balkans and Turkey working in the fields of agriculture, rural development and food quality, thereby improving the delivery of Community objectives in these fields and in the protection of the environment, including biodiversity, prevention and mitigation of climate change and the sustainable well-being of local communities. To achieve the overall objective, the project predicts: to strengthen the capacities of the CSO's to provide analysis, strategic advocacy and monitoring of relevant policies; to participate in the public debate on sustainable rural development and influence policy and decision-making process; to promote better linkages between viable rural communities functioning and resilient local food system, sustainable use of the land and biodiversity conservation; and to raise awareness among citizens on the influence of public policies on their daily lives and on how they can effectively influence the policy formulation and implementation.

In Bosnia and Herzegovina and in the Republic of Srpska it is increasingly understood that sustainable development of rural areas is the only viable development solution and that it should be done through promotion of rural development and rural tourism. In this sense, the role of higher level governments (cantons, entities and state) is essential, primarily in terms of providing capital investments in infrastructure and a proper legislative framework. However, the plans of the Government of the Republic of Srpska are just something that is written on the paper, with no real and financial support for their realisation.

The SEENET Programme and the Rural Development Strategy of the Republic of Srpska

The project **Enhancement of local resources for the development of rural tourism in Regions of Herzegovina and Dubrovnik** is completely in line with the Strategic Plan of Rural Development of the Republic of Srpska for the period 2009-2015 and its strategic goal – improvement of living conditions and the introduction of greater diversity in revenue generation of the rural economy. The vision of rural development of the Republic of Srpska is based on a few important elements:

- The quality of life of the rural population should not lag behind that in the urban areas in terms of satisfying basic needs (need for education, health care, social security, transportation, proximity to markets and for financial, cultural, sports and other institutions).
- Rural areas represent vital and relatively attractive places to live and work, with opportunities for the development of various manufacturing and service activities in accordance with local conditions and needs.
- With the establishment of closer economic and infrastructural links between villages, the larger settlements and urban areas, rural areas will become an important factor in the overall material and social development of the Republic of Srpska,
- Rural areas need to be able to adapt relatively quickly to the economic, social, technological, cultural, environmental, and other changes, including mastering the principles of market economy,
- Of particular importance in rural areas is that their development maintains a balance between material progress, environmental protection and a higher degree of social stability.

Source: RS Ministry for agriculture, forestry and waters (<http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mps/Pages/Default.aspx>)

For the revitalization of rural areas it is necessary to increase their population, especially encouraging the return of those who have migrated to the cities and abroad. This is because local people are repositories of the uniqueness and particularity of tradition and lifestyle, while incoming people must acclimatize emotionally with rural areas²⁶. This is particularly important for Trebinje. According to estimates of the local administration, Trebinje had circa 30.000 inhabitants²⁷, of which over 80% living in the urban part of the municipality. Before the last war, the main migration trends in the municipality of Trebinje were from rural areas in the city.

The newly elected Mayor has recently launched an initiative to establish efficient and affordable local transport in the Municipality Trebinje. The main reason for this initiative is seen in the effort to bring back some people from the urban areas of the municipality to their rural estates in order to revitalise abandoned farms and villages. Other initiatives are still on hold due to the lack of funds.

²⁶ Touristic destinations must retain authenticity, remain faithful to their cultural traditions and on these grounds draw strength for development. Touristic stakeholders must identify and promote their local cultural values, and changes should not take place at the expense of inherited values (see in Demonja D., Ruzic P., Rural tourism in Croatia, Meridijani/IMO, Samobor/Zagreb, 2010).

²⁷ Author's interviews with local administration officials.

3. Other cooperation partners related to local and regional development in Trebinje and Herzegovina

Although a number of other international/donor projects targeted the aspect of local (rural) development and (rural) tourism as potential growth areas, the economic crisis has had adverse effect on these efforts. In spite of their differences, all approaches share at least several common goals founded on sustainable development, focused on the valorisation of local resources and the search for new investments and employment creation in the Herzegovina region.

3.1 CREDO – in search for the competitive advantage in Herzegovina

CREDO is a Sida²⁸-funded programme aimed at assisting small and medium-sized enterprises (SMEs) and local and regional development authorities in order to enhance competitiveness on a regional basis. It is being implemented by the Regional Development Association of Herzegovina (REDAH) in the period June 2010-June 2013, with cooperation from the North East Regional Development Agency (NERDA). The project purpose is to enhance the competitiveness of SMEs and local authorities in Herzegovina and thereby contribute to employment growth and poverty reduction. CREDO's objectives focus on enhancing SME competitiveness (domestically and in terms of EU trade), strengthening local government capacity to deliver a positive and competitive business environment (including attracting investment) and fostering new jobs, and maintaining/formalizing existing employment (also a competitiveness issue).

In focusing on competitiveness in terms of employment, trade, investment and local business conditions, CREDO addresses key problems facing Herzegovina today: high unemployment, low foreign investment, challenging business environment, shortages of skilled workers, and threats to trade.

At the beginning of the project, Baseline and SME Support studies were conducted as the bases for CREDO's priority sectors. They show that Herzegovina can build its own competitive advantage based on five sectors: tourism, cheese, ICT, metals and plastics. The issue of rural tourism is seen as the most important area where potential growth is foreseen. However, they have identified many problems regarding the tourism sector in Herzegovina:

- Lack of development plans in tourism and support for its implementation
- Lack of population' skills and attitudes for service provision
- Inadequate touristic and traffic infrastructure
- Lack of finance for support of investments in tourism
- Low quality level in current touristic offers
- Inexistent standards in the tourism industry
- No visible identity of Herzegovina as touristic destination
- No integrated approach toward marketing, advertising and promotion

Up to now, CREDO project has supported the creation of the “Meet-Herzegovina“ website for a complete travel experience of the country. The Meet-Herzegovina portal is designed as a specialized media for tourism, where information can be found on the overall tourist offer in Herzegovina with more than 70 tourist attractions, gastronomy and tourism news from the region. Tourism potential is of great value, and the main goal is to connect it with tourism service providers. This project provides a quality service on-line reservation system, which will unite all accommodation providers in Herzegovina.

²⁸ Swedish International Development Agency.

3.2 LDA and decentralized cooperation – beyond formal mission

The LDA network, consisting of 12 Local Democracy Agencies in the territory of former Yugoslavia, Albania, Georgia and Armenia, is co-ordinated by the Association of Local Democracy Agencies (ALDA) based in Strasbourg, with sub-offices in Brussels and Vicenza, and which also gathers over 200 partners from 21 European countries. Even though each agency has its own identity and specificities, they are all unified by a common methodology of decentralised international co-operation, which confirms the need of peace building, development and stability in Europe.

LDA Mostar was officially opened on 22nd November 2004. The Agency has been supported by numerous international partners – regions and cities, including the City of Mostar as the host partner, and the Italian Region of Puglia as the LDA Mostar leading partner. Although the mission of the LDA Mostar was defined “To support the process of democratization in the City of Mostar by strengthening good governance and capacity building of local authorities and civil society and participation of citizens in public life”, the organization became very active on the territory of the entire Herzegovina. In cooperation with other local and international organizations, LDA Mostar has implemented numerous projects in the area of citizens’ participation, local economic development, good governance, youth, gender equality, etc. The most recent initiative that covered the Municipality of Trebinje, jointly with those of Ljubinje, Ravno and Čapljina, was the Popovo project (People Organize Prevention of Overflow Water) carried out in the period March 2011-September 2012. The project aimed at increasing the political representation of farmers, agriculture producers and local SMEs in the valorization of resources of Popovo field for further rural development of the region.

LDA Mostar - with its partners Entrepreneurship and Business Association LiNK Mostar and Centre for Development of Herzegovina (CRH) - completed the implementation of the Popovo project. Its total amount was 114.200 Euro; it was financed by the European Union (90% or 102.350 Euros) and cofinanced by the Norwegian Embassy in Bosnia and Herzegovina for the amount of 11.850 Euros.

The overall objective was to strengthen the role of civil society in initiating dialogue in the area of Popovo Field in order to consolidate political participation and representation of farmers. Also, the project aimed to facilitate communication among the key stakeholders in the area of Popovo in the matter of the flooding of agricultural land in order to create a wide-ranging informal network of stakeholders and build consensus on the disputed area in Popovo Field. Enhancement of political representation and the participation of farmers, agricultural associations, cooperatives and SMEs in Popovo Field was seen as the key issue for the valorization of this vast agricultural area in the Trebinje Municipality that is constantly endangered by floods.

Although the project had many target groups from public, private and non-governmental sectors, it found out that political representation of farmers in the Popovo field is hard to articulate in the complex setup of various interests. Firstly, better cooperation is hard to obtain but is urgently needed between electricity generation and distribution public utilities from the Republic of Srpska and the Federation of Bosnia and Herzegovina. Secondly, there is an obvious predominance of public companies and institutions over the private and non-governmental sector. Thirdly, the non-governmental sector and the associations of farmers and agricultural producers are very weak in advocating changes regarding the prevention of floods and a better valorization of the Popovo field agricultural area.

3.3 The Integrated Local Development Project – UNDP’s approach to unified local development methodology in BiH

The Integrated Local Development Project (ILDP) is a joint initiative of the Swiss Agency for Development and Cooperation (SDC) and the United Nations Development Programme (UNDP)

BiH), implemented in partnership with the BiH Ministry of Human Rights and Refugees, the FBiH Ministry of Justice, the RS Ministry of Administration and Local Self-Governance and both Associations of Municipalities and Cities.

The first phase of the ILDP was launched in 2008 and in its nearly 3.5-years duration it managed to position itself as an innovative and highly relevant intervention in BiH, supporting the harmonization of local strategic planning and capacity advancement of local governments to manage development processes. Up to now, it contributed to the creation of a new generation of 23 development strategies, which - for the first time in local strategic planning practice in BiH - encompass social, economic and environmental aspects of development and are operationally linked with municipal budgets and vertically aligned with strategies of higher government levels. The Municipality of Trebinje was not in this group of municipalities since its strategic plan has been created in line with the ILDP methodology.

Project design and implementation capacities of municipal teams were strengthened via the realisation of 23 priority projects (total financial value: USD 1,397,000) originating from development strategies. A number of these projects had goals similar to the SeeNet project “Enhancement of local resources for the development of rural tourism in the regions of Herzegovina and Dubrovnik“.

Encouraging rural tourism is one of the main priorities in the development strategy of Kozarska Dubica. In light of this strategic priority, the Municipality successfully carried out the “Creation of Knežica ethno-village ” project, which resulted in the restoration of a mini ethno-village preserving the cultural, historical and work traditions of the region, the setting up of an attractive location for selling local agricultural products, as well as creating a community-gathering space. The total project value is 93,541 KM, with financial resources jointly provided by the ILDP and Kozarska Dubica Municipality.

Attitudes, understanding and “planning culture“ of local governments engaged in the project were positively changed and transformed into a forward-looking vision for the next logical actions – i.e. management and effective implementation of development strategies. It should be noted that several municipalities from Herzegovina (Nevesinje, Ljubinje, Posusje, Jablanica, Livno and Ljubuski) are now participating in the ILDP (phase 2).

The new phase (January 2012 – June 2015) will support the further consolidation of the local strategic planning system in BiH by enhancing its vertical integration within the higher government strategic and financial planning frameworks and supporting a critical mass of local governments in applying a harmonised approach to strategic planning and effectively managing local development processes in partnership with their communities. The new phase of the project is to be aligned with the ongoing strengthening of government institutions at national and sub-national levels charged with responsibilities for strategic and financial planning and coordination, as driven by the EU integration process. It should be noted that - based on the experience of new EU Member States - the ability to manage the EU pre-accession funds and later on the Structural Funds, depends to a large extent on the soundness of a country’s strategic planning framework and ability to define and align strategic priorities at all levels of government.

Generally, the ILDP does not deal with rural development or tourism per se. However, both topics are highly present in local development strategies in many local governments covered by the project since rural development or tourism represent usually a strategic goal in municipalities such as Trebinje. The project also tries to link local municipal planning with vertical strategic plans (Tourism Development Strategy in the Republic of Srpska, Rural Development Strategy in the Republic of Srpska, etc.), trying to find a unified approach for the implementation of both local and higher strategies.

Tourism development strategy in the Republic of Srpska for period 2010 – 2015

The strategy was approved by the RS National Assembly in June 2011 after almost 3 years of preparation and discussion. It represents the strategic document on which the responsible ministry will base its activities in order to realize strategic goals (improve quality of touristic products, improvement of conditions for the development of tourism, increase of turnover in tourism, and improvement of touristic offer based on sustainable development).

The strategy acknowledges the huge potential of rural tourism, especially in the Eastern Herzegovina region. It identifies the key factor for rural tourism in an integrated approach to rural development which implies the necessity for huge investments in infrastructure, accommodation facilities and education of local population. This also represents the key strategic direction for municipalities that identified their rural tourism potential during the preparation of local development strategies within the ILDP.

Finally, it should be noted that the ILDP project is implemented in line with the Reinforcement of Local Democracy (LOD) Project. The LOD is financed by the European Union (EU) funds of the Instrument for Pre-accession Assistance (IPA) for the amount of 2,000,000 EUR, and implemented by the UNDP BiH in the period December 2009 – May 2014. The project goal is to contribute to democratic stabilization, reconciliation and further development of BiH through support to selected municipalities in establishing improved local authority/civil society relations and facilitating financing mechanisms for improved service delivery. The project helps local authorities to establish permanent partnership between CSOs and local authorities, generate a unified and transparent mechanism for disbursing local budget funds designated for CSOs project activities and to encourage CSOs to specialize and professionalize their activities by adopting a longer-term planning perspective, becoming more responsive to local needs and less dependent on current donor priorities. LOD has supported many project initiatives in the area of rural tourism that were implemented by local CSOs. In the municipality of Trebinje, LOD has supported four projects in the field of youth, persons with disabilities and the environment.

3.4 Strengthening Local Self-Government – bilateral cooperation and local development

Germany is committed to assist Bosnia and Herzegovina in developing into a functioning market economy, in aligning its legal system with the European Union acquis and in overcoming the consequences of the war. To this end, the German Government has mandated several implementing agencies to conduct their development assistance in Bosnia and Herzegovina, the most important being the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. The GIZ has been working in Bosnia and Herzegovina on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) since 1995. Transforming the country's economy from a centrally planned system into a competition-based market economy, and achieving greater domestic stability and furthering economic integration with the EU are among the Government's stated objectives. Sustainable economic development (Local and Regional Economy Development), Energy Efficiency, Democracy and Civil Society through Strengthening of Local-Self Government, Strengthening of Public Institutions and Support for Adult Education have therefore been agreed as priority areas; and they provide the framework for development cooperation with Bosnia and Herzegovina.

Prior assessments show that local authorities in Bosnia and Herzegovina are poorly equipped with the management capacities and resources they need to ensure effective governance, budgeting and project implementation, to promote economic development and improve local people's living conditions. Thus, the GIZ launched the project "Strengthening Local Self-Government" in order to strengthen the local authorities' management capacities and resources for governance, planning,

budgeting and project implementation. The project duration was from January 2010 to December 2011. It should be noted that only one municipality (Municipality Ljubuski) from the Herzegovina region took part in it.

The project operated at local level in 12 medium-sized municipalities in close consultation with the partner ministries in both entities. Only one municipality – Ljubuski – was from the Herzegovina region. The aim of this technical cooperation project was to build strategic management capacities, focusing especially on combining local development strategies with gender-oriented and participatory budgeting and spatial planning. Therefore it helped improve the administrations' internal structures and governance strategies, including the coordination process with local councils and municipal committees. The project has promoted inter-communal, inter-entity cooperation with a view to boosting the efficiency and effectiveness of governance and administration. Networks are to be established between the participating local authorities and others in the wider region, in order to promote the exchange of best practices.

The areas of cooperation are decided according to the needs of the municipalities and local communities. To assess the level of local development and to identify the main problems facing local authorities, analyses of land-use planning and budgeting are being prepared. GIZ successfully completed the SLS project that was carried out by 12 partner municipalities in BiH. In the last three years about 120 participants were trained in areas such as spatial and strategic development, programme budgeting and organizational development. Also, the SLS project provided the background for a new initiative, i.e. the “Programme for Local Government and Economic Development (ProLocal)“ which was launched in January 2013. The first phase of the Programme will last until December 2015 with the participation of three different regions located throughout the entire country. The new programme of GIZ in BiH will focus on the support of the local level in strengthening the competitiveness of local self-governments. The programme provides an opportunity for the selected partner institutions to advance their position in the field of local economic development. The municipality of Trebinje is a potential candidate from the Herzegovina Region that could be included in the project in later stages.

4. SeeNet and other donor initiatives – differences and similarities

There are evident differences in approach between the SeeNet programme and other donor initiatives related to sustainable development in Bosnia and Herzegovina, particularly in the Herzegovina region. We will try to briefly summarize the most important differences and similarities.

Firstly, the SeeNet is based on the decentralized cooperation between the region of Tuscany and selected territories in Bosnia and Herzegovina. Other international/donor initiatives are based on bilateral or multilateral donors, even in the case of the LDA Mostar, which was originally established as the focal point of decentralized cooperation in the region. Secondly, the SeeNet programme with its vertical actions is more focused on a specific territory, while other bilateral and multilateral initiatives cover more diverse territorial areas, even though a number of projects were implemented in the same territory, as is the case for the LDA Mostar and Popowo project or SIDA's CREDO projects. Thirdly, the SeeNet programme has semi-formal relationship with higher level government institutions, while other bilateral or multilateral donors have closer and more formal relationship with those levels. Additionally, the SeeNet is implemented through specific arrangements with Italian and local actors, while other bilateral or multilateral donor initiatives establish more formal programme/project structures that steer project activities. Finally, the SeeNet has a most specific focus on interventions on rural tourism, while other bilateral or multilateral

donor initiatives in general have a broader focus on interventions related to sustainable development.

At the same time, there are some similarities as well between the SeeNet programme's vertical actions and other bilateral or multilateral donor initiatives. All programmes and projects are based on a comprehensive assessment and lean on the previous (donor) cooperation arrangements in the selected area. Each donor has its unique approach to rural development, and there is lack of coordination and sound policies at the entity and state level. Some donors target local development planning, others are more focused on capacity building, etc. Thus, it is evident that donor coordination is needed, at least at the consultative level²⁹. Additionally, available donor funds are mostly spent on technical assistance and project operational costs, leaving little possibility for real support and investments in the region. Finally, it is evident that all donor projects and initiatives are targeting forthcoming EU funds as the main source for future development of the region. So, they insist on the capacity building of local stakeholders for attracting funds and on the preparation of project proposals in line with the EU format³⁰.

The BiH Donor Report for 2011/2012 confirms the trend previously observed in the first SeeNet report³¹ - gradually reducing development assistance in the form of grants, alongside an increasing volume of concessionary loans. This can be seen as a natural phenomenon as Bosnia and Herzegovina moves from being perceived as a post-conflict country to a future member of the European Union. In line with this, whilst direct bilateral assistance from some countries will come to an end in the near future, assistance from many of them will continue through the auspices of the European Union³².

5. Possible partnerships and convergences among cooperation actors

Oxfam, the main implementing partner of the SeeNet's vertical action 2A (Enhancement of local resources for the development of rural tourism in the regions of Herzegovina and Dubrovnik), is closing its office in Mostar. This step, due to a change of the organisation's policy and the lack of resources for the office's further maintenance, could affect sustainability of previously achieved results under the SeeNet. However, it is evident that local partners (various NGOs, associations of wine producers and beekeepers, local authorities) still have a lot of enthusiasm to continue working on the valorisation of the rural tourism in the Herzegovina region.

²⁹ The information exchange occurs through the Donor Coordination Forum (DCF) gathering twenty major bilateral and multilateral donors that contribute to reform processes in BiH. However, this forum is more related to overall donor assistance without proper coordination between specific programmes/projects.

³⁰ Bigger EU funds are still out of reach for many local subjects in Bosnia and Herzegovina. Currently, there are 2 IPA programmes open for Bosnia and Herzegovina – Transition Assistance & Institution building and Cross Border Cooperation. Due to the fact that Bosnia and Herzegovina is not yet a candidate country, IPA programmes and funds such as Regional Development, Human Resources Development or Rural Development (IPARD) are not available yet.

³¹ "Local Democratic Governance in Trebinje Municipality" (November 2010), by Aleksandar Draganic (EDA Baja Luka), <http://www.cespi.it/SEENET/Trebinje.pdf>

³² In 2011, Spain/AECID, UK/DFID and Netherlands ceased their operations and closed offices in BiH, while Austria/ADC will gradually phase out direct bilateral technical assistance till the end of 2013.

The most interested stakeholders in rural tourism development in Trebinje are the local association of beekeepers and honey producers, as well as the local association of wine producers. They do not see alternatives for future development beyond tourism development, which will allow them to offer their products to incoming tourists. However, more support is needed to sustain their activities and initiatives in the creation of tourist infrastructures, especially in the framework of the Centre for the promotion, sale and information of traditional products of Herzegovina in Trebinje.

Beside the previously mentioned international organisations and donors (GIZ, SIDA, UNDP and EU), the USAID also plays a helpful role in the area of rural development in the Herzegovina region. Through the FARMA project, the USAID aims to increase productivity and competitiveness of SMEs in agriculture and agribusiness in order to generate employment and profitability. The FARMA efforts are used to provide targeted demand-driven assistance to agricultural associations, cooperatives, market integrators, and SMEs in targeted agriculture sub-sectors to take advantage of domestic, regional and international market opportunities. Specifically, the project seeks to improve competitiveness – facilitate creation of sustainable market linkages, help improve productivity and quality of agriculture producers and food processors, assist firms to become more competitive, improve sub-sector-related policies, and increase access to finance.

The most important players for the establishment of possible partnerships among cooperation actors are the municipalities and municipal leaderships. However, it is clear that they do not have a systematic approach to this issue, although they have approved a number of strategic documents as in the case of Trebinje Municipality.

Trebinje's development strategy in the period 2008-2017 states that the key development challenges for local authorities are:

- Conversion of comparative location and resource advantages in the competitive new economy of Trebinje – creation of new industries based on the valorisation of local resources;
- Establishment of a new economic structure, which will use the competitive advantage of Trebinje providing support to human resources, entrepreneurship and small and medium-sized enterprises;
- Restructuring the energy sector and manufacturing industry
- Strategic management of space and infrastructure that will ensure the consistent expansion of the city, protection of cultural and natural heritage, development of business zones and protection of soil quality;
- Changing negative demographic trends to ensure a stable demographic rejuvenation; and
- Strategic adjustment of education, culture and sports opportunities to the requirements of the new economy.

Anyway, almost nothing has been done in order to implement defined strategic goals. Apparently, the local administration has no resources for implementing this complex task nor it has a vision of how to do it. Municipality Trebinje is one of the few medium-size municipalities and the only regional centre in BiH that does not have a local development agency. At the same time, current municipal projects do not fully correspond to defined strategic priorities nor do the local authority try to attract international donor assistance to help them in the execution of the strategy. Finally, the municipal leadership admits that the local government does not have the capacity to prepare projects in accordance to the EU requirements and formats.

Possible partnerships among cooperation actors in Trebinje and in the Herzegovina region are based on their attitudes to support locally generated ideas, goals and projects. This means in the first place that donors and international organisations should base their activities on thorough and tailor-made assessments of local needs and views of local stakeholders. Also, they should be familiar with the

current strategic priorities in order to identify those in line with their planned intervention (programme or project). Additionally, they should help in the implementation of projects where there are problems in implementation capacities at the local level. Finally, possible partnerships are also based on donors' attitudes to coordinate their interventions in order to avoid overlaps and waste of efforts and funds.

The following matrix shows possibilities for cooperation of various identified domestic and international actors/programmes/projects based on the strategic goals defined within the Trebinje's development strategy.

	UNDP (ILDDP)	GIZ	USAID (FARMA)	SeeNet	SIDA (CREDO)	Local government	Local (NGO) associations	Private sector	Inhabitants
Conversion of comparative location and resource advantages in the competitive new economy of Trebinje;	X	X	X	X	X	X	X	X	X
Establishment of a new economic structure that will use the competitive advantages of Trebinje, providing support to human resources, entrepreneurship and small and medium-sized enterprises;	X	X	X	X	X	X	X	X	X
Restructuring the energy sector and manufacturing industry	X	X			X			X	X
Strategic management of space and infrastructure that will ensure the consistent expansion of the city, protection of cultural and natural heritage, development of business zones and protection of soil quality;	X	X		X		X		X	
Changing negative demographic trends and ensuring a stable demographic rejuvenation; and	X					X			X
Strategic adjustment of education, culture and sports opportunities to the requirements of the new economy.	X	X				X	X		X

The matrix shows that cooperation between all domestic and international actors/programmes/projects can be achieved within the strategic goal 1 (Conversion of comparative location and resource advantages in the competitive new economy of Trebinje) and strategic goal 2 (Establishment of a new economic structure that will use the competitive advantages of Trebinje, providing support to human resources, entrepreneurship and small and medium-sized enterprises).

Also, a synergy of the SeeNet with other projects and the local Trebinje government authority is identified in the strategic goals that foresee "Strategic management of space and infrastructure" that will ensure the consistent expansion of the city, protection of cultural and natural heritage, development of business zones and protection of soil quality".

The basic issue of all cooperation project initiatives in Trebinje related to rural development and rural tourism is the vast number of unemployed citizens who can add extra value in terms of valorisation of their resources (land and work). Unemployment is the top problem in the Municipality of Trebinje and the Herzegovina Region: any initiative that will create jobs is more than welcome. Most unemployed have their own abandoned land and farms that can be used for future initiatives in rural development at local level. In general, nobody is openly against rural

tourism development but some resistance can occur if local specificities and the attitudes of the local population are not taken into account. Primarily, this means that a change of mindsets and the transformation of previous patterns that were established by the process of industrialisation in the early seventies of the last century will take time.

6. Conclusion

Rural tourism in Trebinje and Herzegovina is still in its very early stages. The global economic crisis has affected the pace of development of this segment of the local economy both in the municipality and in the region. The efforts invested by the SeeNet Programme through Vertical action 2A are recognized by all stakeholders but further valorisation of local resources cannot be realized without the support of the municipal leadership and better coordination among other cooperation actors, including higher government levels. The specificity of the rural tourism development path in Trebinje is also influenced by the ongoing dispute between Trebinje and Dubrovnik which has negative effects on the overall development process.

The most important aspect of future cooperation is the joint platform on which it will be based. It should be noted that the Trebinje has its own local development plan, but many donors do not take it into account when designing their intervention. A possible partnerships among cooperation actors in the Trebinje and Herzegovina region should be based on their attitudes to support locally generated ideas, goals and projects, as described in the Trebinje development strategy for the period 2009-2017.

Nevertheless, all cooperation actors agree that the issues of rural development and tourism represent competitive advantages for the Trebinje region. Also, they all see that a new policy framework for sustainable regional development and territorial cohesion should be developed in order to build up a comprehensive and consistent approach to rural and regional development in Bosnia and Herzegovina and the use of EU IPA funds.

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Experiences and Future Opportunities on Cooperation for Local Development in the County of Istria Cultural and Environmental Protection Sectors

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Executive Summary

The purpose of this report is to give an overview of current international cooperation of the County of Istria in the sectors of culture and environment, with a focus on the cross-border cooperation established between Istria and Italian regions. Additionally, recommendations and guidelines are given on how the existing joint cooperation in these sectors can be improved and strengthened once Croatia joins the EU.

The report is divided into five main parts. The first part provides an overview of key strategic documents of the County of Istria which specify interregional, cross border and international cooperation as one of the priorities in preserving Istrian cultural heritage and abundant natural resources.

The second part gives an insight into key national documents which are the basis for establishing Croatia's cultural networks at the interregional and international level, as well as its cooperation with relevant environmental institutions from abroad. These documents are also important because they represent the basis for developing local and regional documents.

The third part is focused on international, bilateral and EU-funded projects implemented so far in the cultural and environmental sectors in Istria. Particular attention has been given to the REVITAS, AMAMO, CWMC Kaštijun and AdriaMuse projects, as they represent an example of good international cooperation and had a strong impact on Istrian culture and environment.

The fourth part is organized as a SWOT analysis and explains both the internal strengths and weaknesses and the external opportunities and threats of the current international cooperation framework in Istria's cultural and environmental sectors.

The fifth and last part of the report presents a few concluding remarks and recommendations for further international cooperation in the cultural and environmental sectors in Istria after Croatia joins the EU.

Considering the fact that Croatia is soon to become a full EU MS, this will open new possibilities for financing joint development projects for the County of Istria. In this context, Istria has started very early to prepare for the use of structural funds, in terms of strengthening its administrative capacities, learning from positive EU experiences and planning and preparing development projects aimed to be financed from the EU structural funds. These provide a great opportunity for fostering joint entrepreneurial projects between the County of Istria and Italian regions in the sectors of environment and culture, as they can be of great benefit to local communities, stimulate new and innovative business ideas and generate new business solutions.

Istria has so far been successful in building up a bilateral cooperation with Italy, also through the SeeNet Programme, which has resulted in firm links especially with Veneto and Friuli Venezia Giulia regions, it can be expected that this cooperation will positively continue after Croatia joins the EU. Istria has been the leader of cultural tourism in Croatia; however, its development has only started recently. This is where Italian entrepreneurs could see their opportunity for investments. In addition, green entrepreneurship aimed at preserving Istria's abundant natural resources is another opportunity for future investments, particularly thanks to the fact that green entrepreneurship projects are heavily supported by EU funds. The structural funds will provide much greater financial resources for cross border development projects between Istria and Italy in the sectors of culture and environment: therefore it is of the utmost importance to foster cooperation between these two regions and prepare high quality joint entrepreneurial projects to submit for financing from structural funds.

1. An overview of basic development guidelines at the county level

The Regional Operational Programme (ROP), developed in 2006 for the period until 2010 as the key strategic development document of the County of Istria, spells out Istria's multicultural tradition as a good prerequisite for further improvement of international and cross border cooperation. According to the ROP, so far a great number of development projects in the sector of culture have been successfully implemented, mainly in partnership with Slovenia and Italy. Furthermore, as stated in the SWOT analysis presented in the document, the strong already established cross border economic cooperation formed a joint cultural space between Istria and Italian and Slovenian bordering regions; and joint efforts in preserving cultural heritage represent a point of strength for the County of Istria. Thus, the latter is the most developed Croatian county when it comes to cross border and international cooperation, including the sector of culture.

Agreements with other countries have been signed mainly aimed to establish cooperation in the various fields of economy and in the sector of culture. So far, the most advanced cooperation has been achieved with Italian regions: priority areas of joint projects have been culture, tourism, fishery, rural development, etc. Cooperation with Slovenia has started in 2005, while trilateral cooperation among Slovenia, Croatia and Hungary has been developing in the sectors of culture and tourism. Under the strategic objective 2: Development of Human Resources and High Social Standard of the ROP, priority 2.4. Improving regional development management, amongst other things, defines the further improvement of cross border cooperation and strengthening capacities in local and regional self government units as an objective, so as to be able to participate in international programmes. Additionally, strategic objective 4: Recognizable Istrian identity, priority 4.2. Preservation of cultural heritage highlights the need for networking of cultural institutions, stronger cross border cooperation in the sector of culture, and the importance of improving international cooperation through joint projects. It also states that it is necessary to foster promotional activities of Istrian identity at the international level.

The *County Development Strategy* for the period 2011-2013 is the basic document for sustainable social and economic development of The County of Istria which replaced ROP. It was drafted in the partnership with the Istrian Development Agency (IDA). The County of Istria appointed a working group and established a partnership council according to the methodology recommended by the Ministry of regional development, forestry and water management (since 2011 the Ministry of regional development and EU funds). As stated in the strategy, the County of Istria is one of the Croatian counties with the most developed international cooperation, as well as developed activities which contributed to gaining knowledge and experience in the successful implementation of international cooperation.

International cooperation in the County of Istria is mostly implemented through bilateral programmes and EU funds. The total value of EU grants implemented in the pre-accession period in the County of Istria is approximately 40 million euros. Most projects were carried out in the areas of sustainable development, environmental protection, culture, tourism, supporting small and medium enterprises etc. The most common forms of international cooperation programmes in Istria include: INTERREG initiatives, programmes based on Law 84/2001 of the Republic of Italy, bilateral cooperation programmes with other EU regions (e.g. Veneto), CARDS programmes, EU pre-accession funds (ISPA, PHARE, SAPARD), Instrument for pre-accession assistance (IPA), Community Programmes (Culture, Europe for Citizens etc.).

The County of Istria also participates in the management bodies of IPA cross border programmes, that is the Adriatic cross border programme and the Croatia-Slovenia cross border cooperation through which most of individual projects in Istria are financed. In the process of using EU funds, the Department for International Cooperation and European Integration in the County of Istria is responsible for coordination and supervision of funds utilisation for all the beneficiaries at the county level, while other institutions active in international cooperation in the county include the

Istrian Development Agency (IDA), Istrian Regional Energy Agency (IRENA), Agency for Rural Development of Istria (AZRRI), etc.

The County Development Strategy defines Istria as a region of culture with a vision to become a recognizable European cultural destination. Its cultural wealth is based on the variety of its tangible and intangible cultural heritage, human resources (non-governmental organisations, institutions, individuals), numerous cultural events (programmes, exhibitions, projects, workshops, festivals etc.), and of the benefits which arise from all those cultural values such as improved quality of life, high quality of tourism offer, image of the county as a place attractive for living etc.

As stipulated by its Development Strategy, the County of Istria strives to become a dynamic region that is open to changes, but at the same time respects and preserves its traditional values. This intertwining of modern and traditional should become one of the main characteristics of the county. The goals of operating in the framework of international cooperation have been defined under the priority 3.4. *Improvement of regional development management, Intervention 3.4.3. Fostering international cooperation and cooperation with the EU institutions*. The purpose of this intervention is to foster development potential through encouraging and improving cooperation with other regions, international institutions, EU bodies and agencies, international organisations, and to increase the absorption potential of the County of Istria. The contents of interventions include setting up more intensive international, interregional (cross border, multilateral, bilateral) cooperation, establishment of various partnership models, creating networks of cooperation, exchange of knowledge and experience, education programmes abroad, creation and implementation of joint development projects and strengthening human and technical capacities for international cooperation. Under strategic priority 5 of the strategy, *Recognized Istrian Identity*, it is mentioned that nurture of the Istrian identity should be accomplished through preservation and sustainable use of biological/landscape and cultural heritage. It is stipulated that for this purpose interregional and international cultural and educational cooperation needs to be improved. Furthermore, strategic priority 4 *High Quality of Life* contains Intervention 4.2.3 which relates to the *Development of Intersectoral and International Cooperation in Culture*.

The Istria County Development Strategy for the period 2011-2013 provides an overview of the key challenges and needs faced by the county in the area of international cooperation and EU integration, which is presented in the table below.

Table 1. Key challenges and needs in the area of international cooperation and EU integration

Development issues	Development needs
Units of local and regional self-government are faced with tight budgets and insufficient financial resources due to the highly centralized state which limits their abilities for co-financing and initial financing of EU projects	Higher level of decentralization with a goal of strengthening financial and budget capacities of local and regional self-government units for the use of EU funds
Difficulties in implementing international projects due to undefined administrative and financial procedures at the national level of governance	Coherence of physical planning documentation with the possibility of using EU funds
Restrictions to employment and stimulation of human resources, including experts working on EU projects implementation	Improving the information flow and establishing permanent cooperation with the national level bodies responsible for EU programmes
Lack of communication and cooperation with national authorities responsible for planning EU pre-accession and structural funds	Enhanced involvement of all the county government departments in project implementation and establishing networking and cooperation with public institutions, NGOs and other stakeholders involved in the process of international project implementation
Insufficient engagement of some of the local and regional self-government units in the use of EU funds and other international financial resources	Harmonization of the county development needs with operational programmes and national strategies, with the goal of respecting EU regulations and using structural

	funds
Insufficient financial allocation of pre-accession EU funds reserved for local and regional self-government units	Stimulating local and regional self-government units for a higher recourse to EU programmes in financing their development needs
Lack of coordinated and planned education of human resources, especially for the use of structural funds	Systematic provision of information and education to all the stakeholders in the County of Istria in the process of utilizing EU funds
Lack of documentation for drafting projects of the required quality which would be financed by structural funds in the next planning period	Coordinated work and partnership of all the bodies in the County of Istria and in its local and regional self government units in the process of preparing development projects aimed to be financed by EU programmes
Cross border local and regional self-government units, which are economically highly dependent on cross border cooperation, are negatively influenced by the Schengen Agreement, which is applied in Slovenia	Strengthening human resources capacity in the public sector for preparation, application and implementation of EU projects
Insufficient involvement of scientific and educational sectors in the use of EU funds	Fostering targeted partnerships with other regions in order to more successfully utilize available EU funds
	Developing sustainable projects in the scope of EU pre-accession funds to serve as a basis for infrastructure projects which will be financed from structural funds
	Necessity to define roles of certain county bodies in relation to various EU programmes
	Encouraging implementation of EU projects in the fields of renewable energy sources, health and social security, research and development and new technologies

Source: County Development Strategy of the County of Istria for the period from 2011 until 2013, pg. 104.

All stated issues and needs recognised by the wider circle of stakeholders still represent a challenge for the County of Istria in the preparation and implementation of projects and international cooperation programmes. However, progress is visible from day to day due to the activities of decision-makers (local politicians) who are particularly motivated to train people to work on international cooperation projects and promote the benefits of such projects to the local community.

The *Environmental Protection Programme and Report on the State of Environment of the County of Istria* published in 2006 does not explicitly emphasize the importance of international cooperation in the sector of environmental protection; however, it does state that "effective and efficient cooperation of all the relevant actors is the main challenge and precondition of successful environmental policy" (page 79).

Considering the cultural sector, Istrian artists and cultural actors have defined the cultural priorities of the County in the *Istrian cultural strategy*, which was developed in 2009 for a period of five years. In this document, it is highlighted that Istria's cultural development should follow modern European cultural trends and enable a high quality cultural offer. The strategy is the result of the joint efforts of a working group consisting of more than a hundred Istrian artists and cultural actors. Priorities were identified for the following areas: cinema, visual arts, literature and publishing industry, theatre, new media culture, tangible cultural heritage, museums, libraries, intangible cultural heritage, culture of the Italian national minority, international cultural cooperation, intersectoral cooperation, information service, cultural amateurism and finances. Within the scope of international cultural cooperation, it is stated that it mostly takes the form of international projects, long-term programmes, platforms, networks and secondment of artists and cultural actors. According to Istria's cultural strategy, international cultural cooperation is satisfactory in its volume but not in its quality, because the influence of international artists doesn't sufficiently enrich the local cultural offer: the former should collaborate more with local artists. Moreover, local artists rarely go abroad, even though there is high interest for participation in international cultural

projects. Therefore, the strategy defines the participation of local artists in international cultural projects as modest, non-innovative and mostly concentrated in the countries of ex-Yugoslavia. In order to improve international cultural cooperation the strategy proposes high quality information service, better education and consultation services in preparation of EU funded project applications, and the establishment of a Council for International Cultural Cooperation which would support the secondment of local and international artists and cultural actors in order to exchange experiences and knowledge.

The *City of Pazin*, the administrative seat of the County of Istria, is the only town in Croatia which has developed its own cultural strategy. The strategy is a development plan for the period 2012-2016 in which culture is positioned as an important guideline in the overall development policy of the town. In this vision, Pazin is to become the town of literature in 2016. In the context of international cultural cooperation, the strategy aims to increase literary connections abroad which are expected to lead to enhanced participation in international projects, research and cultural events as well as to the establishment of long-term partnerships with cultural organisations abroad (page 5).

In September 2011 Pazin participated in the international festival of booktowns in Wuensdorf, Germany where it became a member of the International Organisation of Booktowns (IOB): an organisation of small historical towns and villages in rural areas which pay great attention to books and literature as an important part of their local economy and tourism offer. Apart from Pazin, members of this organisation are towns from the Netherlands, Norway, Switzerland, Malaysia, Italy, Belgium, the UK, Finland, Germany and Spain.

The *City of Pula* has an established international cooperation with the cities of Graz (Austria), Trier (Germany), Imola and Verona (Italy), Kranj (Slovenia), but it also has firm relations with Vienna (Austria), Segedin, Pecs and Budeors (Hungary), Sarajevo (Bosnia and Herzegovina), Veles (Macedonia) and Novorossiysk (Russia). Since 2005 Pula has also been cooperating with the Japanese city of Hekinan and the French city of Villefranche de Rouergue. Together with the latter, Pula participates in the joint project *La Boeuf a la Patate* which aims to promote the local Istrian product *istarski boškarin*. Additionally, Pula has participated in projects implemented with partners from Montenegro, Slovenia, Italy, Albania, Greece, Serbia and Bosnia and Herzegovina. In the sectors of environment and culture, the projects have been mainly related to the valorisation of natural and cultural heritage with the aim of strengthening tourism development, reclaiming of illegal waste dumps and promoting the importance of urban greenery.

The Istrian National Theatre in Pula participates in the international project "Together in the partnership" with seven other cultural associations, theatres and organisations from several European countries (Portugal, the UK, Germany, Spain, Italy). The goal of the project is to develop a common structure to conduct business together to better approach their target groups. Main activities within the project include a series of training activities, among others in the fields of cultural and environmental protection policies, which are implemented in the partner countries.

Poreč has a long-established cooperation with the towns of Siofok (Hungary) and Segrate and Massalombarda (Italy). The joint cooperation agreements highlight that mutual relations should be based, amongst other things, on economic cooperation and cultural exchange between signatory parties.

The Historical and Maritime Museum of Istria has so far established cooperation with Montenegro, Slovenia and Italy in the field of preservation and protection of civilisation and cultural heritage from prehistorical until modern times, through the organisation of joint exhibitions and the exchange of museum material.

The Archeological Museum of Istria has accomplished regional, cross border and international cooperation with peer organisations and institutions abroad through the Centre for intangible culture of Istria founded in 2011.

The Croatian Society of Visual Artists of Istria has been founded with the purpose of conservation and promotion of art and culture in Istria. One of its key tasks is to carrying out international cultural cooperation as an important factor for gaining insight into world trends and achievements in art and for assessing its own position in the context of international art and achieving the comparative advantage of its own artistic creation and its possibilities. In this context, the society organises cultural exchanges with similar organisations abroad and collaborates with galleries, cultural centres and institutions around the world and in Europe. The most successful cooperation has so far been established with the Mobius association in Boston and with German artists from the Langenfeld town.

2. An overview of basic development guidelines on the national level

The above-mentioned developmental and sectoral documents, activities and platforms, international cooperation projects and programmes, are based on national strategic documents. Therefore, the report will briefly present the most relevant national documents in the fields of cultural heritage and environment protection:

The Sustainable Development Strategy adopted by the Croatian Parliament in 2009 is the key document which directs environmental policy towards sustainable development and provides guidelines for fulfilling undertaken international obligations in the area of international cooperation and environmental protection.

The National Environmental Protection Strategy, adopted in 2002, states that the Republic of Croatia cooperates in implementing its environmental policy at multilateral, regional, bilateral and subregional level. The international cooperation on various environmental issues is coordinated by various ministries and authorised public administration bodies, including the management of financial resources, project management, development of action plans and guidelines that determine international cooperation. The strategy especially highlights the importance of bilateral cooperation, because this kind of cooperation allows the direct settlement of environmental issues. In this context, the Republic of Croatia actively participates in the Croatian-Italian-Slovenian Commission for the protection of Adriatic, and particularly in issues related to waters protection.

The strategic plan of the Ministry of Culture for the period 2012-2014 spells out vision, mission, strategic goals and specific objectives of cultural development in Croatia. Under the strategic goal 1 – *Development of cultural and artistic creation and production*, the Specific goal 1.1. *Supporting artistic creation, entrepreneurship and participation in culture*, identifies a stronger presence of Croatian arts and culture in the world as one of the means for the attainment of this specific goal, through, amongst other things, the strengthening of international cultural cooperation (page 51).

The Ministry of Environmental Protection, Spatial Planning and Construction (now Ministry of Environment and Nature Protection) in 2011 developed its Strategic Guidelines for Development of Green Economy³³ with the key goal to foster development of green entrepreneurship in Croatia. This document is an attempt at improving the investment climate in Croatia and attracting investments which would boost the economic growth. Apart from domestic financial resources, the guidelines are planned to be financed from the EU structural funds, broader international cooperation as well as from foreign direct investments (FDI). The sectors in which investments are particularly encouraged include: clean technologies, energy efficiency, green construction, sustainable tourism, ecological agriculture and transport. This document also represents an

³³ Still draft version.

alignment of Croatia to the EU “20-20-20” policy that plans to reduce greenhouse gases emissions by 20%, reach 20% of renewable energy in the total energy consumption in the EU, increase the share of renewable energy sources by 20%, all by 2020.

Croatia is also a signatory to a number of international environmental conventions, including the Convention for the Protection of the Mediterranean Sea against Pollution (Barcelona Convention)³⁴. The signatories of the Convention adopted in 2005 the Mediterranean Strategy for Sustainable Development with the key goal of stimulating partnership among Mediterranean countries. There are three inseparable pillars in the strategy: environment, culture and overall economic development in the Mediterranean region. The challenge of globalization requires broad regional cooperation in the Mediterranean region which has significantly been improved by the process of EU integration of the Mediterranean countries (Spain, Portugal, Greece, Malta, Cyprus and soon Croatia). The Mediterranean Strategy for Sustainable Development, defined in 2005, highlights the need for coordinated international cooperation in the areas of cultural diversity and the need for joint efforts of all the Mediterranean countries in order to achieve sustainable management of natural and cultural resources in the region. It is therefore expected that once Croatia becomes a EU member state, its international cooperation in the sectors of culture and environment in the Mediterranean region will significantly improve and will be strongly supported by EU assistance. The structure of the strategy is organised into four goals:

Goal 1: Contribution to economic development through increasing/strengthening of Mediterranean resources

This goal aims at stimulating regional initiatives and regional cooperation which should lead to economic growth while at the same time respecting environmental limitations.

Goal 2: Reducing social inequalities by achieving the Millennium Development Goals and strengthening cultural identities

This goal aims to improve the promotion of Mediterranean cultural diversities, cultural values and traditions. This should be achieved through cultural exchanges, the promotion of cultural tourism and a cooperation aimed at fostering the cultural heritage.

Goal 3: Changing practices of unsustainable models of production and consumption and ensuring sustainable natural resources management

The priorities listed under this goal include protection of sea, coastline, climate, air, water resources, soil and biological diversity through the promotion and greater use of renewable energy sources, clean technologies, a stronger reliance on public transport and the implementation of educational and environmental awareness-raising programmes and activities.

Goal 4: Improving management at local, national and regional levels of governance

The purpose of this goal is to support regional initiatives that would lead to better management practices and allow a deeper involvement of all the stakeholders in cultural and environmental projects implementation. The subregional and regional cooperation in the Mediterranean is also important for the exchange of knowledge between the countries, especially in the contexts of sustainable spatial planning and environmental management and in order to gain synergy effects for the effective implementation of the obligations arising from international conventions (e.g. the U.N. Framework Convention on Climate Change and its Kyoto Protocol, Convention on Biological Diversity, etc.).

³⁴ Amended and renamed in 1976 “Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean“.

3. An overview of recent initiatives and international cooperation projects in the sectors of cultural and environmental protection in the Istrian County

3.1. International cooperation and initiatives

Apart from political relations, it should be stressed that Istria has established strong cooperation links with various foreign regions which have resulted in an increase of capacities, exchange of information and transfer of knowledge. The Istrian County cooperation with other regions was also an important prerequisite for establishing economic links, attracting foreign direct investments (FDI), channelling of foreign trade and the promotion of Istrian tourism. Additionally, the connections established with Western regions contribute to the process of learning how to utilize EU cross border funds in various areas of development (environmental protection, transport infrastructure, rural development, protection of cultural heritage, etc.). Thus, the priority identified by the Istrian region is the development of international cooperation in the Adriatic region, Southeastern Europe and Central Europe.

The County of Istria is a member of a number of international organizations and networks and has established cooperation links in the framework of various international initiatives. From the perspective of cultural and environmental protection sectors, the most important organisations and initiatives that Istria belongs to include:

- *The Conference of Peripheral Maritime Regions of Europe (CPMR)* – an organisation that strives to promote a more balanced development of all Europe's regions. There are many activities in the focus of the CPMR, of which sustainable development, protection of cultural heritage and the conservation of the environment and biodiversity are priority issues.
- *The Council of European Municipalities and Regions (CEMR)* – an association of towns, municipalities and regions from 40 countries which operates in many fields of activity, including environment.
- *The Association of European Border Regions (AEBR)* – the County of Istria is not a formal member of this association but actively cooperates with its members. AEBR initiates cross border cooperation between European regions, deals with cross border and inter-regional cultural cooperation and provides support to its members in applying to EU projects, including EU-funded environmental projects.
- *WATERREGIO* – a network of European regions which represents a platform for the exchange of ideas, experiences and best practices in water management and efficient water use. The County of Istria is a co-founder of this network, together with the regions of Valencia, Murcia, Illes Balears, Veneto, Lazio, Piemonte, Calabria, Central and Eastern Macedonia and Thrace.
- *The Network of Mediterranean Model Forests (MMFN)* – through its participation in this network, the County of Istria is also part of the project which is implemented by the partnership of European regions, with the key goal of achieving sustainable development of Mediterranean forests.
- *The Adriatic Euroregion* is an important international initiative, initiated by the joint efforts of the Congress of Local and Regional Authorities of the Council of Europe, the Italian region Molise and The County of Istria. The Adriatic Euroregion was founded in 2006 in Pula as a new model of cooperation in the Adriatic region gathering 26 regional and local authorities from the countries bordering the Adriatic Sea (Italy, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Albania, Greece) and national and international institutions. It represents a framework for identifying and solving the most important common issues in the Adriatic region, mainly in the areas of peace, stability and cooperation, conservation of cultural heritage, environmental protection, sustainable economic development, tourism, agriculture, fishery, transport infrastructure and support to Adriatic countries in their efforts to join the EU.

- The County of Istria has also been directly involved into activities conducted within the Alps-Adriatic Working Community, an association comprised of cantons, counties, regions and countries belonging to the Adriatic and Eastern-Alps area. The Alps-Adriatic Working Community was established in 1978 by an agreement among cross-border regions of Italy, Austria, Germany, Hungary and former Yugoslavia. The goals of this regional initiative are to establish cross-border cooperation, preserve the region's multinational and multiethnic diversity, develop exchanges in the cross-border region, foster the Central-European cultural identity and include the region into the process of European integration. In addition, this association strives to support EU candidate countries of the Alps-Adriatic Working Community in their efforts to become full EU Member States and also fosters cooperation among its members in the joint preparation and application of project for EU funding. Amongst the various areas of cooperation, the Alps-Adriatic Working Community promotes greater cross-border cooperation in the areas of culture preservation and environmental protection.

- *The Adriatic-Ionian Macroregion* is an innovative form of territorial cooperation of different regions and nations, with balanced and sustainable development as a key goal. It is composed of national, regional and local bodies from territories of Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia and Slovenia. The basic task of the Adriatic-Ionian Macroregion is to connect the territories East of the Adriatic and Ionian sea in order to promote their sustainable development and protect their fragile sea, coastal and inland environment. The Macroregion aims to become an effective instrument for the integrated management of sectors such as transport, healthcare, the environment, culture and agricultural and rural policies.

International cooperation in the field of environment protection has also been carried out through various non-governmental and public institutions, development agencies and by units of local and regional self government. *Natura Histrica* is a public institution for the management of natural areas and other preserved natural values in the territory of The County of Istria. In the scope of its activities, *Natura Histrica* has established a good international cooperation with Slovenia. Together with Slovenian partners, it has participated in the implementation of many relevant environmental projects related to: joint management of protected natural areas, strengthening capacities and coordination in the implementation of environmental policy in the cross border area of Croatia and Slovenia, raising environmental awareness of local population, conservation of caves, strengthening visibility and promotional activities of the landscape and natural specific characters of the karst region in Istria, waste removal from caves, karst underground protection, biospeleological research, etc³⁵.

Green Istria is a non-governmental organisation founded in 1995. Its mission and goals are: protection of the environment and natural resources; encouragement of public participation in the decision-making process on the protection of the environment; informing the citizens about the issues related to the environment protection; strengthening the public's role in their constitutional rights to a healthy environment; promotion of sustainable development and strengthening the influence of the nongovernmental sector in the field of environmental protection. The activities of Green Istria consist of actions, projects and campaigns at a local, national and international level. Green Istria works together with other environmental organizations from abroad. In 2002 it was one of the founders of the international environmental association Adriatic GreeNet, which connects Slovenian, Italian and Croatian environmental protection organizations. Besides, Green Istria is a member of the South East European Environmental NGO Network (SEEENN) and the Royal Society for the Prevention of Cruelty to Animals (RSPCA).³⁶

International cooperation has been important for the County of Istria for several main reasons:

³⁵ (<http://www.natura-histrica.hr/>).

³⁶ (<http://www.zelena-istra.hr/?q=en/node/297>).

- it allows carrying out activities and projects of great importance for the County's development;
- it is a source of financing for necessary activities and projects;
- it is a way of gaining new knowledge and allows the possibility of implementing lessons learned from positive international experiences;
- it helps improve the administrative capabilities of local and regional self-government and relevant institutions;
- it helps prepare the county for the accession of Croatia to the EU.

Departments and relevant institutions of the Istria County, as well as other bodies from the public, private and non-governmental sectors, have thus participated in the EU pre-accession period in the implementation of 155 projects financed from international financial resources, mainly from EU funds, for a total value of around 40 million euros.

An overview of the most important projects that have so far been implemented in the sectors of environment and culture in Istria is presented in the tables below.

Table 2. Overview of implemented environmental projects in the County of Istria

Acronym	Project	Partners	Total value of the project (euro)	Source of financing
UNDERGROUND ISTRIA	Conservation and Sustainable Use of Natural Values in Order to Protect Drinking Water Resources and Raise Awareness of Local Population in Cross-Border Area of Istria and Karst Edge	The County of Istria; Natura Histrica	136.936,00	INTERREG III A SLO-HUN-CRO/PHARE 2006
L.O.T.O.	Landscape Opportunities for Territorial Organization	Regione Lombardia-Direzione Generale Territorio ed Urbanistica, Ministry of Cultural Heritage and Activities of the Republic of Italy, Munich Technical University, Public Institution for Spatial Planning of The County of Istria, Marche Regional Government/Urban Renovation, Housing New Technologies, Regione Umbria	1.821.900,00	INTERREG III B – CADSES
4R+3E	Mobilising of the Slovenian and Croatian Border Regions in the Use of the Concept 4R+3E in Waste Management	Zelena Istra; Pomurski Ekološki Center; Zveza Ekoloških Gibanj Slovenije; Notranjski Ekološki Center	77.770,00	INTERREG III A SLO-HU-CRO/CARDS 2004
MOJAPOU	Mobilization of the Public for Participation in the Environmental Impact Assessment	Green Istria; NGO Sunce, NGO Green Osijek, NGO Franjo Košćec, NGO Eko Pan, NGO Divina Natura	97.300,00	CARDS 2004
TREES HAVE A HEARTBEAT TOO	Trees have a heartbeat too	Put društvo za komuniciranje ambijenta Labin, Komunalni servis d.o.o. Rovinj, Grad Rovinj, Osnovna škola Jurja Dobrile Rovinj, Osnovna škola V. Nazora	81.807,50	PHARE 2006

		Rovinj, Scuola Elementare Italiana Bernardo Benussi Rovinj, Dječji vrtić Neven Rovinj, Talijanski dječji vrtić-Giardino d'Infanzia Italiano Nardiola		
PROTECT	An integrated European Model to Protect the Mediterranean Forests from Fire	Regione Marche, Provincia di Macerata, Provincial Government of Malaga, Region of Peloponnese, General Directorate on Forest Resources of Lisbon, Ministry of Agriculture, Department of Forests of Cyprus, University of Algarve, Portugal	1.876.533,00	MED PROGRAMME
AWERES	Awareness and Education in Renewable Energy Sources	NGO Društvo za oblikovanje održivog razvoja Zagreb, Put društvo za komuniciranje ambijenta Labin, Srednja škola Mate Blažine Labin, NGO Franjo Košćec Varaždin, Elektrostrojarska škola Varaždin	82.146,68	PHARE 2006
KUP	Karst Underground Protection	The County of Istria, Znanstvenoraziskovalni center SAZU, Inštitut za raziskovanje krasi, Ljubljana, Slovenija; NGO Natura Histrica, Rovinj	652.444,24	IPA CBC SLO-CRO
ŽCGO KAŠTIJUN	County Waste Management Centre Kaštijun	Ministry of Environmental Protection, Spatial Planning and Construction of the Republic of Croatia, The Environmental Protection and Energy Efficiency Fund of the Republic of Croatia, Kaštijun d.o.o., The County of Istria	41.214.000,00	IPA III B
EU.WATER	Transnational Integrated Management of Water Resources in Agriculture for the European Water Emergency Control	Provincia di Ferrara and Provincia di Rovigo, Italy; Inspectorate for Environmental Protection, Nature and Water Management of Zatisje Region, Debrecen, Hungary; University of Debrecen, Hungary; Western Macedonia region; University of Aristotle, Greece, Ministry of Agriculture of Romania, National Institute of Pedology, Romania	2.525.050,00	SOUTH EAST EUROPE
ZOOB	Pollution Reduction and Conservation of Biodiversity in Agriculture with Emphasis on Olive	Kmetijsko gozdarska zbornica Slovenije, Kmetijsko Gozdarski Zavod Nova Gorica, Slovenija; Town of	988.812,76	IPA CBC SLO-CRO

	Culture	Vodnjan; Univerza na Primorskem, Znanstveno-Raziskovalno Središče Koper, NGO Agroturist Vodnjan, Town of Krk, NGO Krka Drobница		
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Source: The County of Istria, Regionalna baza projekata, available at: <http://euprojekti.istra-istria.hr/>

Table 3. Overview of implemented projects in the sector of culture in the County of Istria

Acronym	Project	Partners	Total value of the project (EUR)	Source of financing
UC XXI	European Interdisciplinary Internet Platform Underground City XXI	Labin Arts Express XXI, LIBAT-Hybridization Laboratory for Arts and New Technologies, France; Prague College, Czech Republic, Nomad Theatre, Austria	393.498,00	CULTURE 2007-2013
HERITAGE LIVE	Heritage Live-Living, Lived, Revived Cultural Heritage	Univerza na primorskem Fakulteta za humanistične študije, Kopar, Slovenia; Mestna občina Koper; Občina Piran; Občina Izola; Society of Archive Slovenia; Faculty of Humanities and Social Sciences University of Zagreb, Croatia; Town of Buje, Town of Umag, Municipality Lanišće	351.061,46	IPA CBC SLO-CRO
INKULT	Network of valorization of the intangible cultural heritage	Verein zur Förderung des Steirieschen Vulkanlands, Austria; Municipality Tinjan, Gmina Radziechowy-Wieprz, Poland; Lispezentadorjan, Hungary; Zywiec District, Poland; Gemeinde Auersbach, Austria	149.114,65	EUROPE FOR CITIZENS
INTERADRIA	INTERADRIA: Cultural Heritage on the Adriatic	University of Padova, Dipartimento di Archeologia - Topografia Antica, Padova, Italy; Zavičajni muzej Poreštine, Poreč, Croatia	75.000,00	INTERREG III A
WELCOME	WELCOME-WATER: Element linking cities, Opportunity for Merging Europe	Municipality Sacile Italy; Municipality Brugnera, Italy; Municipality Porcia, Italy; Municipality Caneva, Italy; Municipality FontanaFredda, Italy; Municipality Beretty, Hungary; City of Novigrad, Croatia	52.332,63	EUROPE FOR CITIZENS

AMAMO	Through the Sea and the Mountains	The County of Istria, Dubrovnik Neretva county, Agency for rural development of Istria Ltd., Split Dalmatia county, BIC PINS Ltd. Skrad, Province Gorizia, Italy, Direction 3 – Territory and center of manufacturing activities and technical maintenance, Department for tourism, agriculture and manufacture, Region Puglia, Managing Department for Mediterranean, Office for cooperation with the Balkan countries, Italy, Interregional association of olive breeders-AIPO, Italy	1.260.049,04	INTERREG IIIA ADRIATIC/PHARE 2005
FRISEA	Friendship Across the Sea	Municipality Motovun, Croatia; Municipality Paxos, Greece	1.819,44	6 th FRAMEWORK PROGRAMME

Source: The County of Istria, Regionalna baza projekata, available at: <http://euprojekti.istra-istria.hr/>

3.2. EU projects

As already mentioned, Istria is one of the Croatian counties with the most developed international cooperation. This has brought on knowledge and experience in regional development and set preconditions for the drafting, application and implementation of EU-funded projects. Thus Istria is also one of the Croatian counties with the most developed activities in the framework of EU integration, and with the highest absorption capacity of EU funds. Istria has been successfully absorbing EU funds for more than fifteen years: it was the first Croatian county to adhere to the Assembly of European Regions (AER). As Croatia was getting closer to full EU membership, the importance of international cooperation activities was growing. In this context, Istria was also the first Croatian county that established and opened its office in Bruxelles in 2005. The office of the County of Istria in Bruxelles was opened in cooperation with the Italian region Friuli-Venezia Giulia, with the following objectives:

- to follow the work of the EU institutions;
- to help develop cooperation with other regions;
- to provide information on EU programmes and possibilities of financing from EU funds;
- to promote the interests of the County of Istria in Belgium;
- to promote Istria's cultural values;
- to promote investment opportunities in Istria;
- to promote Istrian tourism;
- to promote bilateral cooperation with Belgian regions;
- to organize internship and educational programmes.

In the light of Croatia's accession to the EU, the goal of the County of Istria to 2020 is to prepare the public, private, non-governmental and all the other sectors of society to life in the common EU market, as well as to make them more familiar with European policies. This is particularly related to the possibility of using EU structural funds. It is assessed that in the period 2014-2020 around 200 million euros will be earmarked from structural funds for well-prepared EU projects in Istria. As a

result of its successful use of the EU pre-accession funds, Istria has already achieved remarkable results in the area of EU-funded projects preparation and implementation. In the next future the successful preparation, application and implementation of projects aimed to be financed from EU structural funds remains a key challenge of Istria's international cooperation and EU integration policy. In order to tackle these new challenges, Istria implemented the project "Preparation of Istria for Structural Funds" in the period June 2010-February 2011. This project is a good example of how the capacities of the public, private and non-governmental sectors should be enhanced in order to fully benefit from structural funds. The project was implemented in cooperation with the Italian Veneto region and was based on the transfer of knowledge and specific skills related to EU project cycle management to various stakeholders of The County of Istria.

Due to the valuable experience in EU project cycle management gained in the pre-accession period and to the new opportunities that will become available after Croatia joins the EU, Istria might potentially get to be compared to leading European regions in terms of quality of life by 2020. .

In the following pages, four EU-funded projects will be analysed, selected on the basis of their relevance and impact for the cultural and environmental sector in Istria County.

Project REVITAS – Revitalisation and tourism in Istria's inner regions

REVITAS is a cross-border project co-financed by the EU within the Operational Programme IPA *Slovenia – Croatia 2007-2013* (IPA – Instrument for Pre-Accession Assistance), which is currently being finalised. The project included 10 partners on either side of the border³⁷; The area of project implementation is Slovenian and Croatian Istria, the duration of the project was 30 months, its total value being 1,840,362.92 EUR, 85% of which co-financed from IPA funds, whereas the partner's share accounts for 15% of the entire project value.

The project consisted of five work packages: Management and project coordination, Development of a revitalisation model of Istria's inner regions, Local activities for its revitalisation and integration into the tourist offer, Integrated development of tourist infrastructure and human resources, and Communication and public information.

The project developed a revitalisation model of Istrian inner regions, integrated tourist products, an info-center and info-point network, joint cross-border education and cultural exchanges which additionally contributed to human resources development in the border area and to the transfer of experience on development potentials of Slovenian and Croatian Istria. All project activities helped in the development of Istria as a recognizable joint cross-border destination, to cross-border tourist itineraries and routes, as well as a recognizable Istrian identity (regardless of state borders) founded on common history, but respecting local specific features, raising awareness in the local population of the value and uniqueness of Istria's inner regions

The Guidelines for the development of cultural tourism in Istrian rural areas, developed within the REVITAS project, represent a synthesis of various lectures with specific instructions on how to develop cultural tourism in this area. The aim of the guidelines is to train the employees of the info centers of Slovenian and Croatian Istria on the challenges of the implementation of the concept of sustainable tourism in economic practice. The topics dealt with the features of modern tourism, the interdependence between tourism and the environment, the concept of sustainable tourism and the possibility to implement that concept in economic practice. As the general cross-border objectives of the project REVITAS are to stop the deterioration of Istria's inner regions while preserving its cultural heritage and promoting integrated products, the guidelines have also been greatly focused on developing a cross-border tourist destination based on the promotion of sustainable tourism

³⁷ The Municipality of Koper (leading partner), Region of Istria, Municipality of Izola, Municipality of Piran, Institute for the Protection of Cultural Heritage of Slovenia - OE Piran, Town of Buzet, Town of Poreč, Istria Tourist Board, Municipality of Svetvinčenat and the Town of Vodnjan.

development in Istrian rural areas, thanks to their cultural and natural wealth. The goals achieved by the project include: development of a revitalization model of Istria's inner regions, development of integrated tourism products and services with the aim to build up Istria as a unified cross-border tourist destination, improvement and rehabilitation of tourism infrastructure, restoration of cultural heritage, and encouragement of cross-border cultural exchanges and events. The new REVITAS 2 project is at the application stage and if it is approved, the activities initiated during this project will continue.

The AMAMO Project– Through the Sea and the Mountains

The AMAMO Project was implemented from October 2007 till August 2008, in the framework of the INTERREG III A ADRIATIC/PHARE 2005 programme, for a total value of 1.260.049,04 EUR. The beneficiaries of the project were bodies of local and regional self government units and agencies for regional development from Istria and Italy.³⁸

The AMAMO Project was aimed to foster, in the European tourism market, the opportunities deriving from endogenous resources of maritime and mountain partner areas. In order to achieve this goal, the beneficiaries of project actions were expected to develop specific skills and know-how: institutional and public actors on local development operational programming; private organisations, NGOs and businesses on how to take advantage of the existing potential in the primary sector and related agro-food production and in tourism local attractiveness. The project envisaged various stages: identification, selection, modelling and dissemination of valuable experiences matured by partner RAIs (sectoral operational programming, sustainable use of the natural and cultural existing potential, also through restoration and social management measures; setting up of transnational networks to facilitate the access to “governance” innovation in rural contexts). Afterwards, starting from such experiences, the project proceeded to the elaboration of local integrated development operational programmes in PAO partner areas (various contexts in Croatian counties) and eventually to the design and implementation of sectoral pilot initiatives. By means of such a process the project aimed at setting up cross-border standing connections and at fostering business cooperation and interchange between the two sides of the Adriatic Sea.

Specific goals of AMAMO projects were:

1. The enhancement of the economic benefits generated by rural tourism by making more of the territory's endogenous resources in maritime and mountain rural areas;
2. The development of local actors's planning abilities;
3. Strengthening and diversifying entrepreneurial activities in the primary sector and its chain of transformation and commercialisation;
4. The safeguard and promotion of the existing natural and cultural heritage, also with measures of rehabilitation and social management;
5. The establishment of a transnational network in order to guarantee to partners and relevant final beneficiaries a permanent access to the innovation of their governance techniques.

The sustainability of this project lies in the established network of partners which have continued to work on the promotion of the natural and cultural heritage and on the knowledge and skills related to promoting rural development in the County of Istria.

³⁸ The County of Istria (leading partner), The County of Dubrovnik Neretva, the Agency for rural development of Istria (AZRRI), The County of Split Dalmatia, BIC PINS d.o.o. Skrad, Province of Gorizia, Region of Puglia, Interregional association of olive breeders – AIPO Verona.

The County Waste Management Centre (CWMC) Kaštijun Project

The CWMC project was implemented in the period June 2009-December 2012. The project was co-financed under the Instrument for pre-accession assistance (IPA) III B and was a part of a wider project which consisted of five stages.

The CWMC Kaštijun project was mainly aimed at the construction of modern landfill facilities able to cover the needs of the County of Istria. The landfill was built up at Kaštijun, South of the city of Pula (5 km).

The five stages of the entire project included: a) preliminary activities such as investigation works, geotechnical-geological investigations, topographic survey, permits and technical designs which were co-financed by national funds, b) the construction of the landfill and associated works and equipment which were the subject of the IPA co-financing, c) the construction of a mechanical and biological treatment plant (MBT) which was financed by a bank loan, d) the construction of six transfer stations financed by national funds and e) the enlargement of the landfill in the future and the construction of a power plant funded by the gate fee. The implementation of all the stages was essential to ensure an integrated solid waste management system which directly contributes to the implementation of the County Regional Solid Waste Management Plan adopted in 2008. The applicant was Energy Efficiency and the Environmental Protection Fund and other project partners included Kaštijun d.o.o and the County of Istria which provided a co-financing for 5.127.805,00 euro.

The projects' specific objectives were as follows:

1. The reduction of the quantity of disposed municipal waste;
2. The reduction of the share of biodegradable municipal waste destined to the landfill;
3. The development of an appropriate transportation system;
4. The introduction of recycling and re-use;
5. Raising public awareness;
6. The introduction of mechanical-biological pre-treatment of waste before final disposal;
7. The elimination and restoration of dump sites.

The total value of the CWMC project was 41.214.000,00 Euros, most of which financed by European funds. The work done through this IPA project is of great importance for the County of Istria both because it lays the foundation for addressing sustainable forest management, and because it is one of the key investments envisaged in the waste management plan of the Republic of Croatia and in the Operational programmes for environmental protection.

The AdriaMuse Project

The AdriaMuse Project is financed through the cross-border cooperation IPA Adriatic 2007-2013 programme, co-financed by the EU. The project includes 11 partners from 5 countries on either side of the Adriatic sea³⁹. By exchanging and supplementing projects - and their knowledge and experience through them - partners support the new harmonization of culture and tourism, with museum heritage as the focal point. The main goal of the project is to transform museums in the Adriatic region into vibrant cultural centres, presenting reasons of interest for a wider number of visitors. Other key objectives of the project are:

³⁹ The Province of Rimini (leading partner), the Institute for Artistic, Cultural and Natural Heritage (IBC) of the Emilia-Romagna Region, the Veneto Region, the IUAV University of Venice, the Provinces of Pesaro and Urbino and of Campobasso, Skupa SRL (Italian NGO in the field of culture), the National Museum of Montenegro (Montenegro), the Municipality of Shkodra (Albania), the Business Service Centre of Government of Zenica-Doboj Canton (Bosnia and Herzegovina) and The County of Istria.

- Strengthening the relationship among the partner organizations in order to support the sustainable development of the Adriatic area through the harmonization of their actions, tools and policies in the field of cultural tourism;
- Awareness-increasing about the importance of museums in the Adriatic region;
- Increasing museum accessibility through membership of Euromuse.net, the international showcase which brings together information on the most important museums and shows in Europe and organizes events able to connect Adriatic museums and reach non-traditional public visitors through diversification,
- Extending the duration of the tourism season along the Adriatic coast,
- Strengthening and integrating the existing network by developing a set of innovative information and communication tools and services to be used as common infrastructure for sharing knowledge, experiences and ideas, and for the development of a concerted action plan among the partner regions;
- Transforming museums into vibrant cultural centers, with activities capable of attracting the audience by organizing events outside the museum;
- Promoting cross-border cultural exchanges and events so as to raise the awareness of the local population and other interest groups on the cultural and development potentials in the Adriatic area.

The County of Istria, as Croatian partner in the AdriaMuse project, is represented in the international festival of Antiquity – Umag’s Sepomania Viva, Rovinj’s Eco-museum the House of Batana/Casa della Batana, Arterija – festival of visual arts of Novigrad’s Lapidarium Museum, and in the attractive programmes of the “Sacred Hearts” Museum-Gallery of the Archaeological Museum of Istria in Pula. The activities of the County of Istria within the AdriaMuse project include organizational support to local museums, the development of promotional material and transnational communications to assist in museums networking, and activities related to tourism and cultural workers.

3.3. Bilateral cooperation

The key competent authority for international cooperation and European integration within the County of Istria is the Managing Department for International Cooperation and European Integration which was founded in 2009. For the period until 2013, the County of Istria has set itself the objective of strengthening its international role and the visibility of Istrian identity through four main activities:

- An active role in the development of bilateral and multilateral, that is cross border and interregional, cooperation and of democratic and eurointegration processes in the area of the Adriatic, Central and Southeastern Europe;
- Establishing new forms of multilateral and bilateral cooperation and developing projects within and outside the EU (the Mediterranean, China)
- Developing cooperation as support to economic, scientific and cultural development
- Promoting the visibility of the Istrian identity in the regional political map of Europe.

The County of Istria not only participates into international and EU-funded projects, but it has developed strong bilateral relations with several local and regional authorities of Europe. In particular, Istria has signed agreements on cooperation with the following regions from different countries: Toscana, Italy (1994); Liguria, Italy (1995); Veneto, Italy (1995); Friuli Venezia Giulia

(1999, renewed in 2011); Somogy, Hungary (1998); The Duchy of Carinthia, Austria (1998), Harghita, Romania (2000), Autonomous Province of Voivodina, Serbia (2001), Zenica-Doboj Canton, Bosnia and Herzegovina (2004); Kerry, Ireland (2004); Yunnan, China (2004); Trenčin, Slovakia (2004); Zhejiang, China (2005); Sarajevo Canton, Bosnia and Herzegovina (2008); Champagne-Ardenne, France (2009), Puglia, Italy (2009) and Emilia-Romagna, Italy (2011). There is also an agreement with the Polish region of Lesser Polska (*Malopolska*), in view of an exchange of knowledge on the use of EU structural funds and joint cooperation in the field of tourism. Apart from these regions, successful cooperation has also been established with other regions without any formal agreement, but in the scope of various European projects, international organizations and other joint initiatives.

Besides, the County of Istria conducts special forms of international connections and networking through contacts, cooperation and activities with its diaspora, to which Istria has paid great attention. Since 2000 many programmes have been established which are aimed to promote the Istrian values, economy, culture and tradition within the Istrian diaspora, represented by such organizations as United Istrians of the World, Explore Istria, Night of Diaspora. Cooperation with the Istrian diaspora aims at presenting it the opportunities of starting up new projects in the field of the conservation of the rich Istrian cultural heritage, the development of cultural and alternative tourism, eco agriculture, agrotourism, etc. For example, the longstanding cooperation with the New York Istrian diaspora resulted in the opening of an office in New York which will work on promoting the economic, cultural and tourist offer of Istria and provide information for entrepreneurs and investors who are interested to invest there.

4. A SWOT analysis of the County of Istria's international cooperation in the sectors of culture and environment

This part of the report summarizes key strengths, weaknesses, opportunities and threats related to established interregional and international cooperation in the sectors of culture and environment.

4.1. A SWOT analysis of international cooperation of the County of Istria in the sector of culture

Table 4. A SWOT analysis of international cooperation of the County of Istria in the sector of culture

STRENGTHS	WEAKNESSES
Multicultural tradition	Lack of financial resources for cultural programmes, lack of entrepreneurial initiative
Experience and knowledge in implementing international projects	Insufficient networking with cultural institutions and organisations abroad
Joint cross border efforts in preserving a rich cultural heritage	Insufficient promotion of the Istrian cultural identity at international/regional level
Richness of tangible and intangible cultural heritage	Low exchange of education and information between local and foreign artists at interregional and international level
Preservation of culture recognized as one of priorities in the County Development Strategy	Unsatisfactory quality of international cultural cooperation
Pazin is the only town in Croatia that has developed its	Modest and non-innovative participation of local artists

own cultural strategy	in international cultural projects
Membership in various international organisations and networks	Activities on conservation, restoration and sustainable use of cultural heritage through contracted international projects are often prevented by pressures of conservationists.
High absorption capacity of EU funds	In applying for projects a frequent problem is unsolved ownerships of objects belonging to the cultural heritage.
OPPORTUNITIES	THREATS
Croatia's accession to the EU and new possibilities of using structural funds for cultural programmes	Cultural programmes still greatly depend on public budget resources and artists and cultural actors are therefore under political pressure
Increase in demand for cultural tourism and tourism destinations where the cultural heritage is preserved	Continuation of economic recession at global and national level
EU accession is expected to ease cross-border cultural exchanges and information flows	Limited private investments in the sector of culture
Enhanced skills and knowledge in the field of international cooperation in the cultural sector	
Strengthened position of volunteers in the cultural sector	
Decentralization of the country	
Use of private financial resources to finance projects in the cultural sector	

Source: Author's elaboration

Strengths

Istria has a long tradition as a multicultural and bilingual region. This implies nurturing traditions, culture and the languages of minorities, especially the Italian minority. For this reason, today Istria has a specific cultural heritage and cultural values, which reflect a mixture of Croatian, Slovenian and Italian culture, forming a specific and unique Istrian ethnical identity. Its multicultural tradition is perceived as a good prerequisite for further improvement of international and cross-border cooperation.

The County of Istria has also spent a lot of effort in building up its human and administrative capacities concerning the establishment of international cooperation in project implementation, including the projects related to the cultural sector. The county also realised the importance of establishing cultural networks with international and regional cultural organisations which became Istrian partners in implementing projects in the cultural sector. Furthermore, networking with such international cultural organisations provided an important source of knowledge, experience and ideas for further improvement of the current cultural offer in Istria.

The county understood the synergy effects of establishing joint cross border cooperation in fostering its cultural sector. So far, a great number of cross border projects in that sector have been implemented, mainly in partnership with Slovenia and Italy. Joint efforts and cooperation in preserving cultural values and heritage derives from the fact that Istria shares a joint cultural space with bordering regions from those two countries. Thus, in the field of cross-border cooperation the sector of culture appears as one of the priority sectors.

The historical legacy, the mixture and richness of culture in Istria reflect in a variety of valuable and unique tangible and intangible cultural heritage. The abundance of the cultural offer is an important part of Istria's local economy, and important factor which improves quality of life of the local population and provides a basis for the development of cultural tourism.

The County Development Strategy for the period 2011-2013 highlights the preservation of culture as one of its development priorities. Namely, the strategy sets out the vision of the County of Istria becoming a "European region of culture" and emphasises culture as an important resource for the development of tourism, science and the economy.

Pazin, the administrative and territorial seat of the County of Istria, is the only town in Croatia that has developed its own cultural strategy. This strategic document highlights the further development of Pazin as the “town of literature“, which confirms that culture is given an important place in the local economy.

The County of Istria is an active member and co-founder of various cultural organisations and international cultural initiatives (e.g. the Adriatic EuroRegion, the Alps-Adriatic Working Community). This has made Istria a recognized European region and helped in establishing bilateral and interregional cultural partnerships. Being a member of international cultural organisations resulted in cultural exchanges of local artists and cultural actors with artists abroad, thus allowing the exchange of good practices, new ideas and the joint organisation of a variety of cultural events that enrich Istrian cultural offer.

The County of Istria has been the leader in the field of international cooperation and European integration. Private, public and non-governmental sectors stakeholders from the County of Istria have a fifteen-year old experience in the implementation of EU-funded projects, which is a result of fruitful interregional and cross border cooperation and of the lessons learned from regions of EU member states. Thus Istria - having so far implemented 155 projects funded by the EU and other international financial resources - is the most successful Croatian county in terms of absorbing European funds.

Weaknesses

The ongoing economic recession makes local and national public budgets very tight, which leaves limited financial resources for cultural programmes and their realisation. Artists and cultural actors are left on their own to find additional financial resources for financing cultural events and programmes. Besides, when cultural programmes are financed from public budgets, they are often exposed to political pressures. Another issue is also the law which constraints private sector investments in the sector of culture. Hence, amendments to the current legislation covering the culture sector are necessary.

Even though Istrian cultural artists and cultural actors have successfully established cooperation relationships with cultural organisations abroad, there is scope for improving this cooperation and making it stronger and more fruitful. Namely, cultural exchanges between local and foreign artists have not been satisfactory in quality terms because foreign artists coming to Istria do not leave a significant impact on its cultural offer. On the other hand, local artists go abroad too rarely even though they express high interest for cultural exchanges. Their cultural exchange is still mostly limited to ex-Yugoslavia countries, which allows an exchange of ideas and information with similar cultures and therefore does not lead to innovative, high quality and new cultural projects.

Some of the problems which also prevent more intensive applications to cultural projects financed by international sources are unresolved property rights in the field of cultural heritage and a lack of entrepreneurial initiatives in culture, as well as the lack of cultural industries.

Istria has already asserted itself as a recognized tourist and cultural region all around Europe. However, activities aimed at promoting its cultural identity at regional and international level need to be further enhanced and intensified. By targeting potential investors and tourists, investment flows would increase as well as income from tourism. Therefore Istrian capacities and resources would be better utilized. Overall, by attracting new investments and increasing tourism development, the county would also benefit from improved competitiveness and a better quality of life.

Opportunities

Once Croatia becomes a full EU MS, it will have the opportunity to use EU structural funds for financing its development projects. Considering Istria's previous success and experience in

implementing projects financed by EU pre-accession funds and other EU programmes (e.g. Community Programmes), it is expected that it will also significantly benefit from EU structural funds.

Cultural resources have become an important segment of the overall tourism offer. Modern tourists have become more demanding, which makes a tourism policy based on "sun and sea" not sufficient to satisfy increasing tourists' needs. They want to get the chance to experience the local culture and gastronomy of the tourist destination, visit museums, galleries, a variety of cultural events etc. The County of Istria possesses all these resources and its richness of tangible and intangible cultural heritage provides an opportunity of further increasing the value of its overall tourism offer and achieving benefits from such comparative advantage.

By joining the EU, Croatia will become a part of the European Common Market, which means removing border barriers and opening possibilities for easier cooperation in border territories. In other words, EU membership and the ability to use EU structural funds will allow the convergence of economic and political conditions which should also lead to easier and stronger cross border cooperation between the County of Istria and bordering regions of neighbouring countries (Slovenia, Italy).

One of the challenges for Istria in the field of international cooperation is to foster cooperation with Istrian diaspora in the United States. As part of this cooperation, it has been planned to open the County's office in New York. This would provide Istria the opportunity to present its cultural, economic and tourism potentials in the USA and thus possibly attract new investments in the county.

The country decentralization is also expected to bring about fiscal decentralization, which will open new possibilities for local and regional development and establish preconditions for improving the competitiveness of the County of Istria. Moreover, through internationally financed projects Istria itself can modernize its educational methodology in the cultural field, conduct motivational programmes for employees and encourage volunteerism.

There is also the possibility of using private financial resources for initiatives and projects in the cultural sector which would help in overcoming the problem of tight public budgets. So far private financial resources have not been significantly used in financing programmes and projects in the sector of culture, mainly due to legislative restrictions.

Threats

The inability to follow and respect all the procedures required to use EU structural funds might mean missing an opportunity to use this form of financing development projects in the County of Istria. Therefore, in the process of using EU programmes coordinated efforts of all Istria stakeholders are needed. In addition, for the successful absorption of EU structural funds it is important to provide a continuous information flow, education on project cycle management and also to motivate local government units to use EU funds as a source for financing their development needs. Established partnership with bordering regions in Slovenia and Italy could also be of great help for the County of Istria in using EU structural funds, since these regions already have experience in implementing EU cohesion policy projects.

The economic recession in the EU and Croatia might slow down the implementation of development projects. A particular risk which might threaten the implementation of projects is the inability of project partners to provide co-financing. The economic recession also affects private investments in the cultural sector, but at the same time its participation in financing cultural programmes is discouraged by an unsupportive environment at the national level of governance and the lack of incentives for private investments in cultural programmes. Hence the share of private investments in the cultural sector in Croatia and Istria is much lower than the EU average. On the other hand, when cultural programmes are exclusively dependent on public budgets, the financial

allocation is usually not based on the objective assessment of their value, which threatens the quality of cultural programmes financed from the state budget. Additionally, freedom of art expression might be weaker when cultural events and programmes are financed from state budgets than from private financial resources.

Last but not least, the quality of the overall cultural offer might be threatened if relevant stakeholders and professionals from the cultural sector are not included in the process of planning, creating and implementing that offer.

It should be stressed that the projects in the cultural field are strongly supported by the county. The Department of Culture is trying to find new resources within the budget for those programmes and is happy to support projects and initiatives with larger amounts of resources. Thus, in the framework of a new economic vision and seeking for new ways of finding additional funds for cultural programmes and activities, the Department participates in projects funded by European funds and seeks to involve other actors, who thus have the opportunity of learning from the lessons of already implemented projects and are motivated to engage in new initiatives. The Department wants to show that with hard work and a responsible approach one can obtain and use substantial resources for cultural projects and train employees of cultural institutions so that they are ready to join the EU and seek additional resources. Thus, the Department participated in several major projects and realized valuable actions before entering the EU. The total value of so far finalised projects amounts to 7,416,864.12 euros, of which the value of the activities implemented by the County of Istria - Regione Istriana amounted to 901,342.19 euros⁴⁰. Projects such as «Heart of Istria⁴¹» and REVITAS are listed among the examples of good practices by the external evaluation of the EU Commission, and REVITAS was voted among the best projects last year.

4.2. SWOT analysis of the County of Istria's international cooperation in the environmental sector

Table 5. SWOT analysis of international cooperation of the County of Istria in the environmental sector

STRENGTHS	WEAKNESSESS
The County of Istria gives great importance to nature conservation and environmental protection and encourages international cooperation in these areas	Anthropic pressure on the environment in the peak of tourist season
Developed cross border and interregional cooperation in implementing environmental projects	Urbanisation and spatial planning still does not fully take into account environmental concerns
Membership in international organisations and networks which helps fostering environmental protection	Lack of communication and cooperation among stakeholders in the environment sector
EU projects mostly implemented in the area of sustainable development and environmental protection	There is scope for improving international and interregional cooperation in the area of sustainable management of natural and landscape heritage and in energy efficiency projects
Active environmental NGOs (e.g. Green Istria) which successfully participate in international environmental networks	Insufficient cooperation of the scientific sector in the implementation of environmental projects
OPPORTUNITIES	THREATS
Orientation to green growth and green entrepreneurship offers the possibility to implement projects which boost economic growth and preserve environment	The continuation of economic recession at the global and national level

⁴⁰ Or 6714999.3 kunas.

⁴¹ More details on the project are available at: <http://euprojekti.istra-istria.hr/default.aspx>

Use of EU structural funds for environmental projects	Cross border pollution and ecological disasters might deteriorate the environment quality in Istria
Strengthening cooperation with European institutions once Croatia becomes full EU MS, especially because the County of Istria has already established its office in Bruxelles	Applications to international projects may give rise to disputes between Istria's professionals and the population
Better cooperation within international organisations as Croatia becomes full EU MS	
Decentralization of the country	Insufficient knowledge about public participation activities in the preparation and implementation of heavy infrastructural environmental projects

Source: Author's elaboration

Strengths

In the framework of bilateral and interregional cooperation in the environmental sector, the County of Istria has established good relations, mainly with Slovenian and Italian regions with which it has so far implemented a great number of environmental projects aimed at nature protection, preservation of maritime biodiversity along the Adriatic coastline and sustainable water management.

The County of Istria is a member of various international organizations and initiatives which focus their activities on environment protection. Among the most important: The Conference of Peripheral Maritime Regions of Europe, the Council of European Municipalities and Regions, the Association of European Border regions, etc. Membership in these and other associations and organizations has allowed exchanges of experiences and good practices in environmental policy and the joint implementation of various environmental projects of benefit for all the regions involved.

Green Istria is one of the most active environmental non-government organizations in Croatia with well developed cooperation relationships. This NGO successfully implemented numerous environmental projects and raised environmental awareness in Istria.

The County of Istria has a high absorption capacity of EU funds: most projects were successfully implemented in the area of sustainable development and environmental protection. Such projects had numerous benefits for the county. More specifically, they resulted in direct environmental improvements and increased quality of life and in the establishment of new partnerships, and created a favourable environment and set good foundations in view of access to the EU structural funds.

Weaknessess

The peak of the tourist season represents a great burden for environment, especially in the maritime areas of the county, which poses a threat to all environmental components (drinking water, sea, soil, air, noise, nature etc.).

Spatial plans are still often more favourable to the interests of potential investors than to the principles of sustainable development, especially in the maritime areas of the county. Another weakness is that there is no plan for the integral management of the maritime area of the County of Istria.

Coordination and cooperation among various institutions and stakeholders within the county have already been established, as shown by the county's success in implementing numerous EU projects. However, horizontal cooperation and coordination should be enhanced, especially with local government units which need to be more motivated to better use EU funds in financing their development needs. Communication and cooperation at the vertical level - that is with national environmental authorities - presents far more important obstacles and should be improved in order

to have timely access to relevant information that enable local and regional stakeholders to successfully prepare EU-funded development projects.

There is also significant scope for improvement of cross border cooperation, mainly in the context of preserving the Adriatic abundant natural resources and maintaining its high biodiversity. In this context, Istria needs to follow the new initiatives and environmental solutions proposed by the EU and solve the problem of the illegal landfills which are the biggest threat to nature. Last but not least, greater attention should be paid to the preparation and implementation of joint cross border projects aimed at environmental awareness-raising activities and at educational campaigns towards the local population.

Certainly the problems are: major administrative confusion in the implementation of renewable energy projects, lack of knowledge and methods of implementation, the insufficient number of Croatian companies that are ready for international cooperation projects on energy efficiency.

Another weakness is related to the low involvement of the scientific sector in the implementation of environmental projects. That sector's participation is still limited to the consultation of individual professionals: systematic cooperation with relevant scientists and their inclusion as important stakeholders in project implementation still need to be improved.

Opportunities

In the EU 2020 strategy, the European Union has identified the concept of *green growth* as a fundamental pillar of its economic policy. As a future member state, Croatia needs to follow this policy in striving to achieve its prosperity. This would bring the County of Istria twofold benefits. Firstly, a benefit might arise from the opportunity of developing a green entrepreneurship which would help boost the county's economic growth. Secondly, the concept of green growth would at the same time allow the preservation of Istria's abundant natural resources.

Croatia's accession to the EU will open new possibilities for implementing and financing environmental projects due to the EU structural funds that will become accessible to the country once it becomes a full EU MS. The County of Istria has already gained significant experience in the use of EU funds for the implementation of environmental projects, thanks to the EU pre-accession assistance. Therefore the structural funds are expected to offer important opportunities to Istria for further implementation of environmental projects.

Istria is the first Croatian county that has opened its office in Bruxelles. This office helped Istrian institutions to familiarize with EU institutions and regulations. As Croatia will soon join the EU, Istria will get the chance to strengthen already formed partnerships, establish new forms of cooperation and implement good environmental practices in cooperation with its partners from abroad.

The process of decentralization is expected to deepen as Croatia joins the EU. It is also expected to be followed by the process of fiscal decentralization, which should allow faster improvement of competitiveness and stronger local development. The simplification of administrative procedures and the removal of other barriers which are hindering local development would lead to improving the entrepreneurial and investment climate in Croatian counties, including the county of Istria.

Threats

The economic recession in the EU and Croatia might slow down the implementation of development projects; a particular threat is the inability of project partners to provide co-financing.

There is also a risk of cross-border pollution of the Adriatic Sea and air from bordering countries, especially Italy. Therefore the County of Istria needs to foster cooperation with bordering Italian regions in planning and developing plans for interventions in case of such cross-border pollutions.

An inability to successfully plan, prepare, implement and co-finance EU structural funds might also pose a threat to the further implementation of environmental projects in Istria and make financial resources for environmental investments limited and more dependent on already tight national, regional and local public budgets. Unsustainable fishing practices and lack of control over marine fishery in the Adriatic Sea pose a serious threat in terms of fish stock's exhaustion and deterioration of marine habitats.

The County of Istria recognized the need to design and implement a common approach to the public about the problems related to waste management and environmental protection, coordinate and cooperate with organizations working on the protection of nature and the environment, apply and monitor the implementation of projects co-financed by EU funds and government agencies (grants), and provide financial, technical and personnel requirements for their preparation and implementation. Furthermore, as in the field of culture, the County of Istria has a platform for the drafting and application to international cooperation project. For example, the PROTECT project - financed in the framework of the MED Programme (European Territorial Cooperation) with 9 partners from 7 countries - paid special attention to the prevention of forest fires (2010/2012)⁴². Furthermore the DIVA project, which is just being finalised, prepared a revision of the sanitation plan for 266 illegal waste sites in the County of Istria, and public participation is envisaged in discussions related to environmental matters⁴³. This project was implemented under the IPA CBC Slovenia-Croatia programme 2007-2013 in the period April 2011-March 2013.

For international cooperation, projects and programmes in the fields both of culture and of environmental protection, some of the practical problems that arise in their implementation are related to the conduct of joint activities within complex partnerships, to the activities that imply common results (brochures, books, monographs, studies, Internet sites, etc.), as well as to adjustment problems, the knowledge of and respect for the legislation of various countries regarding project deadlines and goals. Furthermore, there are the problems related to the lack of experienced project managers, and especially to the different interpretations of the PRAG rules when purchasing goods and services for the projects' implementation. The biggest problem is the detailing of the smallest amounts (procedures for 500 Euros are the same as for 10,000 Euros). Also, a key issue for the future that will open with the Structural Funds refers to the absence of funds to finance the preparation of the documentation (e.g. architectural documentation - conservation background, preliminary and final solutions, bills of quantities, building permits, etc.) required for the project application.

5. Conclusions and recommendations

Istria has become recognizable as one of the most developed Croatian regions and it has also gained the status of a region that is recognized in the context of European regions. This is due to all the efforts Istria has put in the last fifteen years in the process of building up cooperation relations with many European regions and becoming a member of various international institutions and organizations. The lessons learned and the exchange of information and ideas with other regions were useful for fostering Istria's regional development policy and successfully creating preconditions for the preparation, application and implementation of EU-funded projects. In addition, cross-border, multilateral and interregional cooperation has helped in improving certain

⁴² More information on the project are available at: <http://euprojekti.istra-istria.hr/default.aspx>; (www.protect-med-eu).

⁴³ More details on the DIVA project are available at: (<http://euprojekti.istra-istria.hr/default.aspx>).

sectors, becoming familiar with European regulations and creating partnership relations which resulted in the successful implementation of joint development programmes and projects.

For all these reasons, the County of Istria has become an example of good practices for the other Croatian counties in terms of implementing the European integration policy. The Department for international cooperation and European integration of the County of Istria has been equipped with a number of professionals who have successfully prepared for, applied to, and implemented a great number of EU funded projects in the County. The cooperation of Istrian institutions and departments with subjects from the public, private and non-governmental sectors has so far resulted in the implementation of 155 projects which have been co-financed mainly by EU pre-accession assistance funds, but also from other international financial resources. The total value of all the implemented projects for Istrian partners is around 40 million euros. The experience gained in implementing pre-accession programmes and projects, apart from the achieved specific objectives and financial benefits, represent a valuable experience for gaining further benefits from structural funds. A significant role in the planning and implementation of a large number of projects aimed at networking and encouraging the development of small and medium entrepreneurship is played by the Istrian Development Agency – IDA. The County of Istria has lately also been successful in implementing projects in the fields of environmental protection and preservation of its cultural heritage. This has particularly been the case with cross border cooperation with Italian and Slovenian partners in the protection of the environment and of marine ecosystems on the Adriatic coast. Considering the cultural sector, joint cooperation has been established in the area of promoting cultural tourism and the cultural heritage of the Adriatic region (e.g. project AdriaMuse). In this context, a special mention goes to the REVITAS project, aimed to preserve the rich Istrian tangible and intangible cultural heritage, making it an important part of its cultural offer. As part of the Adriatic region and with the support of EU funds, the County of Istria has also managed to preserve its abundant natural resources and biological diversity.

The County of Istria has committed itself to establishing strong links with Italian regions, especially the Friuli Venezia Giulia and Veneto regions. In partnership with Italian regions, the County of Istria has developed the cooperation with Italy mainly in the area of cultural tourism through green investments aimed at fostering the growth of tourism. Additionally, since both the County of Istria and Italian regions are part of the Adriatic region, mutual cooperation has been established in developing a holistic approach in the joint preservation of the Adriatic marine environment and the joint development of sustainable fishery practices along the Adriatic coast. There has been a successful implementation of joint projects between the County of Istria and Italian regions in the field of culture and tourism with the key goal of creating a sustainable development of the Adriatic area (e.g. AdriaMuse i EXPO AUS).

The SeeNet Programme has established good foundations for the development of cross border networks which cooperate on the basis of joint management capacities and an efficient joint dialogue. The project partners have established active and fruitful cooperation on the basis of the exchange of experiences and the process of learning by doing. Thus, the SeeNet Programme has offered a valuable experience of how to strengthen institutional capacity building in the cross border area. Considering this, it is expected that this experiences will give rise to future joint projects and initiatives that will be of common interest for the cross border area. However, in the sectors of both the environment and culture there is room for improvement of this joint cooperation, which requires a better drafting of project applications and enhancing knowledge and skills in the application and joint implementation of EU and other international projects. In this respect the twinning project with the Italian Veneto region should be mentioned, based on learning from its experience on using structural funds. Also, every year municipalities, cities, organizations and the Department for Culture of the County of Istria apply to the annual Regione del Veneto contest with quality programmes for the rehabilitation and protection of cultural heritage. Since 1994 the Regione del Veneto - on the basis of the regional Law 15/1994 - allocated approximately

2,000,000.00 Euros to the County of Istria (for programmes including the reconstruction of palaces, towers, walls, and movable artwork: crucifixes, statues, paintings, etc)⁴⁴.

Considering the fact that Croatia is soon to become a full EU MS, this will open new possibilities for financing joint development projects for the County of Istria, too. In this context, Istria has started very early to prepare for the use of structural funds, in terms of strengthening its administrative capacities, learning from positive EU experiences and planning and preparing development projects aimed to be financed from the EU structural funds. These provide a great opportunity for fostering joint entrepreneurial projects between the County of Istria and Italian regions in the sectors of environment and culture, as they can be of great benefit to local communities, stimulate new and innovative business ideas and generate new business solutions. For all future projects that Istria will submit to the EU and other international funds, it would be desirable to make the whole process of stakeholder consultation from regional to national level as transparent as possible, open the national operational programmes for the period 2014-2020 for public consultations, consider the establishment of a special Operational programme for cultural and tourism infrastructures or cultural industries (the Operational Environment Programme is already in place) and certainly establish at the county level a fund aimed at financing the preparation of architectural conservation documentation, obtaining building permits and the other documents necessary for infrastructural environmental projects.

Considering the fact that the County of Istria has so far been successful in building up a bilateral cooperation with Italy, which has resulted in firm links between the two regions, it can be expected that this cooperation will positively continue after Croatia joins the EU. Istria has been the leader of cultural tourism in Croatia; however, its development has only started recently. This is where Italian entrepreneurs could see their opportunity for investments. In addition, green entrepreneurship aimed at preserving Istria's abundant natural resources is another opportunity for future investments, particularly thanks to the fact that green entrepreneurship projects are heavily supported by EU funds. The structural funds will provide much greater financial resources for cross border development projects between Istria and Italy in the sectors of culture and environment: therefore it is of the utmost importance to foster cooperation between these two regions and prepare high quality joint entrepreneurial projects to submit for financing from structural funds.

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State of the Art and Future Opportunities of Cooperation for Local Development

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Executive Summary

This paper analyses the state of the art and future opportunities of cooperation in the development of the tourism sector in the Pejë/Peć region in Kosovo, specifically focusing on mountain tourism in the Rugova Valley. It follows three previous CeSPI reports on tourism in that region.

The report starts with an overview of some of the latest developments in relation to mountain tourism in the Pejë/Peć region, highlighting the adoption of the Law establishing the “Bjeshkët e Nemuna” (Accursed Mountains) National Park and the amendment of the Law on Tourism and Tourism Services.

The second section of the report briefly discusses the main actors operating in the tourism sector in the Pejë/Peć region, focusing primarily on the municipality of Pejë/Peć, small and medium enterprises (SMEs), local non-governmental organisations (NGOs) and international actors.

Subsequently, the paper discusses three case studies in relation to mountain tourism in the Pejë/Peć region: USAID’s Kosovo Private Enterprise Program (KPEP), which included the setting up of the Pejë/Peć Tourism Street Fair and the development of the Western Balkans Geotourism Website; GIZ’s support to the ‘Peaks of the Balkans Trail’; and the Dear West project funded by the EU and implemented by the Macedonian Enterprise Development Foundation (MEDF). The case studies look at the approaches, successes and challenges of these different actors’ interventions in the tourism field.

Finally, based on the three case studies, the paper analyses the main opportunities for future possible partnerships and convergences among cooperation actors. Specifically, it focuses on three main recommendations for any intervention by an international organisation in the tourism sector in the Pejë/Peć region:

1. Focus on Kosovo as part of the Western Balkans/South Eastern Europe – Recognising Kosovo’s limits as a stand-alone destination and its potential as a part of tourism networks/packages in the Western Balkans/South Eastern Europe.
2. Focus on concrete actions – Since a broad legislative and institutional framework for tourism development has been put in place, the focus now should be on implementation and concrete action.
3. Focus on the private sector development – highlighting the need for an open approach, involving all relevant stakeholders but stressing the importance of the private sector in tourism development.

1. Recent developments in the mountain tourism sector in Pejë/Peć

The tourism sector in the Pejë/Peć region has undergone significant developments since the publication of the first CeSPI report in November 2010⁴⁵. Its potential as a tourism destination is increasingly recognised by the local institutions, as well as the local population, which is more and more seeing tourism as a serious form of income generation, which was still unimaginable for most people three years ago. This process is driven by three main factors. First, the Western Balkans as a whole (including Albania, Montenegro, Bosnia and Herzegovina, Serbia and Kosovo) has increased in popularity as a European tourist destination. Second, international organisations such as USAID, GIZ and the EU have provided significant support to the development and promotion of the tourism sector in the Pejë/Peć region. Third, Kosovo actors have also played an important role in these developments. Local investors have started to develop tourism infrastructures, including accommodation facilities, and central institutions have passed a number of laws to improve the legislative framework in this sector.

As far as this last factor is concerned, two major legislative developments took place since the publication of the third CeSPI report⁴⁶. The initiative to declare the Accursed Mountains a national park, described in the above mentioned report, was finally successful. On 13 December 2012, the Kosovo Assembly passed the Law on the “Bjeshkët e Nemuna” (Accursed Mountains) National Park, creating a national park of 62.488 ha, covering territories in the municipalities of: Gjakovë/Đakovica, Junik, Pejë/Peć, Deçan/Dečane and Istog/Istok. The law foresees three different levels of protection regimes. The National Park will be managed by a ‘Directorate of the National Park of “Bjeshkët e Nemuna”’, to be established by the Ministry of Environment and Spatial Planning, and functioning under the auspices of the Kosovo Environmental Protection Agency. This directorate will have its headquarters in the Pejë/Peć municipality.

Additionally, in December 2012 the Kosovo Assembly passed a number of amendments to the Law on Tourism and Tourism Services. One of the most significant changes was the cutting down of the Department for Tourism within the Ministry of Trade and Industry, and the transfer of much of its former competencies to the Investment Promotion Agency of Kosovo (IPAK), within the same Ministry. This reorganisation was implemented by the current Minister for Trade and Industry and reflects a belief that tourism can play an important role in the promotion of investments in Kosovo, as well as the fact that the IPAK has more capacities, both human and financial, to play this role. Moreover, a number of bureaucratic and financial obstacles in the licensing of tourism businesses were removed, with the aim to make doing business in the tourism sector in Kosovo significantly easier.

⁴⁵ “Local Democratic Governance in Pejë/Peć Municipality and Rugova Valley”, by Adrian Zeqiri (ECMI Kosovo) – November 2010 (<http://www.cespi.it/SEENET/Peja.pdf>).

⁴⁶ “Rugova Valley and Accursed Mountains: current institutional framework and opportunities for future development”, by Adrian Zeqiri (ECMI Kosovo) – January 2012 ([http://www.cespi.it/SEENET/Report%203/PEC_ThirdReport\(rev1\).pdf](http://www.cespi.it/SEENET/Report%203/PEC_ThirdReport(rev1).pdf)).

2. Cooperation activities in the Pejë/Peć in the field of mountain tourism: an overview

The main actors in mountain tourism in the Pejë/Peć region are the municipality of Pejë/Peć, small and medium enterprises (SMEs), local non-governmental organisations (NGOs) and international actors.

The **Ministry for Trade and Industry** is – following the amendments to the Law on Tourism and Tourism Services – primarily responsible for supervising and coordinating the implementation of this law. As discussed above, most of its other competencies in the field of tourism, including promotion, have been transferred to the Investment Promotion Agency of Kosovo.

The **Municipality of Pejë/Peć** is the main public institution responsible for mountain tourism in the Pejë/Peć region. In line with Kosovo's decentralised system of government - discussed in more detail in the 2nd report⁴⁷ - local economic development and tourism fall within the competencies of the municipality.⁴⁸ Its main role in mountain tourism is the development and coordination of policy in this field. The municipality also tries to play an active role in the promotion of the tourism sector in Pejë/Peć internationally and in the development of tourism infrastructure. However, it continues to have a limited budget as well as scarce human resources and capacities and as a consequence remains heavily dependent on international organisations for funding and other support for most activities in these two areas. Nonetheless, considering the constraints of the Kosovo context, most interviewees have found the municipality of Pejë/Peć to be a good partner in relation to the tourism sector, with a mayor (Mr. Ali Berisha) who is open to and understands the tourism potential of Pejë/Peć, as well as a strong head of the tourism department within the municipality (Mr. Virtyt Morina).

There are no large companies operating in the Pejë/Peć area, but there is a growing number of **SMEs** active in this region, mostly restaurants and hotels.

A number of **local Non Governmental Organisations** (NGOs) are also playing an important role in the development of mountain tourism in the Pejë/Peć region. These are mostly small in size and are the main drivers behind mountain tourism activities apart from restaurants and hotels, such as hiking and rock climbing. They also usually promote a sustainable vision to mountain tourism.

A number of international actors play a key role in the development of mountain tourism in the Pejë/Peć region. **USAID**, through its Kosovo private Enterprise Program (KPEP), has been active in supporting the tourism sector in the region, primarily focusing on income generation activities. The Deutsche Gesellschaft für Internationale Zusammenarbeit (**GIZ**) has been active in supporting the development of a crossborder hiking trail connecting Kosovo, Montenegro and Albania. **The European Union (EU) Office in Kosovo** has also supported a number of activities in the tourism sector in the Pejë/Peć region, including the ‘Dear West’ project (www.dearwest.org) implemented by the Macedonian Enterprise Development Foundation. This project aims to establish the foundations for diversified economic activities in the Western Kosovo region (including Pejë/Peć) related to tourism, through the development of local tourism capacities and the development and promotion of local tourism products.

Other initiatives include: the work of Cultural Heritage Without Borders, which has focused in Pejë/Peć on the development of the tourism potential of old traditional Albanian houses called ‘kulas’ (e.g. the “Haxhi Zeka Kulla” and the “The Haxhi Beu Hamam”) and has also implemented an EU-funded project on tourism in Western Kosovo; Kosovo NGO ‘Hiking Njeri’, with funding from the Ministry of Trade and Industry, published a photobook called ‘Pure Kosovo’, highlighting

⁴⁷ “Decentralisation, power of local self-government and multi-level dynamics in Pejë/Peć Municipality” by Adrian Zeqiri (ECMI Kosovo) – June 2011 (<http://www.cespi.it/SEENET/report-2/6-decentramento-Peja.pdf>).

⁴⁸ Law on Local Self Government, Article 17.

the natural beauty of the country and of the Accursed Mountains in particular; from November 2010 until November 2012 the Macedonian Enterprise Development Foundation (MEDF) implemented a project funded by the EU (Dear West) with the aims to improve regional development in Kosovo's Western region (including Pejë/Peć), by establishing the foundations for diversified economic activities in the region related to tourism⁴⁹.

3. Case studies

This section will outline the activities of two important international actors in the tourism sector in the Pejë/Peć region: USAID and GIZ. The USAID case study will involve a discussion of their general approach as well as a more detailed analysis of two specific projects that were implemented under its management. The GIZ case study will focus on a specific project, which provides an interesting example of the cooperation of multiple governmental and private sector stakeholders across three countries.

USAID

USAID's KPEP has been active in Kosovo from September 2008 until February 2013. KPEP is a broad programme that covers a wide range of sectors (e.g. wood processing and the poultry sector), including tourism. Its main objective in this sector was to 'Improve marketing of Kosovo as a tourist destination'. Within its tourism component the programme has mainly focused on wine tourism in the Rahovec/Orahovac region and the development of the tourism sector in the Dukagjini region, which includes Pejë/Peć. Specifically, the program has worked to improve the Dukagjini region's tourism offers by supporting tourism companies and NGOs. It also supported the promotion of Kosovo's tourism offers by ensuring its representation at regional tourism fairs. Although USAID has indicated an interest to continue to support the tourism sector, including in the Pejë/Peć region, its programme in this field has ended with no concrete indications as to when or if it will be continued.

KPEP's strategy focused on strengthening local private enterprises to take over the local economy and provide sustainability for development. Specifically, it aimed to achieve this through four objectives: (1) private sector support in targeted sectors with potential for growth and competitiveness; (2) strengthened business support services (BSS) that support the competitiveness of targeted sectors; (3) a business-enabling environment (BEE) that fosters the competitiveness of targeted sectors; (4) workforce development (WFD) and training that encourages modernization, entrepreneurship, and innovation.

Some of the noteworthy outputs of this program were:

- Its support to the Kosovoguide tourism company (www.kosovoguide.com), which is currently one of the biggest players in promoting Kosovo as a tourist destination;
- Its support to the Western Balkans Geotourism Website (www.balkansgeotourism.travel), which promotes geotourism in the Western Balkans, including Kosovo;
- Its support to the establishment of the Kosovo Alternative Tourism Association (KATA) (www.kata-ks.org), currently one of the largest and most successful tourism associations in Kosovo;

⁴⁹ (www.dearwest.org).

- Its support to the organisation of the Pejë/Peć Street Fair “Stay the Weekend – Experience Peja”, which has been taken over by the municipal administration of Pejë/Peć, that currently organises this street fair by itself.

The last activity provides a positive example of cooperation between the local government and KPEP. The first Pejë/Peć Tourism Street Fair 2011 was organised on 26 September 2009. Its goal was to promote the cultural and natural heritage of the Pejë/Peć region and in 2009 over 60 vendors from different sectors participated, including tours and sports activities. The event was supported by KPEP, which provided a grant to the municipality of Pejë/Peć, that was then responsible for the preparations of all technical details, while KPEP kept an oversight role as well the right to participate in meetings in the selection process. The event was considered a success and on 25 September 2010 a second fair was organised, with a significant increase in the number of visitors, vendors and sales. In 2011 a third fair was organised - now called “Stay the Weekend - Experience Dukagjini” - with significant co-funding from the municipality of Pejë/Peć. The sustainability of the project was ensured when in 2012 the fair was organised again, now fully under the management and responsibility of the municipality. This project shows that by ensuring the local ownership of the project from the beginning – through the serious involvement of the municipality – its sustainability can be ensured. Moreover, it is an example of a project successfully bringing together international organisations, the local government and local NGOs and SMEs.

Alternatively, the Western Balkans Geotourism Website was a positive example of regional cooperation between different private individuals and businesses cooperating on a cross-border tourism project. This is a website containing an interactive geotourism map of the Western Balkans (Serbia, Kosovo, Montenegro, Bosnia and Herzegovina, Macedonia, and Albania),⁵⁰ with the aim of promoting geotourism activities throughout the Western Balkans. This project was supported and driven by USAID, which brought together motivated tourism professionals across the Western Balkans and National Geographic, with the aforementioned website as a result. The project started with a needs assessment, which found that the tourism sector in the Western Balkans suffered from a lack of (online) visibility. At the same time, with USAID’s support, National Geographic published in 2010 a supplement to the magazine on the Western Balkans, including a six page article on Kosovo. Seeing the opportunity to establish further cooperation between National Geographic and tourism professionals in the region, a large Western Balkans tourism conference was organised in Sarajevo (Bosnia and Herzegovina) in 2010, bringing together a wide variety of stakeholders involved in the tourism sector in the Western Balkans. One of the results of this conference was the development of the website, which was launched in June 2012. Subsequently, USAID handed over the management of the website to the Western Balkans Stewardship Council, made up of tourism professionals representing all six countries, while National Geographic ensures that the website complies with its geotourism standards. As opposed to the Pejë/Peć fair and the GIZ project described below, the involvement of national governments in this project was purposefully limited, in order to avoid political issues and complications.

GIZ

GIZ has implemented a regional project since 2011-2012 targeting South-Eastern Europe, as part of its Open Regional Fund for Foreign Trade Promotion in South-East Europe. This project included activities aimed at promoting cross border hiking tourism between Montenegro, Kosovo and Albania.⁵¹ The Pejë/Peć region is an integral part of this project, as it covers most of the Kosovo part of the hike. The project developed: a common hiking trail; common standards on marketing;

⁵⁰ Geotourism is: "tourism that sustains or enhances the geographical character of a place — its environment, culture, aesthetics, heritage, and the well-being of its residents." (http://www.balkansgeotourism.travel/about_geotourism.php).

⁵¹ (<http://www.giz.de/Themen/de/dokumente/en-tourism-projects.pdf>).

signposting; unified hiking guides training; and international publicity and acknowledgement. All the aforementioned activities resulted in the ‘Peaks of the Balkans Trail’ (www.peaksofthebalkans.com), which was nominated by the World Travel & Tourism Council as one of three finalists for the Destination Award 2013, an award for organisations which have “successfully implemented a sustainable tourism programme at the destination level, incorporating social, cultural, environmental, and economic benefits as well as multi-stakeholder engagement”.⁵²

To achieve this result, GIZ established cooperation with institutions and organisations in the three targeted countries, including: central level institution (Ministries and National Tourism Agencies); municipalities; local hiking clubs; tourism associations. To formalise this cooperation MoUs were signed with ministries in all three countries and special agreements were signed with the affected municipalities, including Pejë/Peć.

Overall, cooperation was perceived in a positive light, which was attributed to GIZ’s intensive engagement with the relevant stakeholders and, importantly, the definition of common goals. Some difficulties were, however, encountered, particularly relating to the limited human and financial capacities of local partner organisations. As the project has only recently been finalised, it is still too early to assess its impact. However, it is an important goal of the project to stimulate economic development in the local communities in the area covered by the trail and local families play an important part in the project, providing most of the accommodation and catering recommended for hikers of this trail.

As with KPEP, the GIZ project has recently been finalised and although there is an interest to continue work in this sector, there are currently no concrete new project activities planned, beyond the monitoring of the success and impact of the ‘Peaks of the Balkans Trail’. There is an intention by the partner municipalities (Shkoder, Albania; Plav, Montenegro; Pejë/Peć, Kosovo) in all three countries to cooperate in applying to EU funds to expand their activities in cross-border tourism.

EU/CoE support to the Promotion of Cultural Diversity

The Council of Europe (CoE), together with the EU, is currently implementing the second phase of the joint programme ‘Support to the Promotion of Cultural Diversity in Kosovo’, which is made up of four main components - “capacity development, education and public awareness, local economic development and community well-being” - and includes the promotion of cultural tourism, cultural heritage and diversity in the Pejë/Peć region⁵³. This programme has been running since 2004 and is planned to continue until 2015. It has brought together different stakeholders in the Western Kosovo region (including Pejë/Peć) in order to promote the cultural heritage of this region. Concretely, the project has resulted in a number of documentaries on the cultural heritage of Western Kosovo⁵⁴, and a feasibility study on cultural and natural heritage potential in Kosovo West which formed the basis for the development of a heritage plan for Kosovo West⁵⁵. Additionally, a number of promotional materials were produced and promotional events were organised.

This programme is centered on an inclusive approach which brings together different stakeholders and different communities in the recognition, development and promotion of cultural heritage.

⁵² (<http://www.wttc.org/news-media/news-archive/2013/worlds-leading-sustainable-tourism-initiatives-are-announced-wtt/>).

⁵³ (<http://www.jp.coe.int/cead/jp/default.asp?TransID=258>).

⁵⁴ (http://www.coe.int/t/dg4/cultureheritage/cooperation/Kosovo/videos_en.asp).

⁵⁵ (http://www.coe.int/t/dg4/cultureheritage/cooperation/Kosovo/Publications/publications_en.asp).

4. Indications for future possible partnership and convergences among cooperation actors

All interviewees agree that there is great potential for the development of the tourism sector in the Pejë/Peć region, particularly of mountain tourism in the Rugova Valley, which offers an internationally competitive experience. As mentioned in section 1, over the last three years significant developments have already taken place, with – perhaps most importantly – an increased willingness of the local community to seriously engage in tourism, which is linked to the emerging belief that tourism is a viable income generating strategy. However, the tourism sector remains young and underdeveloped, with many local communities wary of new innovative tourism projects. In light of this, there are three main recommendations for any intervention by an international organisation in the tourism sector in the Pejë/Peć region.

Focus on Kosovo as part of the Western Balkans/South Eastern Europe

Currently, Pejë/Peć is not yet able to compete on the international market as a stand-alone tourism destination, but is increasingly connected to regional tourism networks, of which the ‘Western Balkans Geotourism Website’ and ‘Peaks of the Balkans Trail’ – discussed earlier – are good examples. A growing number of international tourists visit Kosovo and specifically the Rugova valley as part of regional tours. All stakeholders involved in the tourism sector in Kosovo increasingly recognise this reality and the need to integrate Kosovo’s tourism offers into regional packages. This is exemplified by the intention expressed by the municipality of Pejë/Peć to cooperate with partner municipalities in Albania and Montenegro in applications to EU funding. Therefore, any intervention by an international organisation should focus on consolidating Kosovo’s links to such regional networks, for example promoting Rugova Valley’s tourism offers with international tour operators active in the Western Balkans or developing new regional tourism products. In these types of activities international organisations can play the role of connecting local stakeholders (municipalities and local tourism businesses) with their regional and international counterparts.

Focus on concrete actions

Different interviewees have warned that projects in the tourism sector should focus on supporting concrete activities aimed at enhancing tourism products, for example by improving tourism infrastructures and strengthening the capacities of the stakeholders involved in the tourism sector, rather than on the development of government policies, legislation and strategies. These warnings are rooted in two facts. First, Kosovo has already developed key legislative and policy documents on the tourism sector; it has developed a tourism strategy for the 2010-2020 period, has passed the Law on the “Bjeshkët e Nemuna” National Park, and amended the Law on Tourism and Tourism Services. Although much of the policy and legislative details still have to be developed, this means that the basic policy and legislative framework is in place.

Second, it is a general problem – not just in the tourism sector – in Kosovo that a great part of the legislation and strategies are developed with the support of international organisations, but are not adequately implemented, due to various interrelated factors including lack of political will, insufficient allocation of funds and the limited capacity of the responsible institutions. Consequently, improvements in the legislative and policy framework often do not result in real changes on the ground. It therefore follows that any action by international organisations should focus on the implementation rather than the development of policy and legislation. Concretely, projects should focus on three areas: (1) the development of tourism infrastructures, including the road into the Rugova Valley which in its current state is a significant obstacle for tourist access to certain parts of the Valley, adding hours to the travelling time; another problem are insufficient

hotels and other forms of accommodation of international standards; (2) the capacity building of all stakeholders (municipality, NGOs and SMEs) involved. As mentioned above, although most stakeholders are willing and interested to engage in the tourism sectors, there remains a lack of capacities to deliver tourism services at international standards; (3) the promotion and sales of tourism products internationally. Once both the physical infrastructure and human capacities are developed up to international standards, these should be combined into tourism products that can be marketed regionally and internationally.

Focus on the private sector development

Any intervention in the Pejë/Peć tourism sector should be centred on an inclusive approach involving all relevant stakeholders, including governmental institutions. The municipality of Pejë/Peć has proven to be a good partner for international organisations and plays an important role in coordinating and guiding the development of the tourism sector. However, its insufficient budget and human resources do not allow for it to be the main driver behind the development of this sector. Instead, it is the private sector – through NGOs and SMEs – that will play the central role in this development. Most initiatives initiated by international organisations, to be sustainable, will have to be taken over by private actors. Therefore, the private sector should be the primary focus of any sustainable intervention by an international organisation.

SeeNet

The SeeNet approach to mountain tourism in the Pejë/Peć region, covering capacity building, tourism infrastructure development and the promotion and sale of tourism offers, and involving close cooperation with local actors and respect for local communities, fits well into the general direction of tourism development in the Pejë/Peć region. Although a number of spoilers still persist (such as the unlicensed and unplanned construction of restaurants and hotels), over the years a consensus seems to be emerging to develop the Rugova Valley through sustainable mountain tourism, with the involvement of local traditional communities and respecting the environment. Importantly, there is a strong interest by local stakeholders to push tourism development forward, so that they can reap the fruits of the groundwork done over the past years. In fact, it can be argued that many recent developments have built on the earlier work done by SeeNet and follows the approach developed and pioneered by this programme.

Care should, however, be taken to ensure that any further interventions by SeeNet and other international actors do not overlap with one another. In this regard it is particularly important that effective coordination takes place between SeeNet, USAID, GIZ, the EU and the municipality of Pejë/Peć.

5. Conclusions

In conclusion, the tourism sector in the Pejë/Peć region, with significant international support, has developed considerably over the last few years, resulting in an improvement of the legislative and institutional framework, a shift towards a more open attitude of local communities towards tourism and a significant development of tourism capacities and infrastructures. The three case studies highlight the potential positive impact that international interventions can have. Key factors to success were: close cooperation with all relevant stakeholders (government institutions, tourism providers and local communities); a strong involvement of private actors; a focus on ‘selling’ the Pejë/Peć region as part of the broader region; the development of concrete tourism products, and the marketing of these products internationally; and, a sustainable approach to tourism development.

Today we register a “window of opportunity” for tourism development in the Pejë/Peć region: tourism actors have developed basic knowledge and skills on tourism management that were lacking up to a few years ago, a willingness exists among local communities to further develop the region’s tourism potential, and a number of internationally competitive tourism products have been developed. International actors, such as SeeNet, can play an important role in supporting Pejë/Peć in making use of this opportunity and guiding the development process in order to ensure sustainable tourism development – respectful of the environment and involving local communities – and local economic development.

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Experiences and Future Opportunities on Cooperation for Local Development in Budva Municipality

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Executive Summary

In Montenegro there is a favorable general framework that encourages international cooperation and seeks international donors for large investment projects. However, most projects in the field of spatial planning and sustainable tourism are undertaken by national institutions and organizations.

Local authorities have not yet established and built up the internal capabilities which would enable them to play a more proactive role in international cooperation activities. The Municipality of Budva has not directly benefited of a single IPA-funded project. This lack of experience is one of the biggest obstacles for the successful implementation of international cooperation projects. However, the awareness of current deficiencies among officials is encouraging and there are ongoing efforts for overcoming them.

In order to identify the potential opportunities for cooperation projects, this report presents three case studies of specific projects that have recently been concluded or are still being implemented. One of them is NAUTOR, the only relevant project in the field of sustainable tourism and spatial planning in Budva, pursued within the framework of the IPA CBC Programme between Montenegro and Croatia. Besides, the report presents an overview of a project initiated by the Ministry of Sustainable Development and Tourism, for the integrated coastal management in Montenegro (CAMP CG). The third case study is the IPA-funded project Building Future - Support to More Transparent and Accountable Spatial Planning and Development in Montenegro.

The case studies underscore that national organizations have been more active than the Municipality in promoting international cooperation projects in Budva. A project initiated by the Ministry of Sustainable Development and Tourism, CAMP CG, is expected to shape future activities in the field of spatial planning and sustainable tourism, and thus provides great scope for participation and contributions of various actors. NAUTOR demonstrates that the two areas divided by the state borders can be promoted as a single tourist destination, potentially paving the way for a more efficient exploitation of these areas' resources. Finally, Building Future - Support to More Transparent and Accountable Spatial Planning and Development in Montenegro suggests that participation in EU-funded projects can enhance internal capabilities of their beneficiaries.

The long list of Budva's twin towns is another resource which might boost the municipality's international cooperation activities, while the teaming up of local and national organizations and institutions could raise the number of beneficiaries of international donations and improve the efficiency of implementation of international cooperation activities.

1. General Framework for International Cooperation

Since the restoration of independence in 2006, Montenegro joined several international initiatives, and signed and ratified a number of international multilateral and bilateral agreements. The most important of those regarding environmental protection and hence sustainable tourism in Montenegro's coastal area are the 1995 *Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean* (known as Barcelona Convention), several protocols against the marine environment's pollution, as well as the Protocol concerning specially protected areas and biological diversity in the Mediterranean⁵⁶.

The country's progress towards EU membership is a particular boost to international cooperation. Montenegro officially became a candidate for EU's membership in 2010. By acquiring a candidate status Montenegro gained access to three further components of the Instrument for Pre-Accession Assistance, the main source of funding for the countries aspiring to join the EU for the period 2007-2013. The three components are human resources development, rural development and regional development, while the first two components - transition assistance and institution-building and cross-border regional cooperation (here and after CBC) - were available to the country from the very beginning.

Montenegro is also a signatory to many bilateral agreements. In the context of the activities within the SeeNet Programme, a important bilateral cooperation agreement in the field of environmental protection was signed between Montenegro and Italy in November 2012. The agreement aims at continuing the cooperation in the field of environment protection between the two countries and sets out the conditions and procedures for financing joint projects between Italy and Montenegro⁵⁷.

Apart from the cooperation activities undertaken within the framework of international law and international agreements, the main legal documents regulating the international cooperation of national and sub-national governments are the 2007 Constitution, the Law on local self-governments and the Law on local self-governments financing.

The Constitution stipulates that already ratified international agreements and generally accepted rules of international law shall be an integral part of the internal legal framework and shall prevail over national laws⁵⁸. Further, Article 15, regulating relations with other states and international organizations, prescribes that Montenegro shall cooperate and develop friendly relations with other states, regional and international organizations, based on the principles and rules of international law.

The legal framework regulating local self-governance allows a great independence to local authorities for pursuing cooperation activities independently from the national government. Pursuant to the Law on local self-government financing, municipalities are entitled to have their own sources of funding and tax collection revenue. However, in order to avoid problems - in terms of municipalities unable to undertake projects because unable to ensure their co-financing - a legal provision allows municipalities to receive donations from the state in order to ensure the co-financing of large, internationally sponsored investment projects⁵⁹.

⁵⁶ See more: Informacija o međunarodnim multilateralnim konvencijama kojima je Crna Gora pristupila ili je u postupku pristupanja, available at: (<http://www.mip.gov.me/index.php/pdf/UN-links/crna-gora-i-multilateralni-sporazumi.pdf>).

⁵⁷ See more at (<http://www.mrt.gov.me/ministarstvo/117602/Najava-Intenziviranje-saradnje-sa-Italijom-u-zivotnoj-sredini-potpisivanjem-sporazuma-o-saradnji-i-polaganje-kamena-temeljca-za.html>).

⁵⁸ Article 9, Constitution of Montenegro, 2007, available at: (http://www.comparativeconstitutionsproject.org/files/Montenegro_2007.pdf).

⁵⁹ The Law on Financing Local Self-Governments, Official Gazette of Montenegro, 42/03, 44/'03, 05/08, 51/08, 74/10.

2. The Cooperation Capacities of Budva Municipality

Despite the relatively favorable general framework, the cooperation activities of Budva municipality on issues of sustainable tourism and spatial planning have so far been limited, especially in terms of international cooperation projects of local authorities.

With respect to cross-border cooperation, which constitutes the second component of IPA 2007-2013, there are five programmes relevant for the territory of Budva municipality. Those are the crossborder cooperation programmes between Montenegro and Croatia, between Montenegro and Albania, the IPA Adriatic and MED⁶⁰ Programmes, as well as the Programme for Southeastern Europe. However, Budva's involvement in those programmes is relatively weak and only indirect⁶¹.

The most famous project - for approximately 60 million euros - in Budva is being carried out through the model of public-private partnership, and it is an endeavour by the local officials to treat water waste together with the German company WTE. The local authorities, however, over the last few years undertook a more proactive role regarding the other forms of international cooperation. Currently the drafting of new projects in the field of waste management, of the local plan for energy efficiency, the digitalization of tourist offer, and the systematization of rainwater catchments are underway.

The only international cooperation project currently carried out in Budva's territory by the local authorities are the initiatives foreseen by the SeeNet programme, namely the implementation of the Geographic Information System for Tourism (hereafter GIS for tourism). The project aims to transfer the positive experience of the Italian Emilia Romagna region, in order to promote an eco-friendly behavior towards tourism. More concretely, it is expected to result in the establishment of GIS for tourism, which is basically a valuable technological tool for a system designed to capture, store, manipulate, analyze, manage, and present different types of geographical data.

The municipality officials also noted in the interview that they have submitted several applications for EU-funded projects which have all been rejected so far⁶², and the reason given was that those applications were not well elaborated.

The problem of these relatively weak international cooperation activities of Budva's local authorities is also related to the wider socio-economic context prevailing in Montenegro. In the period between the 2006 restoration of independence and to the acceleration of the economic crisis in 2009, Budva has experienced the so-called construction boom and foreign investments have been pouring in⁶³. Hence, the need for seeking international donations wasn't so serious as in other parts

⁶⁰ The Mediterranean Programme is a transnational programme of European territorial cooperation. It is financed by the European Union as an instrument of its regional policy and it is open for participation of both the EU member countries and potential candidate countries. Yet, the interested countries have to participate with their own funds coming from the Instrument IPA. See more at: (<http://www.programmemed.eu/en/the-programme/about/in-short.html>).

⁶¹ *The Basic Information about the Cross-border Cooperation Projects*, document obtained from the Union of Municipalities of Montenegro (See Annex 1).

⁶² Milan Vucinic, vice-president of the Budva Municipality Assembly, said in the interview that they applied for three projects in the framework of the IPA ADRIATIC, CBC Montenegro-Croatia, and CBC Montenegro-Albania programmes, but their applications were rejected.

⁶³ For example, in 2007 most economic indicators in Budva were better than in all other municipalities. The taxable income per capita was the highest in this municipality and it amounted to 298,49 euros compared with only 0,68 euro in Andrijevica. (See more about development indicators of Budva and regional discrepancies in Montenegro in: Ministry of Economy, Government of Montenegro, *Strategy for Regional Development of Montenegro 2010-2014*, Podgorica, 2011, available at: (<http://ozon.dizajn.me/wp-content/uploads/2012/02/Strategija-regionalnog-razvoja-CG-2010-2014.pdf>).

of the country. Furthermore, the entire Montenegrin South (where Budva is located) is the country's most developed region, contrarily to the North where most of the poor population lives⁶⁴.

Technical assistance for applying to internationally sponsored projects has thus so far been provided mainly to poor municipalities⁶⁵. The study conducted in 2010 by the Montenegro Office of the Open Society Institute, noted that overall the municipalities' capabilities in applying and implementing IPA CBC projects have been weak. It particularly highlighted that the implementation of projects under the IPA CBC programme remains a great challenge for municipalities lacking previous experience in cross-border project implementation.⁶⁶ Recognizing the need to enhance capacities for pursuing international cooperation projects, municipality officials plan to establish a special Office for European Integration and Co-operation⁶⁷.

Despite the relative low participation in EU-funded projects, and despite the relatively low activity of development agencies along the Montenegrin coast, Budva is very active when it comes to decentralized cooperation, meaning the international cooperation initiatives undertaken or promoted by sub-national governments. It has twinning agreements with cities all over Europe: Sarajevo's Municipality Old Town and Laktaši in Bosnia and Herzegovina, Prague and Valašski Meziříč in the Czech Republic, Makarska and Pakarac in Croatia, Rimini in Italy, Ohrid in Macedonia, the Eastern Administrative District of Moscow in Russia, Banská Bystrica in Slovakia, Celje in Slovenia, Velika Plana, Novi Sad, and Čukarica in Serbia, and Kiev in Ukraine⁶⁸.

One of the most notable recent developments in the field of decentralized cooperation was Budva's membership of the Forum of Adriatic and Ionian cities and towns. Budva officially became a full member of the managing board in November 2012. Due to this, the municipality is expected to take a more proactive role in the strategic decision-making for the future of this macro-region, which is expected to be finally established by 2014. What is more, at the Forums's thirteenth session among the most important future tasks joint protocols and the financing of joint projects were mentioned⁶⁹.

At the national level, Montenegro is also a part of the Adriatic and Ionian Initiative, promoted by the Italian government in 1999, aimed at bringing closer all the Southeast European countries aspiring to join the EU⁷⁰. Since 2008, during the Greek presidency of the Initiative, cooperation in the field of tourism has been fostered⁷¹, so that this can be used as another boost to the Budva Municipality international cooperation in the field of spatial planning and sustainable tourism.

⁶⁴ The Municipality of Budva, along with the municipalities of Kotor, Herceg Novi, Tivat and the capital Podgorica, have a development level of 125 per cent over the national average.

⁶⁵ Only the third call for applications within the partially EU-funded project "Capacity building and support for the local governments in the implementation of development projects", October 2012, was open to all municipalities. The two previous calls, in 2010 and 2011, were open only to less developed municipalities.

⁶⁶ Open Society Institute, Capacities of Montenegrin Municipalities to Participate in Cross-border Cooperation Projects, Podgorica.

⁶⁷ Information obtained during the interview with representatives of Budva municipality.

⁶⁸ *Bratimljenje, Zajednica opština Crne Gore*, 2013, available at: (<http://www.uom.co.me/wp-content/uploads/2013/01/bratimljenje-m2-3.pdf>).

⁶⁹ See more at: (<http://www.opstinabudva.com/2212111.htm>).

⁷⁰ See more at: (<http://www.aii-ps.org/>).

⁷¹ See more at: (<http://www.mip.gov.me/index.php/Regionalne-organizacije/jadransko-jonska-inicijativa-jji.html>).

3. International Cooperation Pursued by National Organizations and Institutions

The current state of international cooperation in Budva's territory, however, does not depend solely on the capacities of the local government. National actors have been more active in implementing international cooperation projects.

For example, the National Tourist Organization has been involved in the implementation of the three IPA projects, under the short names TURGATE, CALIPSO and NAUTOR⁷². The implementation of the Adriatic IPA project "Joint promotion of the sustainable tourism development- TURGRATE 2" started in 2011 and it will last until 2014. The project brings together Montenegro, Albania, Greece and Italy and aims at enhancing the promotion and valorization of culture, food and natural Adriatic cross-border resources, with the final goal of making the Adriatic more competitive as a tourist destination. The CALIPSO project tries to adapt tourist products to specific target groups, while NAUTOR is the only project relevant to sustainable tourism and spatial planning, pursued within the framework of the IPA CBC programme between Montenegro and Croatia. Its implementation ended in 2012; the project aimed at developing a safer nautical tourism on parts of Montenegrin and Croatian coast. All of the afore-mentioned projects are partly implemented in the territory of Budva.

On the other hand, it should also be noted that the Montenegrin experience suggests that the most frequent beneficiaries of IPA funds are NGOs⁷³. What is more, the special EU Civil Society Facility Programme provides a further possibility for enhancing international cooperation among NGOs from different countries, as the second strand of this programme refers to support for activities carried out in partnership between civil society organisations (CSOs) from across the region and from EU Member States, in order to develop networks and promote the transfer of knowledge and experience. Hence, this programme also offers opportunities to Montenegrin NGOs to pursue international cooperation projects. Some of them are already under way. For example, the Green Home NGO – one of the leading national civil society environmental organizations – participates in the SESEEP project (Southeastern Europe Sustainable Energy Policy), a regional civil society network that advocates for a modification of the Regional Energy Strategy because of what the NGOs involved see as its unsustainability.

Besides, along with the Ministry of Sustainable Development, Green Home was one of the beneficiaries of the IPA-funded project Building Future – Support to More Transparent and Accountable Spatial Planning and Development in Montenegro. The Ministry also currently carries out a number of international cooperation activities relevant to spatial planning and sustainable tourism in Budva. Most notably, the Ministry launched a programme of integrated coastal management in Montenegro (here and after CAMP CG), in cooperation with the Mediterranean Action Plan, which operates within the United Nations Environment Programme (UNEP/MAP) and has its Priority Actions Centre/ Regional Activity Centre in Split⁷⁴.

The main goals of the CAMP CG are: 1) establishment of a mechanism which will provide support to the sustainable development of the coastal area; 2) support to the implementation of national policies and protocols on the integrated coastal zone management; 3) promotion of integrated and

⁷² Information obtained by the representative of National Tourist Organization, Biljana Božović.

⁷³ *The Basic information about the Cross-border Cooperation Projects*, document obtained from the Union of Municipalities of Montenegro (See Annex 1).

⁷⁴ The implementation of the CAMP CG is financed by UNEP/MAP (68 %, 298, 000 euros), and by the Ministry of Sustainable Development and Tourism (31 %, 140,000 euros). Within its framework, UNEP/MAP also allocated 100,000 euros for the drafting of the National strategy for integrated coastal zone management in Montenegro, and 15, 000 USD as part of the UNDP support to the realization of the detailed mapping of the most valuable habitats in Montenegro's coastal area and the establishment of the Geographic Information System for the coastal area.

participatory planning and management of the coastal area; 4) development of national and local capacities for integrated coastal area management and awareness-raising about their significance, about the complexity and fragility of eco-systems, and about the need for an integrated approach to the coastal area management; 5) help in information-sharing about the instruments and approaches to the integrated coastal area management.⁷⁵

4. Development Agencies

A part of CAMP CG is also being implemented by the Montenegro's Office of the United Nations Development Programme (UNDP Montenegro). The aim of this development agency's involvement in the project is primarily to provide mapping of biodiversity hot spots and their subsequent inclusion in the integrated spatial plan for the coastal area, which is yet to be adopted⁷⁶.

The UNDP is one of the few remaining development agencies that maintained a notable presence in the country. This organization undertakes relevant projects in the field of spatial planning and sustainable tourism. Although more focused on the North of the country, the UNDP is currently carrying out studies along Montenegro's coast within the CAMP CG Programme.

Overall, however, the presence of international development agencies in Montenegro is diminishing. For example, USAID and GIZ, the German development agency, are to close their Montenegro offices. Such move is justified by the claim that the country achieved a satisfactory level of development, as was confirmed by the European Council's 2010 decision to grant Montenegro the candidate status for accession to the EU⁷⁷.

Hence, as noted in the interview with the official from the Ministry of Foreign Affairs and European Integration, the EU still remains the largest grant donor to Montenegro. This fact is particularly important in the context of the ongoing accession negotiations and economic crisis, which are likely to deliver more priorities for seeking international donations due to the increasingly demanding EU conditions, on the one hand, and due to the lack of domestic funding for important infrastructure, institution-building and other projects, on the other.

As already outlined, some of the most important projects in the field of sustainable tourism and spatial planning are also EU-funded. The challenges and benefits of implementing those projects and mainly the CAMP CG Programme - as the project which is expected to shape future spatial planning on the Montenegrin coast - are described in the following chapter.

5. Lessons Learned from the Implementation of Specific Projects

This chapter is specifically focused on the three afore-mentioned projects, which are all relevant for the territory of Budva, although the Municipality itself was not directly involved in their implementation.

The first project is CAMP CG, financed by UNEP/MAP (68 %, 298, 000 euros) and by the Ministry of Sustainable Development and Tourism (31 %, 140,000 euros). Within the framework of the programme, UNEP/MAP also allocated 100,000 euros for the drafting of the National strategy for the integrated coastal zone management in Montenegro, and 15,000 USD as part of the UNDP

⁷⁵ Information obtained by the interview with representatives of the Ministry of Sustainable Development and Tourism.

⁷⁶ Information obtained by the interview with the representative of UNDP Montenegro.

⁷⁷ Information obtained by the interview with the representative of the Union of Municipalities of Montenegro.

support to the detailed mapping of the most valuable habitats in Montenegro's coastal area and the establishment of the Geographic Information System for those areas. The main objective of this project is to establish mechanisms supporting sustainable development of the coastal area. Hence, the potential impact of this project on Budva territory is improved spatial planning, which would take into account all the natural resources of the entire coast, and, more specifically, provide a basis for the sustainable exploitation and tourist promotion of those resources.

The second project is NAUTOR, implemented by the Hydrographic Institute of the Republic of Croatia and the Hydrometeorological Institute of Montenegro within the Cross-border Programme Croatia - Montenegro. The IPA grant value was 169,873 euros. The main objective of this project was improvement of the tourist potential of the Dubrovnik-Neretva County and the Montenegrin Coast through their joint promotion as integrated tourist destinations; therefore its impact on Budva – apart from the obviously improved safety of nautic tourism – might be primarily bringing in more tourists.

The third project is Building future – Support to more transparent and accountable spatial planning and development in Montenegro. The project is based on IPA funds and its main beneficiaries are the Ministry of Sustainable Development and Tourism and the Green Home NGO. The aim is to contribute to a more sustainable development of Montenegro by improving public participation, increasing transparency, accountability and responsiveness of public administration in spatial planning, manufacturing and public contracting for infrastructural development. The potential impact of this project on Budva is particularly significant since Budva suffered in the past years of significant corruption problems, especially in the field of building permissions. In June 2012 Podgorica's High Court sentenced to jail 11 people, including former Budva's mayor Rajko Kuljaca, charged with abusing their official positions to allow illegal building of about 40 villas at Zavala Cape⁷⁸.

5.1 CAMP CG

Not only for Budva but for all the coast, the CAMP CG programme is of the greatest significance. Its implementation is still under way but the project already shows its potential for future international cooperation activities and as a model of coordination of different actors.

This project is expected to end in the first quarter of 2014, and it should result in the drafting of the Plan of integrated coastal management in Montenegro and of the National Strategy for integrated coastal zone management. The project is also expected to provide an expert basis for drafting the Special Purpose Spatial Plan for Montenegro's Coastal Area.

The drafting of the National strategy should happen on a participatory basis⁷⁹ and thus leaves an opportunity for organizations and institutions which are not directly involved in the current phase of the project to give their contributions.

So far the project's implementation, in terms of coordination activities, shows both its strengths and its weaknesses. For example, cooperation with local authorities in providing an overview of the socio-economic situation proved to be fertile⁸⁰. On the other hand, however, not all activities are correctly aligned. Since the Special Purpose Spatial Plan for the entire coastal area should ensure that spatial planning in all coastal municipalities be aligned with the principles of sustainable development, the detailed spatial plans for each municipality should also be aligned with those

⁷⁸ Balkan Insight, *Montenegro Court Jails Former Mayor of Budva*, June 2012, <http://www.balkaninsight.com/en/article/former-heads-of-montenegro-s-budva-to-serve-jail-sentence>.

⁷⁹ Information obtained by the interview with the representative of the Ministry of Sustainable Development and Tourism.

⁸⁰ Opinion expressed in the interview with the representative of the UNDP Montenegro.

principles. However, for example, the Urban Spatial Plan for the period up to 2020 for the coastal municipality of Tivat had already been adopted⁸¹.

5.2 NAUTOR

The Montenegrin beneficiaries of the NAUTOR project, aimed at the joint promotion and advancement of the safety level of nautical tourism in Croatia's Dubrovnik-Neretva county and along the Montenegrin coast, were the Hydro-meteorological institute and the National Tourist Organization. According to them, the project brought great benefits not only in terms of increasing the safety levels of nautical tourism, but also in terms of other results, such as systematization of data on natural and cultural resources of the area, and guides to safe nautical routes.

The implementation of this project, which ended in late 2012, also had other positive side-effects of cross-border cooperation activities. For example, beneficiaries noted that the media's coverage of the project increased Budva's visibility in this branch of tourism. The organization of round tables which brought together experts from the two countries enhanced information-sharing between the two coastal areas.

Most notably, according to its beneficiaries, the project aimed to mitigate the negative consequences of the division of the two coastal areas along the Montenegro-Croatia state border, and at turning this apparent obstacle into an advantage through the joint promotion of the two areas as a single destination for nautical tourism.

5.3 Building Future - Support to More Transparent and Accountable Spatial Planning and Development in Montenegro

As it involved non-governmental organizations, the implementation of this project is illustrative of how internationally sponsored projects might be used to enhance internal capacities of their beneficiaries.

For the purpose of this report, the Institute Alternative researcher conducted an interview with the representative of the Green Home NGO which carried out the environmental impact assessment of spatial planning in Montenegro, focusing especially on the coastal area because of the extensive construction activities taking place in this region. During the 18 months of the project implementation, Green Home submitted approximately 26 reports. Approximately 70 percent of them related to the territory of Budva municipality because the strategic assessments usually dealt with conversion plans of urban land for tourist purposes.

Thanks to its environmental impact assessments, the Green Home NGO improved its internal capacities and leading role so markedly that, as one of the umbrella national environmental organizations in the country, it issued a special guide about the way these assessments should be done. In addition, it used the knowledge gained in the implementation of this IPA project to pursue similar, more focused projects. In other words, it carried out a strategic environmental assessment of the project of a hydro power plant on the Komarnica river.

A parallel can be drawn between this experience and the expectations raised by the SeeNet programme with respect to the territory of Budva municipality. As noted in the interview with local officials, the implementation of the Geographic Information System for tourism within the SeeNet

⁸¹ Odluka o donošenju prostorno urbanističkog plana tivta do 2020. godine (Decision on the adoption of Spatial and urban plan for Tivat to 2020), available at:

<http://opstinativat.com/cg/images/stories/skupstinske%20sjednice/01072010/PUP%20odluka%20o%20donosenju.pdf>

programme should bring about the implementation of the GIS for Urban planning, which is supposed to be launched by the Ministry of Sustainable Development and Tourism.

The example of the two different but interlinked projects shows the positive side-effects of international cooperation and knowledge-sharing. On the other hand, the implementation of the project Building future - support to more transparent and accountable spatial planning and development in Montenegro also suggests that there is a room for improving coordination of different actors. For example, the project coordinator was also one of the leading Montenegro's non-governmental organizations – the Network for Affirmation of Non-Governmental Sector, MANS - which forwarded assessments done by the Green Home NGO to the respective institutions. Green Home itself, however, did not receive a feedback about how many of their recommendations were incorporated in the particular spatial plans. They received a feedback related to just two of their strategic environmental assessments, which showed that approximately half of their recommendations were incorporated.

6. Conclusion and Recommendations

International cooperation activities are relatively intensive, but mainly performed by national organizations and institutions. Apart from the impressive list of twin towns across Europe, municipal authorities in Budva should establish specific internal organizational units for international cooperation, and carry on seeking donors for projects in the field of sustainable tourism and spatial planning.

This need is more urgent in the face of the bad economic situation in the municipality and in the country at large, which poses the need for more international funds for big infrastructural projects. However, the main donor to Montenegro – the EU - is also going through financial troubles of its own and the priorities of the next IPA programme are still unclear. Although the country's attention should be focused primarily on those funds, its potential international partners might be also identified within the “Europe for Citizens” Programme⁸², which provides opportunities for the exchange of experiences between, for example, Montenegrin and Italian institutions and organizations in promoting sustainable tourism. Raising awareness of potential funding for international cooperation projects should thus be one of the main future activities of Italian and Montenegrin partners. The findings of this report also confirm that this is necessary for various stakeholders in Montenegro.

For example, the interview with the representative of the Tourist Organization of Budva shows that the international cooperation activities of this organization have been very modest. By contrast, the National Tourist Organization of Montenegro has been much more active in that respect, and hence it should at least work for the indirect involvement of its local branch in its international activities.

An intensification of local actors' international cooperation would have multiple benefits, as suggested by the overview of the results of specific projects in the field. It would primarily increase their capacities to pursue similar projects in the future. Furthermore, cooperation with national and sub-national organizations and institutions of neighboring countries can unify the tourist offer of geographically close areas, with synergetic effects.

The results of the CAMP CG programme will be particularly indicative of future activities for the development of sustainable tourism and spatial planning on the Montenegrin coast. Hence, the announced participatory emphasis in the drafting of the Special Purpose Spatial Plan for Montenegro's Coastal area should be channeled towards advocacy of specific goals of interested

⁸² This EU's programme is especially aimed at **transnational exchanges and cooperation activities**. More available at: <http://eacea.ec.europa.eu/citizenship/>.

local, national and international actors, but also towards mapping of future challenges and activities in the field.

There are many challenges and lessons learned which might be fertile for cooperation between Budva and its Italian partners in the framework of the SeeNet programme. The transfer of knowledge in absorbing EU funds in the field of spatial planning and sustainable tourism is of particular importance. However, the overall developments and efforts presented in this report offer indications about the future priorities of international cooperation. The implementation of the Adriatic IPA project “Joint promotion of the sustainable tourism development- TURGRATE 2”, bringing together Montenegro, Albania, Greece and Italy, might - if successful - serve as a basis for pursuing similar projects attempting to unify the tourist offer of these areas and make them more competitive.

The largest room for the improvement lies in coordination of international cooperation activities among the different actors in Montenegro. As suggested by a few experiences, an effective communication between the different actors involved in the implementation of specific projects is often lacking. A more effective teaming up of various actors would not only improve the quality of project implementation, but also ensure more successful applications for internationally sponsored activities.

On the other hand, the most important infrastructure project in the territory of Budva aimed at enhancing the treatment of water waste management - important from the point of view both of sustainable tourism and of spatial planning - is carried out by a public-private partnership. This model represents another way in which public and state authorities, including the Italian and Montenegrin municipalities, might compensate for the lack of public funding and provide other forms of incentive for private companies.

Key recommendations:

- The international cooperation capacities of Budva Municipality should be enhanced, primarily through the establishment of the already envisaged Office for European Integration and International Cooperation, and its adequate staffing;
- Local and national organizations and institutions should develop a closer cooperation and communication in the future, in order to raise the number of beneficiaries of international donations but also to improve the efficiency of implementation of international cooperation activities;
- Budva officials should use the communication network derived from the municipality’s participation in various initiatives of decentralized cooperation in order to seek potential donations for significant investment projects;
- The dynamics of establishing an integrated coastal area management in Montenegro, due to its inherent importance for both spatial planning and sustainable tourism, should be closely monitored and exploited for further advocacy and international cooperation activities in the field.
- Due to the Montenegro government strategic orientation of opting for public-private partnerships for the implementation of major investment projects, Italian partners should familiarize their businesses with investment opportunities in Montenegro through exchanges of experiences with their Montenegro colleagues about the peculiarities of this model;
- Partners within the SeeNet Programme should advocate for their interests with regard to spatial planning and sustainable tourism to be represented in the future IPA programming, in order to ensure that future international cooperation activities are pursued in the framework of this significant source of funding;

- NGOs, which proved to be the main beneficiaries of IPA funds in Montenegro, should be more involved in the implementation of the SeeNet project activities and be regarded as potential partners in pursuing future cooperation activities.

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Annex 1

Information about Cross-border Cooperation Programmes

Cross-border Cooperation Programmes	Number of projects within each programme	Project's overall value (in euros)
Albania-Montenegro	6 projects	556.045,52 (EU grant 471.485,37)
Bosnia and Herzegovina - Montenegro	12 projects	1.140.690,58 (EU grant 969.586,99)
Croatia-Montenegro	5 projects	899.020,14 (EU grant 786.520,64)
Serbia-Montenegro	13 projects	995.409,61 (EU grant 840.526,93)
Southeastern Europe	12 projects	1.555.633 (EU grant 1.322.288)
Mediterranean programme	4 projects	369.830 (EU grant 314.355)
IPA Adriatic programme	17 projects	4.705.704,67 (EU grant 3.980.723,97)
Total	69 projects	10.222.333,52 (EU grant 8.685.486,90)

Source: *The Basic information about the Cross-border Cooperation Projects*, document obtained from the Union of Municipalities of Montenegro, 2012.

Autonomous Province of Vojvodina
State of the Art and Future Opportunities on
Cooperation for Local Development

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Acronyms and Abbreviations

ACCESS	Assistance to the Competitiveness and Compatibility for the EU of Serbian SME
ADA	Austrian Development Agency
BBI	Building Business Incubators
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-Border Cooperation
CRDA	Community Revitalization through Development Action
CRDA - E	Community Revitalization through Development Action - Economic Programme
EU	European Union
GDP	Gross Domestic Product
GIZ (GTZ)	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
ICT	Information and Communication Technologies
IPA	Instrument for Pre-Accession
IRPD	Integrated Regional Development Plan
MEGA	Municipal Economic Growth Activity
MISP	Municipal Infrastructure Support Programme
MSP	Municipal Support Programme
MSP NE	Municipal Support Programme North East Serbia
NGO	Non-Governmental Organisation
PCM	Project Cycle Management
RDA	Regional Development Agency
RSEDP	Regional Socio-Economic Development Programme
SDC	Swiss Development Cooperation
SEENET	South East European Network
SIRP	Settlement and Integration of Refugees Programme
SLDP	Sustainable Local Development Project
SME	Small and Medium-sized Enterprises
USAID	US Agency for International Development
Vojvodina CESS	Vojvodina Centre for Strategic Economic Studies

Executive Summary

All over the world local and regional governments have become active players in planning and implementing development policies in their respective territories.

Local development has been among the most attractive fields of intervention financed by international agencies in Serbia. There is no international development agency that has been operating in Serbia which was not involved in supporting local development initiatives across the country. As in other parts of the country, local development in Vojvodina was initiated by bilateral and multilateral development cooperation agencies, which introduced the concept to local authorities and raised awareness on the importance of their involvement in stimulating growth and job creation.

To a large extent, development cooperation activities in the field of local development in Vojvodina have been following initiatives organised for the whole country. Local development initiatives can be categorised on the basis of geography or nature of intervention. In terms of geography, most local development projects were geographically concentrated in areas that are more in need of development. On the other side, strategic & action planning was the most attractive activity among local development projects.

The report presents three cases, selected on the basis of their results, that present best practices in local development. Those cases are: the Integrated Regional Development Plan of the Autonomous Province of Vojvodina - IRDP; APQ Balkans: Regional Integrated Programme of economic and social cooperation - PRICES; and Assistance to the Competitiveness and Compatibility for the EU of Serbian SME - ACCESS.

Future initiatives for local development should have a clearer focus on the needs of the private sector, assisting it in terms of growth, job creation, market penetration, increased productivity and technology transfer. Stimulating innovations and public-private partnerships and joint ventures between local and foreign companies should be paid a special attention in future development interventions. Among other issues, local development projects should provide technical assistance to business associations, support a dialogue between public and private actors, advance capacities for analysing local productive systems and for designing evidence-based local development policies. In terms of sectors, Vojvodina has a competitive advantage in agriculture and food production, as well as in other sectors such as ICT and the metal processing industry.

1. Introduction

More than ever before, local governments and other sub-national actors are becoming engaged in the planning and implementation of economic development policies in their respective territories. Local authorities are involved in enabling business environment through development of commercial and physical infrastructure, tax stimulation, support to industry, labour force development, the attraction of inward investment, stimulation of entrepreneurship, and all those issues which might lead to economic development.

Local economic development (often called *local development*, which will be used hereinafter) is a process in which local authorities and other actors in a territory join powers to improve the quality of life and the conditions for economic growth. Therefore, when talking about local development, it mostly involves a participatory model of cooperation between socio-economic actors in their respective localities⁸³. Vertical coordination between different levels of authority and harmonisation of public policies are also important factors for successful planning and implementation of local development initiatives.

The Republic of Serbia was a latecomer to transition, moving towards a process of conversion to a market-driven economy more than 10 years after other countries in Central and Eastern Europe.

Consequently, local development as a model in which public and private actors work together to determine and achieve development objectives does not have a long history in the country.

Local development in Serbia, and subsequently in Vojvodina too, was initiated by international development agencies which presented the concept through a range of projects and initiatives that contributed to raising awareness among actors at both local and national levels. The first projects were initiated right after the first democratic changes and they were focused on revitalisation of local communities; therefore, as such, they did not have a strong development character. However, since 2004/2005 development cooperation projects implemented at the local level have had more of a developmental character. Local development projects are mainly funded by the EU (CARDS and now IPA), and through bilateral development agencies such as USAID, SDC, Sida, ADA, the Kingdom of Norway, the Kingdom of Denmark and others.

There is no international development agency that has been operating in Serbia which was not involved in supporting local development initiatives across the country.

This report tries to identify and present information on local development projects in the Autonomous Province of Vojvodina, financed through development cooperation with international and bilateral actors. In addition, the paper discusses opportunities and presents recommendations for further assistance to local development.

⁸³ This definition should be clearly separated from considering local economic development as an outcome of an intervention, measured by economic indicators (e.g. GDP growth, unemployment rate, number of new enterprises, etc.), primarily because the concept of local economic development is not strictly based on economic growth but is primarily related to activities aimed at improving the quality of life and the business environment.

2. Cooperation activities in Vojvodina in the field of Local Development: An Overview

To a large extent, cooperation activities in the field of local development in the Vojvodina province follow initiatives organised for the whole country. On the other hand, local development initiatives in Serbia might be divided according to geography and to the nature of the intervention.

Based on geography, local development projects are split between:

- Projects that encompass all local self-governments across the country (or *country-wide* projects);
- Projects that support local self-governments that are not territorially connected (or *geographically disbursed* projects);
- Projects that support a cluster of territorially connected local self-governments (or *geographically concentrated* projects);

Country-wide projects comprise EU-funded development initiatives such as Exchange (all four phases)⁸⁴, MSP IPA 2007⁸⁵, MISP (all phases)⁸⁶ and RSEDP2⁸⁷. These projects have supported various development interventions of local self-governments across the country, including the ones in the Autonomous Province of Vojvodina.

There are three development interventions that might be classified within the geographically disbursed category and those are USAID-funded Municipal Economic Growth Activity (MEGA), Settlement and Integration of Refugees Programme (SIRP), financed by the Italian government and implemented by UN-Habitat with the technical assistance of ERVET Emilia Romagna Valorizzazione Economica Territorio, and the first phase of SDC-funded Municipal Support Programme. SIRP also supported housing and integration of refugees in Stara Pazova and Pančevo.⁸⁸

USAID MEGA was focused on stimulating economic development in 32 selected municipalities. Among others it covered the following cities and municipalities from Vojvodina: Inđija, Subotica, Zrenjanin, Vršac, Pećinci, Pančevo, Novi Sad, and Sremska Mitrovica. The main focus of SIRP was on socio-economic integration of refugees and internally-displaced persons, yet part of its activities consisted of support in designing local development strategies in Niš and Novi Sad. The SDC MSP project geographically did not cover local self-governments in Serbia.

The vast majority of development interventions in the field of local development has had a clear territorial focus. This category covers multi-donor interventions that target the economic recovery

⁸⁴ More information on Exchange programs is available on the official website: (<http://www.exchange.org.rs/en>).

⁸⁵ More information on Municipal Support Programme (MSP) IPA 2007 is available on the official website: (<http://www.msp-ipa2007.org/>).

⁸⁶ More information on Municipal Infrastructure Support Programme (MISP) is available on the official website: (<http://www.misp-serbia.rs/>).

⁸⁷ The Regional Socio Economic Development Programme 2 (RSEDP2) can be analysed as a special case because it supports local economic development through support to regional development agencies where they exist; on the other hand it directly supports municipalities and cities where there are no regional development agencies. Since this includes support to all local self-government units in Serbia, this programme is placed in the category of national projects. More information on RSEDP2 is available on the official website: (<http://www.rsedp2serbia.eu/>).

⁸⁸ More information on SIRP Programme is available at the website: (<http://www.unhabitat.org.rs/programmes/sirp/sirp.htm>).

of the most deprived local self-governments located in the Southwest, South and East Serbia, but also EU-funded area-based projects such as the Regional Socio-Economic Development Programme (RSEDP) and the Municipal Support Programme North-East Serbia (MSP NE). Both RSEDP and MSP NE covered local self-governments of three Banat districts in Vojvodina. USAID has also been implementing projects in this category: CRDA and CRDA-E⁸⁹, as well as the currently implemented Sustainable Local Development Project (SLDP), which covers 32 municipalities grouped in eight inter-municipal cooperation clusters, out of which 3 clusters are from Vojvodina (the inter-municipal cooperation clusters led by Novi Sad, Subotica and Zrenjanin). Among other projects of this category it is important to mention the Integrated Regional Development Plan of the Autonomous Province of Vojvodina, financed by the Austrian Government and implemented at the provincial level. This project was rather focused on the provincial level and did not directly target local development, yet its activities and results stimulated the economic development of all Vojvodina municipalities.

As a special case, Cross-Border Cooperation (CBC) Programmes can also be considered within this category since they support local development with a clear territorial focus (on bordering territories). Local self-governments in Vojvodina can benefit from the cross-border cooperation projects Hungary - Serbia⁹⁰, Romania - Serbia⁹¹, Croatia - Serbia⁹², and Bosnia & Herzegovina - Serbia⁹³.

Based on the nature of intervention, local development projects might be split in the following intervention areas:

- Preparation of strategic and action plans for local development;
- Capacity building for project cycle management, primarily on project proposal writing;
- Development of local social and communal infrastructure; and
- Establishing local economic development offices.

Almost all projects focused on local development have supported the preparation of strategic and action planning documentation at the local level. As a result of these interventions, in 2012 the Standing Conference of Towns and Municipalities registered 708 strategic and action plans prepared or being prepared by municipalities and cities⁹⁴. All local self-government units in Vojvodina have prepared development strategies through financial or technical support provided either by development actors or by the Vojvodina Government⁹⁵.

⁸⁹ CRDA and CRDA-E were predecessors of the MEGA programme implemented in 2001-2007, covering the whole territory of Serbia, including Vojvodina. However, this programme is included in the category of geographically concentrated projects due to the fact that its implementation was organized through partner organisations that covered clearly defined territories.

⁹⁰ EU IPA CBC HU-SER covers all Vojvodina local self-governments, either as eligible or adjacent areas.

⁹¹ EU IPA CBC ROM-SER covers local self-governments from three Banat districts of Vojvodina (and two other districts of Central Serbia).

⁹² EU IPA CBC CRO-SER covers local self-governments from Srem and three Bačka districts of Vojvodina (and one district of Central Serbia as adjacent area).

⁹³ EU IPA CBC BiH-SER covers local self-governments from Srem district of Vojvodina (and three other districts of Central Serbia as adjacent area).

⁹⁴ Source: SLOR Report, Standing Conference of Towns and Municipalities, November 2012

⁹⁵ The Vojvodina government pays a significant attention to supporting its local self-governments in strategic planning. In that regard the provincial government provided financial support to all self-governments which did not have strategies. Vojvodina CESS provided technical assistance in this process.

Another area of intervention targeted by local development projects is capacity building for project cycle management, especially for writing grant applications for EU IPA funds. The results of these activities significantly vary between cities and municipalities, as well as across territories⁹⁶.

Developing communal infrastructure and restructuring buildings of social importance (schools, hospitals, cultural centres, etc.) are important parts of all projects focused on local development. Due to the fact that all local self-governments have a problem with communal infrastructure, these types of interventions are the most attractive for local authorities. Development interventions might be split between those that support exclusively the development of local infrastructure (e.g. MISP and its preceded projects), and the ones that provide this type of support through grant schemes (e.g. Cross-Border Cooperation Programmes).

Establishing local economic development offices and developing their capacities are also a frequent focus of local development project interventions. USAID MEGA was the most prominent project that provided this type of support to local self-governments in Serbia and Vojvodina, but there were other projects active in this field such as Exchange and EU CBC. Regional development agencies Bačka and Banat were also active in providing support for establishing local economic development offices in Vojvodina. As a result, 35 out of 45 local self-government units in Vojvodina have established local economic development offices.

Both these categories, by geography and by nature, do not cover transnational cooperation initiatives since their interventions include territorial partnerships that go beyond national boundaries. Nevertheless, it is important to mention the significance of EU-funded transnational cooperation programmes (such as Southeast Europe), or the development cooperation programmes funded by the Italian government (such as the SEENET Programme: A trans-local network for the cooperation between Italy and South East Europe or the Support Programme for Regional Cooperation). These programmes are comparatively more active in Vojvodina than in other parts of Serbia, mainly due to better networking capacity. Italian development actors dominate among cooperation partners active in transnational projects.

Private sector development projects are also not specifically considered in this section, since they often support activities that go beyond local development. Nevertheless, it should be noted that GIZ is the most active organization in providing support to associations and organisations that work directly with the private sector, mainly in the field of organic farming and ICT. Besides, SlovakAid also provided financial support in the field of organic production in Selenča village in Bač Municipality, business networking in Bačka Topola and many others activities.

⁹⁶ One of the key problems as regards the capability to write and implement projects is insufficient knowledge of English language at the local level, especially in small and undeveloped municipalities. Another problem is the lack of formal education programmes in the field of Project Cycle Management (PCM). Local professionals are trained in PCM through ad-hoc training that are often limited to explaining basic terms, without tackling the essence. The third key problem is the frequent fluctuation of workforce within self-government units. Namely, with the change of political structure at the local level it often happens that trained staff is replaced or marginalised, which significantly reduces local capacities in this field. This is especially the case in smaller municipalities where most often one or two persons are in charge of project-related work. It should also be mentioned that people working on projects often cover several other duties, which adds to their burden and thus reduces their efficiency.

3. Case Studies of Local Development Projects in Vojvodina

The three case studies that have been selected in this section are not exclusively local development projects, yet their results have contributed to the enhancement of socio-economic conditions at the local level.

3.1 Integrated Regional Development Plan of the Autonomous Province of Vojvodina - IRDP

The Integrated Regional Development Plan of the Autonomous Province of Vojvodina - IRDP - was a project aimed to support the implementation of the provincial development plan through strengthening provincial capacities in supporting the socio-economic development of Vojvodina, as well as in substantiating the province's position in the European integration process. IRDP is a joint initiative of the Government of Vojvodina and the Austrian Development Agency (ADA). The project started at the beginning of 2007 and lasted for 5 years, until the end of 2011. For this project ADA provided a grant of €5 million euro, mainly for technical assistance and institutional capacity building and measures that were created through the project. The project supported the creation of the following mechanisms for socio-economic development:

- (1) Vojvodina Centre for Strategic Economic Studies (Vojvodina CESS);
- (2) Business Standardisation and Certification Scheme;
- (3) Agricultural Export Promotion Fund;
- (4) Building Business Incubators (BBI);
- (5) Vojvodina Investment Promotion Fund; and
- (6) Integrated Qualification Scheme.

Although all of these mechanisms have direct or indirect impact on local development, for the purpose of this report the focus will remain on Vojvodina CESS and BBI.

The Vojvodina Centre for Strategic Economic Studies (Vojvodina CESS) has been established in 2004 by the Government of Vojvodina and the University of Novi Sad, following the recommendations defined within the provincial development plan. Originally, Vojvodina CESS was established with the mission of improving macro-economic research in Vojvodina. Nevertheless, throughout the years there were increasing demands to Vojvodina CESS from the provincial and local self-governments to provide technical assistance in designing and implementing development projects. In that regard, Vojvodina CESS has provided assistance to numerous local self-governments in designing local development strategies, preparing grant applications for EU projects and supporting entrepreneurship and local economic development. Vojvodina CESS became a prominent institution in carrying out analyses and studies that met the needs not only of the provincial government but also of the local ones. At the end of the 2011, the provincial government decided to transform Vojvodina CESS into an Agency for Balanced Regional Development of the Vojvodina Province. With this transformation the role of Vojvodina CESS has shifted more towards development than it was the case before.

Beside IRDP, GIZ also provided technical assistance in developing the capacities of Vojvodina CESS.

Vojvodina CESS represents a positive example of sustainability of project-based institutions, as well as a success story in the use of development cooperation initiatives for stimulating local and provincial development in a transitional country.

Building Business Incubators (BBI) is a policy measure initiated by the IRDP project which aims to support business incubators in Vojvodina by providing institutional grants on annual basis. This measure stimulates the development of local entrepreneurship through incubators in Zrenjanin, Senta, Subotica and Novi Sad. After the end of the IRDP project the Provincial government of Vojvodina has continued to provide financial incentives to incubators, based on the same principles that were introduced within BBI. That stimulates a few other municipalities in Vojvodina to establish business incubators, such as Kanjiža or Bački Petrovac. It is worth mentioning that BBI indirectly influenced national authorities to introduce a similar measure as support to business incubators in other parts of Serbia.

3.2 APQ Balkans: Regional Integrated Programme of economic and social cooperation - PRICES

Together with the Ministry of Foreign Affairs and the Ministry of Economic Development of the Italian Government, Italian regions have implemented the agreement for cooperation in the Mediterranean and the Balkans (APQ programme). Within the scope of the APQ programme there were partners from Italy⁹⁷ and the Western Balkans⁹⁸.

PRICES has been established with the following goals: (1) to increase economic cooperation between local systems and Italian productive sectors, and the selected territories in South East Europe, and (2) to stimulate a dynamic and structured socio-economic environment particularly aimed at opening the latter's territories to internationalization, and the capacity to create institutional partnerships between Italian and Serbian companies.

On 15 April 2010, Alma Mons from Novi Sad signed a cooperation agreement with Intertrade, a specialised agency of the Chamber of Commerce of Salerno, aimed to create favourable conditions for cooperation between productive sectors of the respective territorial systems.

In particular, the following activities are foreseen in the agreement between Alma Mons and Intertrade:

- Creation of a territorial shared mapping of Serbian territory, primarily in Vojvodina;
- Activation of desk services to Italian and Serbian SMEs that are interested in partnership agreements;
- Organization of promotional activities in Serbian territory and collection of expressions of interest of companies;
- Organization of meetings between productive and institutional stakeholders of the two territorial systems aimed at defining partnership agreements between Italian and Serbian enterprises;
- Evaluating the results of such activities and planning some common new initiatives.

Within the scope of the PRICES project Alma Mons succeeded in establishing links between entrepreneurs from Ada, Stara Pazova, Pančevo, Novi Sad and Sremski Karlovci with their Italian counterparts. Besides, four business-to-business meetings were organized, two in Serbia (Novi Sad and Belgrade) and two in Italy (Napoli and Rome). The project also successfully involved

⁹⁷ The Regions of Puglia, Abruzzo, Basilicata, Calabria, Emilia Romagna, Friuli Venezia Giulia, Lazio, Lombardia, Marche, Sicilia, Toscana, Veneto, Umbria, Campania; Piemonte, Isve-Napoli; Città del Fare-Napoli; Intertrade – Salerno.

⁹⁸ Alma Mons (Novi Sad), Government of the Autonomous Province of Vojvodina, Regional Economic Development Agency for Šumadija and Pomoravlje (Kragujevac), Region Skutari, Cities of Zenica, Prijedor, Sanski Most, Trebinje, Dobož, Nevesinje, Neretva Canton and Zenica Canton.

provincial and local self-governments in Vojvodina in promoting opportunities for economic cooperation between Italy and Serbia.

3.3 Assistance to the Competitiveness and Compatibility for the EU of Serbian SME - ACCESS

Assistance to the Competitiveness and Compatibility for the EU of Serbian SME - ACCESS - is a project that aims to improve the conditions for an enhanced competitiveness of Serbian SMEs in regional and EU markets. The project started in January 2011 within the framework of bilateral development cooperation between the Government of the Republic of Serbia and the Government of the Federal Republic of Germany, and is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in partnership with the Ministry of Finance and Economy of the Government of the Republic of Serbia. The envisaged implementation period of the programme is up to nine years, and the first phase has a duration of three years (01/2011 to 12/2013).

ACCESS has four components:

- (1) Business and Investment Climate;
- (2) Innovation System;
- (3) Quality Infrastructure; and
- (4) Increasing the absorption capacity of relevant Serbian institutions for resources of EU programmes

Horizontally, the project has four intervention areas that are oriented alongside the selected sectors:

- (1) Information Technologies
- (2) Organic Agriculture & Food Processing
- (3) Mechanical & Construction Engineering and
- (4) Energy Efficiency – Related Products and Services.

In principle, ACCESS works either at the national level, where the intervention focus is the provision of technical assistance to the Ministry of Finance and Economy and other ministries for the improvement of policies for quality infrastructure, business and investment climate, innovation systems or EU accession, or at the local level where the intervention is focused on supporting member-based business associations. For the purpose of this report it is important to mention ACCESS' support to organic food production and Vojvodina ICT cluster, both situated in Vojvodina.

ACCESS inherited the support to organic production in Vojvodina from predecessor projects also supported by GIZ. In that regard ACCESS has supported the association of organic farmers with fair exhibition, business-to-business matchmaking events and with technical assistance in building farmers' capacities. Thanks to ACCESS, producers of organic paprika powder have found a German buyer who purchased an annual quantity of production at €10 per kg, while previously the price was only €3 per kg.

The University of Novi Sad is known for having a significant number of spinoffs in the sector of information and communication technologies (ICT). In order to stimulate the development of the ICT sector, the Provincial Government, the University of Novi Sad and Alma Mons put forward the idea of creating a cluster of companies, suppliers and institutions in this sector. As a result, the Vojvodina ICT cluster was established in late 2010. Since the beginning, ACCESS has provided support to the Vojvodina ICT cluster. Firstly, it provided technical assistance to the cluster in

establishing management and operational structures as well as in strategic planning. Those were very important steps for all subsequent activities. A strategic and action plan was developed and accepted by all members of the cluster. Subsequently, ACCESS provided support to the Vojvodina ICT cluster in increasing absorption capacity of EU grants, which was also extremely useful. In addition, ACCESS provided support in promotion, advocacy and lobbying, which resulted in a better visibility of the cluster, especially among national authorities. Today, the Vojvodina ICT cluster is one of the fastest growing clusters in Serbia, and to a large extent its success is due to the support provided by the ACCESS project.

4. Conclusion and recommendations for future development initiatives

Despite being an import-driven, not export-led economy, Serbia was badly hit by the global financial crisis that started in 2008. The GDP growth rate fell from 5.4% in 2007 to -3.5% in 2009, slightly increasing by 1.0% and 1.6% in 2010 and 2011 respectively. Apart from this, according to global indicators such as the Global Competitiveness Index or the World Bank's Doing Business, Serbia continuously ranks behind most neighbours and other European countries as a location to do business.

The unfavourable macroeconomic situation in Serbia, reflected by inadequate factor conditions⁹⁹, low technological level and foreign capital penetration in the domestic economy, influence the local level as well. In addition, the insufficient level of decentralization and the limited competencies of local self-governments in the field of employment and economic development place additional obstacles to local authorities to stimulate development on their respective territories.

Nevertheless, many cities and municipalities have managed to pursue a right approach to local development, which resulted in the highest share of foreign direct investments, increase in export, employment and entrepreneurship. Such examples are especially present in the Vojvodina province, such as Subotica, Zrenjanin, Pećinci, Indija and many others. These cities succeeded thanks to their authorities' clear vision of development priorities, good human resources and social capital, but also due to their favourable locations, close to major transnational corridors.

Today, ten years after the first implemented projects in local development, the question is what future project interventions should focus on. The great majority of Vojvodina cities and municipalities have adopted development strategies and established local economic development offices as branches of the administration¹⁰⁰. Business incubators have been established in Subotica, Zrenjanin, Novi Sad, Bački Petrovac, Senta and Kanjiža, and there are numerous cluster initiatives across Vojvodina.

Nevertheless, all those activities did not succeed in stimulating the development of the private sector. Therefore, development initiatives in the future must have a ***better focus on the needs of the private sector, assisting it in growth, job creation, market penetration, increased productivity and technology transfer.*** A special attention should be paid to ***stimulating innovations and public-private partnerships.*** Besides, the Government of Vojvodina and development partners should ***support the creation of joint ventures between local and foreign partners.***

⁹⁹ Deficiencies in the legal framework, regulatory environment, infrastructure, rule of law, transparency, institutional capacity, inflation, administrative procedures, access to affordable financial assistance mechanisms.

¹⁰⁰ In a few cases local economic development offices have been established outside the local administrations (i.e. Kula), or local economic development activities have been assigned to a third party (i.e. Bačka Topola).

One of the private sector's key problems is its representation, which is especially true of small and medium-sized enterprises, as chambers of commerce usually represent the interests of large companies. On the other hand, business associations that gather entrepreneurs and SMEs usually lack the capacity to articulate the needs of their members. In many cases business associations lack accountability and transparency since their relations with the members are often passive. Therefore, ***there is a clear need for technical assistance to associations gathering entrepreneurs and SMEs.***

Development assistance should also ***support a dialogue between public and private actors through governance arrangement***, in which the private sector should have a more active role in stimulating the business environment. In addition, local self-government should be further supported in ***advancing capacities to analyse local productive systems*** and in ***designing evidence-based local development policies.***

In terms of sectors, Vojvodina has a competitive advantage in agriculture and food production, but also in other sectors such as ICT and the metal processing industry. Since extensive agriculture remains the dominant economic activity in Vojvodina, development cooperation might be a good tool in generating best practices and success stories of intensive and specialised organic farming agriculture (as in the case of ACCESS), fruit growing and wine growing (SeeNet Transgrowth). Stimulating food production might also be a good area for cooperation assistance, as Vojvodina provides great opportunities for the development of this sector. In addition, it is worth mentioning that recently the Abu Dhabi-based firm Al Dahra invested \$400 million to buy eight farm companies based in Vojvodina and develop them to grow and process food and fodders for export¹⁰¹. This is by far the biggest investment in Serbian agriculture for decades and will open a window of opportunity for domestic and international companies to support the success of this investment. There is also a great development opportunity in the advancing ICT sector in Vojvodina. The penetration of ICT solutions in the private sector in Serbia remains at a low level, which presents a good business opportunity. Together with investors from India, the national and provincial governments are building a technology park in Indija that will be one of the largest in this part of Europe. Investors from the United Arab Emirates also expressed the intention of investing in the ICT sector. Besides, the Vojvodina ICT companies, gathered in the Vojvodina ICT cluster, might be good partners for joint ventures with external markets. Finally, the metal processing sector in Vojvodina might also be attractive for partnership agreements, especially in the light of the successful establishment of the Fiat factory in Kragujevac.

¹⁰¹ (<http://www.arabianbusiness.com/uae-s-al-dahra-invest-400m-in-serbian-farms-495837.html#.UYQrMkpVbqs>).

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